



OUTBREAK OF CORONA VIRUS AND GLOBAL RECESSION

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Introduction

- ▶ The outbreak of corona virus pandemic has already created global recession.
- ▶ Prolong lockdown has badly affected various sectors such as tourism, hospitality, transport and agricultural (perishable) sector.
- ▶ The IMF Chief Gita Gopinath has also predicted economic recession. In case of India, the GDP growth will decline to 1.9% during the year 2020 as worst as 1991.
- ▶ In this regard let us have a presentation of the topic Trade or Business Cycle.



Trade Cycle or Business Cycle

Meaning

- ▶ In simple words, trade cycle is nothing but fluctuations in economic activity expressed by way of **ups and downs**.
- ▶ Earlier this concept was used to describe economic situation of an individual economy, now it is applied after globalisation to describe the economic situation at global level.

Definition In the words of Haberler

“ The trade cycle in the general sense may be defined as an alternation of periods of prosperity & depression of good and bad trade.”

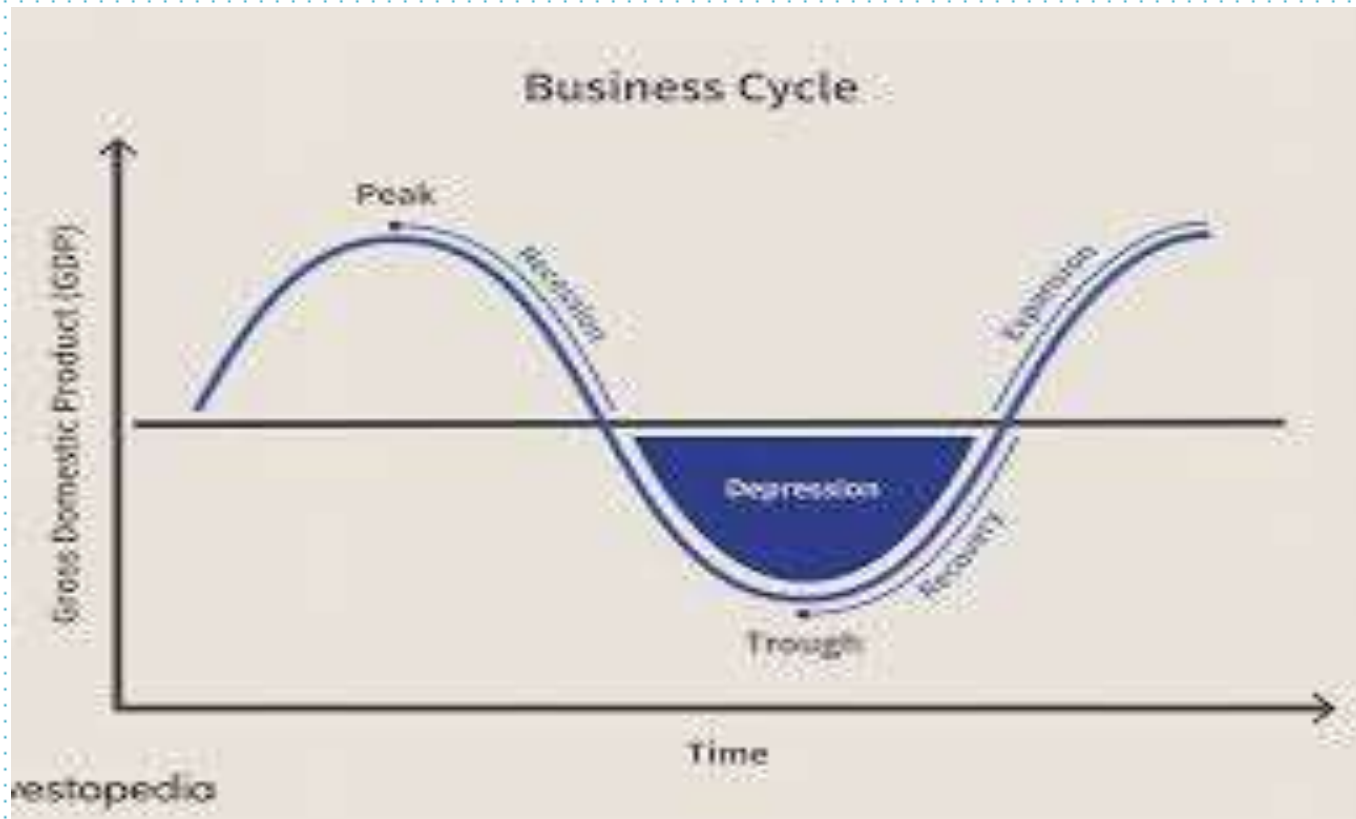


Phases of Business Cycle

- ▶ There are Four Phases.
 - 1 Prosperity
 - 2 Recession
 - 3 Depression
 - 4 Recovery



Diagramme of Trade Cycle



Prosperity

Prosperity :

- ▶ According to Haberler prosperity is a state of affairs in which the real income consumed, real income produced and level of employment are high or rising & no idle resources or unemployed workers.

Features :

High level of output

High MEC(Marginal Efficiency of Capital)

High employment

Rising structure of interest rate

Large expansion of bank credit

Business optimism

Full capacity operating economy

High business inventories



Recession

It begins after prosperity ends.

In this period the feeling of over optimism of the earlier phase gives way to pessimism.

Entrepreneurs feel erosion of profit.

Features :

- ▶ Fall in employment
- ▶ Decreasing Industrial output
- ▶ Falling wage rates, prices and cost of production
- ▶ High discount rates
- ▶ Profits disappear
- ▶ Rise in business failure.



Depression

This is the situation where the aggregate economic activity is at its lowest level.

Features:

- ▶ Reduction in the volume of output, trade & transaction
- ▶ Rise in the level of unemployment
- ▶ Price deflation
- ▶ Fall in aggregate income of the community
- ▶ Reduction in the consumption spending
- ▶ Decline in investment demand function.
- ▶ Contraction of bank credit
- ▶ Low discount rates



Recovery

- ▶ This is a phase through which an economy undergoes changes from depression to prosperity.
- ▶ Slow rise in employment
- ▶ Slow increase in industrial output
- ▶ Wage rates rise
- ▶ Expansion of bank loans \ credit facilities
- ▶ Low discount rates
- ▶ Increase in building construction & business inventories.



Measures to Counter Recession

- ▶ There is possibility of global recession worldwide. For e.g. countries such as USA,UK, European nations who are taking measures at their own level.
- ▶ In case of India fiscal & monetary measures are being undertaken by the RBI & Gol to overcome the situation.
- ▶ Reverse repo rate reduced by 25 basis points to 3.75%
- ▶ 90-day NPA (non performing asset) not to apply on existing loans by banks
- ▶ RBI declared Rs 50000 cr liquidity support to Nabard , Sidbi (Small Industries Development Bank of India) & NHB(National Housing Bank)
- ▶ Government to extend interest subvention for MSMES
- ▶ Lowering of Inflation by maintaining effective supply chain



Conclusion

- ▶ The above mentioned steps may likely to benefit small businesses, small industrial sector and the poor It is projected that economy may likely to rebound in coming one or two years



THANKS



Nature of Questions

For MBA students

- ▶ Case Study
- ▶ Measures to correct Recession

For B.Com. II Students

- ▶ Types of Trade Cycle / Business Cycle
- ▶ Measures to correct Trade Cycle

