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Recession 2022: Impacts, Challenges, and Preventions to protect a country - with reference to India.

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Abstract

The spike in world inflation began in mid-2021, with several countries recording their highest inflation rates in decades.In 2020 and 2021, governments and central banks can offer commercial enterprise and financial input in response to the pandemic.The impact of the Russian invasion of Ukraine on world oil, gas, fertilizer, and food costs rising gasoline costs were a serious driver of inflation as oil producers announced record profits.These two factors may cause the global economy to enter a recession next year. According to a United Nations Conference on Trade and Development (UNCTAD) report, Russia, Indonesia, India, the United Kingdom, and Germany are among the countries likely to be the biggest contributors to this global production loss. Rising interest rates, depreciating currencies, rising sovereign debt, and pushing up food and fuel prices all add uncertainty to global markets. Global growth has slowed sharply and should continue to slow as many countries enter recession, says the International Bank for Reconstruction and Development's cluster chairman. Her MD at the MF, Kristalina Georgieva, said earlier this week that global economic growth could fall by $4 trillion by 2026. The year 2022 has seen a dramatic rise in food and fuel prices. The Indian crude basket price was USD 79.18 per barrel in 2021–22 and USD 44.82 per barrel in the previous financial year. Interest rates are rising globally, inflation continues, and many currencies are depreciating against the dollar. On Tuesday, the head of the World Trade Organization said he believed "we are entering a global recession." But despite its weak economic outlook, the United States is expected to grow faster than the wealthier nation, and high interest rates are making U.S. investments more attractive to global investors. In the midst of reports of mass layoffs by several companies around the world, including those in the IT sector, Labor and Employment Minister Bhupender Yadav stated on Thursday that any layoffs are illegal and do not fall under the provisions of the Labor Dispute Act. The minister responded to Rajya Sabha on the question of whether the government was aware of the mass layoffs of employees in many multinational and Indian companies in the IT, social media, Edu Tech, and other sectors, which are relevant, or not. Matters relating to layoffs and dismissals in industrial establishments are governed by provisions of the Industrial Disputes Act 1947 (ID Act), which also cover various aspects of layoffs

and prerequisites for firing workers, Yadav said. First, 63,000 jobs were lost in February 2008, and the Bureau of Economic Analysis reported an additional 156,000 job losses in September on October 1.

Introduction.

The spike in world inflation began in mid-2021, with several countries recording their highest inflation rates in decades. There are several doable causes, together with the economic turmoil related to the pandemic. In 2020 and 2021, governments and central banks can offer commercial enterprise and financial input in response to the pandemic. Provide shortfalls thanks to growing shopper demand (including chip and power shortages). The impact of the Russian invasion of Ukraine on world oil, gas, fertilizer, and food costs rising gasoline costs were a serious driver of inflation as oil producers announced record profits. A discussion has erupted over whether or not inflationary pressures are temporary or permanent. Central banks responded by sharply raising interest rates. The COVID-19 pandemic has taken a toll on the world economy. While the economy struggled to recover, another major event was the war between Russia and Ukraine. These two factors may cause the global economy to enter a recession next year. Moreover, India is not unconquerable.

Without the pandemic, global production would have increased by 23% since 2016. Nevertheless, currently, the projected growth rate is only 17%. With the global economic slowdown, real GDP is still below pre-pandemic trends and is projected to cost more than $17 trillion, nearly 20% of total global income. According to a United Nations Conference on Trade and Development (UNCTAD) report, Russia, Indonesia, India, the United Kingdom, and Germany are among the countries likely to be the biggest contributors to this global production loss. India could suffer a production loss of 7.8% in 2023, while the Eurozone is expected to suffer a loss of 5.1%, China a loss of 5.7%, the UK a loss of 6.8%, and Russia a loss of 12.6%. Rising interest rates, depreciating currencies, rising sovereign debt, and pushing up food and fuel prices all add uncertainty to global markets. Global growth has slowed sharply and should slow any as a lot of countries enter recession, says International Bank for Reconstruction and Development cluster Chairman. they have a tendency to square measure terribly involved regarding the lasting damaging consequences. this might presumably result in varied money crises beside recessions.

The International Monetary Fund (IMF) has also warned of a possible recession next year. Her MD at the IMF, Kristalina Georgieva, said earlier this week that global economic growth could fall by $4 trillion by 2026. Things are likely to get worse before better, she added. Close to default. Low- and middle-income countries are spending more to service public debt. Somalia, Sri Lanka, Angola, Gabon and Laos have the highest share of revenue required to service their public debt.

Food and energy are two factors that directly affect the lives of common people. The year 2022 has seen a dramatic rise in food and fuel prices. While the food price index rose to a lifetime high of

125.7 in 2021 and further to 146.94 by September 2022, the Indian basket of crude oil prices averaged $102.14 a barrel from April-October 2022.

The Indian crude basket price was USD 79.18 per barrel in 2021-22 and USD 44.82 per barrel in the previous financial year. Interest rates are rising globally, inflation continues and many currencies are depreciating against the dollar. On Tuesday, the head of the World Trade Organization said he believed "we are entering a global recession." But despite its weak economic outlook, the United States is expected to grow faster than the wealthier nation, and high interest rates are making U.S. investments more attractive to global investors. of the world As for other regions, it may not be a good thing. ``Many emerging and frontier markets are facing steadily increasing pressure as Fed rate hikes and a stronger dollar push them out of dollar-denominated bond markets.'' ``It has created significant stress.'' $ Increased value creates many secondary economic effects. For countries and companies with a lot of dollar debt, this means repayment will be more difficult.

In the midst of reports of mass layoffs by several companies around the world, including those in the IT sector, Labor and Employment Minister Bhupender Yadav stated on Thursday that any layoffs and layoffs are illegal and do not fall under the provisions of the Labor Dispute Act. The minister responded to Rajya Sabha on the question of whether the government was aware of the mass layoffs of employees in many multinational and Indian companies in the IT, social media, Edu Tech, and other sectors, which are relevant, or not. Essentially, the law states that establishments with more than 100 employees must obtain permission from the relevant government before laying off employees. Most of the startups that have laid off employees, including Byju's, Unacademy, Vedantu, Ola, and Oyo Rooms, have more than 100 employees. Matters relating to layoffs and dismissals in industrial establishments are governed by provisions of the Industrial Disputes Act 1947 (ID Act), which also cover various aspects of layoffs and prerequisites for firing workers, Yadav said. sabha. He also announced that no data is kept centrally on layoffs or layoffs related to these areas. The Minister said that at establishments under the central government's authority, the central labour relations mechanism (CIRM) is responsible for maintaining good industrial relations and protecting the interests of workers. including issues concerning layoffs and their prevention

Recession Now 2022 Vs. Previous 2008.

2008 recession

In all of these recession periods, the 2008 phase remained at the top, with all phases of the country's shrinking economic activities, particularly the subprime mortgage bust, followed by a drop in private consumption and entry into the severe unemployment front. First, 63,000 jobs were lost in February 2008, and the Bureau of Economic Analysis reported an additional 156,000 job losses in September on October 1. In November 2008, 533,000 jobs were lost, the most in a single month in 34 years. Overall, an estimated 2.6 million jobs were lost in 2008, and by March 2009, the figure had risen to 5.1 million, the largest annual increase in the number of unemployed persons since the 1940s. A protracted credit crisis and commodity inflation have had an impact.

2022 Recession

Then the unemployment rate reached 10% in 2009 and gradually decreased to 8% in January 2013. Now One of the bright spots today is the low unemployment rate, which has fallen from the highs of the university. 2020 epidemic to between 3% and 4%. Basically, people who want a job can usually find one. On the other hand, labour shortages remain a challenge for many businesses, exacerbating inflation. It's strange that investors are going through such a miserable time after two years of the COVID-19 pandemic, but we live in unusual times. The average investor should keep the upper lip tough until the price returns to normal. However, the overall temperature of the economy and the country as a whole is not as bad as it was almost 15 years ago, in 2008. Sure, the economy contracted in the first half, but the unemployment rate was very low and wages are rising, even if they haven't kept up with inflation.

China's Shanghai Composite Index is down more than 11%, Japan's Nikkei 225 and London's FTSE All-Share Index are down nearly 5%, the US 7P 500 is down more than 17%, and the Dow Jones is down more than 7%, but India's Sensex and Nifty are up around 5%. According to Bloomberg, the consensus among analysts and strategists is that Indian stocks will lose momentum next year as sky-high valuations weigh on market enthusiasm. They also expect the Indian rupee to underperform other emerging-market currencies, while the country's bonds to benefit from inclusion in major global indexes. If global growth and sentiment improve, some of these oversold markets could recover in the next 6-12 months.

Recession Signals – Global Perspective

A. Lay offs

India's jobs crisis is a key factor for economic growth as more jobs contribute to economic growth by providing goods and services for consumption and base development. Infrastructure. Employment opportunities are decreasing due to large population and large socioeconomic disparities between social classes. The main causes of unemployment in India can be attributed to the large population, lack of work skills or low education level of the working population. The downturn in labor-intensive industries is also an important factor related to the employment crisis. The de-monetization in 2016 had a negative impact on the informal sector, causing a crisis in industrial production and a lack of job opportunities. In 2020, the covid19 pandemic has caused a severe setback in the employment scenario in India and the effects are still evident on the economy. The unemployment rate was low in 2017 but has increased and peaked in 2020. Organizations are taking advantage of the pandemic to downsize and reduce costs, which mainly affects paid jobs. wages in the private sector. The jobs crisis has worsened over the years and has only increased sharply due to the pandemic's impact on new job creation and the hiring process. As of April 2022, the overall unemployment rate of India is around 7.8%, of which the unemployment rate in urban areas is 9.22% and 7.18% in rural areas. Haryana state has the highest unemployment rate at 34.5%. As of December 8, 2022, 17,989 employees have been laid off by 52 startups in India, including several unicorns and baby corn. Of the total number of employees laid off by Indian

startups, 15,424 worked for companies in education technology, e-commerce or consumer services. Tech layoffs by 2022 will affect 135,000 employees globally, with thousands in India within potential sights When the Covid19 pandemic hit in early 2020, the startup world was hit by a global shutdown. Most companies have rushed to cut spending and freeze hiring to survive the unprecedented crisis. But in the following year, the overhaul was never as bad as expected. Bull markets and tech startups receive steady flow of capital as investors bet big on a new era of capital-saving technology and business intelligence. Even the dynamics of the labor market favor workers. People resigned en masse for greener pastures (known as the Great Resignation) and hiring skyrocketed as companies struggled to fill talent gaps. But the scenario changed when Russia's invasion of Ukraine began in February 2022. The impact of geopolitical uncertainty on the global economy, along with troubled markets, inflation Rising highs and lingering global recession fears have limited startup excitement. lands in India and abroad. For companies large and small, the argument has shifted from “growth at all costs” to investors' fear of missing out (FOMO) profits, giving way to orthodox austerity. In short, the year of "loud" layoffs (which were carried out massively on all types of media platforms, especially social networks) has arrived, and by and large, the carnage is expected. will continue into 2023 - 24.

B. Commodity

Typically, commodity prices are broadly influenced by the business cycle. Barring the global financial crisis and the severe phase of Covid -19 pandemic, this is the weakest growth profile since 2001. Global growth was 6.0 per cent in 2021, it is expected to be 3.2% in 2022 and 2.7% in 2023. But over the past several years, global trade wars, COVID, the war in Ukraine, central bank rate hikes, and exchange rate fluctuations have disrupted those patterns. Global growth was 6.0 per cent in 2021. They generally rise when the economy is expanding and demand is relatively higher, and they generally fall when the economy is contracting and demand is relatively lower.

C. Interest Rates

In economics, no price is more important than the price of money. During the recession, the US Federal Reserve cut short-term interest rates, making credit easier for commercial and municipal borrowers. Some central banks may be forced to raise interest rates to fight inflation. When the economy is running at full capacity, inflation can push the cost of goods and services above the central bank's dictate, typically by about 2%. As with most mortgages, expect to pay higher EMI on variable rate loans and earn higher interest rates on your deposits over time. High inflation and rising deposit rates could result in relatively low discretionary spending. The cost of higher education and interest rates on student loans will soon rise, along with interest rates on other types of loans.

D. Currency Value

On December 07, 2022, the Indian Rupee hit a record low of 79.03 against the US Dollar. On Thursday, he was able to recover from record lows after reaching 78.90 with 13 paises against the dollar. The rupee has been declining since the beginning of the year, especially after supply chain disruptions caused by the war between Russia and Ukraine, global economic challenges, inflation and high oil prices. The Indian Rupee loses value when demand for the US dollar increases and vice

versa. Outflow of funds from India will affect the Rupee-Dollar exchange rate. Such a devaluation would put significant pressure on the already high import prices of oil and commodities, paving the way for import inflation and higher production costs, along with higher retail inflation. Some analysts believe the rupee could fall further against the dollar in the next few sessions as oil prices rise and the FII selloff continues.

E.GDP

India can withstand an impending global recession. There is a synchronised downturn in the US, Europe, Japan, and also in China, and that could take the global economy into a recession in the coming months.At six to seven percent growth in the next fiscal year (2023–24), the Indian economy can comfortably withstand an impending global recession that could hit most other major economies, economists and analysts said.At six to seven percent growth in the next fiscal year (2023–24), the Indian economy can comfortably withstand an impending global recession that could hit most other major economies, economists and analysts said.The good thing is that there are no such fears of a slowdown in India, as even though our growth may be negatively impacted by global conditions, we can expect a rate hike of six per cent to seven per cent in 2023-24,Amid widespread gloomy signs of the looming recession, the International Monetary Fund's chief, Kristalina Georgieva, warned that the global economy is moving from a world of relative predictability to one of greater uncertainty.The fund said that colliding pressures from inflation, war-driven energy and food crises, and higher interest rates were pushing the world to the brink of recession. Cutting its 2023 global growth forecasts further, the IMF said in its World Economic Outlook that countries representing a third of world output could be in recession next year.India will have a $30 trillion economy by 2050, according to Asia's richest man, Gautam Adani. This is a nearly tenfold leap from his current size, fueled by increased consumption and social and economic reforms.He said it took him 58 years for India to grow into its $1 trillion economy, but the country will add GDP by the same amount every 12 to 18 months and will grow by 2050. said it would become the second-largest economy in the world.According to Adani, India is at the pinnacle of extraordinary growth and will surpass the United States as the world's third-largest economy "well before" 2030.According to a recent Morgan Stanley report, India's GDP is projected to exceed $7.5 trillion by 2031, more than doubling its current level. According to Morgan Stanley, India is expected to overtake Japan and Germany to become the world's third-largest economy by 2027 and the third-largest stock market by 2030. This is thanks to global trends and the significant investments the country has made in technology and energy.India is already the fastest-growing economy in the world, averaging 5.5% gross domestic product growth over the past decade. Today, his trio of megatrends—global offshoring, digitization, and the energy transition—are setting the stage for unprecedented economic growth in India, home to over one billion people."By 2027, India will overtake Japan and Germany to become the world's third-largest economy, and its stock market will be the third-largest," said Lydham Desai, chief equity strategist at Morgan Stanley India. "I believe," he said.

"As a result, India is gaining strength in the global order, and, in our view, these singular changes represent a unique generational shift and opportunity for investors and companies." On October

6, the World Bank forecasted 6.5% for 22-23, ranging from 5.9% in 2022 to 5.9% in 2023.The International Monetary Fund forecasts India's growth to be 6.8% in 2022, compared with 8.7% in 2021.

Recession Challenges in India

- 66% of Indian CEOs predict recession in 2023. Dismissal is announced.
- 86% of Indian CEOs expect the recession to hit corporate earnings by up to 10% over the next 12 months, compared to 71% of global CEOs.
- Half of India's CEOs plan to pause or scale back their digital transformation strategies within the next six months in preparation for the expected economic downturn, compared to 37% of global CEOs .
- According to KPMG's India CEO Outlook 2022, India's CEOs expect business and country growth prospects to slow, but expect a near-term recovery.
- The top three steps to overcoming these challenges include reducing margins and controlling costs by 40%, increasing revenue growth by 40%, and driving revenue growth by 40%.

Steps to prevent or protect India from Recession

A recession is a period of economic downturn spread across several months ,To help prepare for a recession, job loss or other financial hurdle, aim to build an emergency fund that covers three to six months of living expenses. If you are falling behind in debt payments, reach out to your creditors and ask for hardship concessions.

- Take stock of your financial priorities
- Focus on debt repayment if you're able
- Consider your career opportunities, both now and in the future
- Try to bolster your emergency fund ahead of time.
- Make an effort to stay on top of your financial situation
- Have access to more assets for less money.

Conclusion

Any global recession could significantly slow India's economic growth. Technically, a recession is defined as two consecutive quarters of declining GDP in conjunction with monthly indicators such as an increase in unemployment. In that regard, the Indian economy was in recession in the first half of 2020-21, contracting 23.8 percent in the first quarter and 6.6 percent in the second, totaling a 15.2 percent drop in the first six months of FY21 due to Covid-induced lockdowns.

A recession, on the other hand, is now defined as a significant decline in economic activity across the economy that lasts more than a few months. It is usually visible in terms of real GDP, real income, employment, industrial production, and so on.