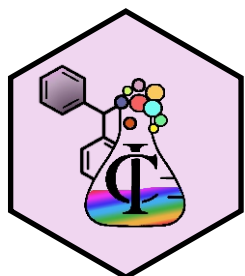
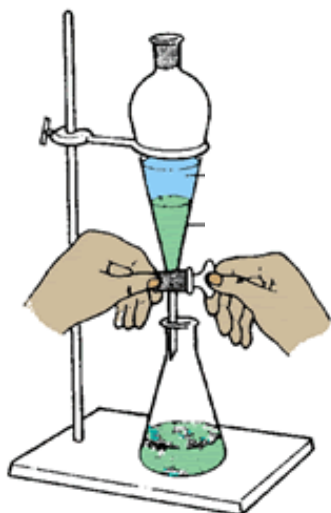


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# THE FINAL WORD



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Final year students have joined Industry via campus placement

Atul Limited, Valsad, Gujarat



Rinkesh Modi



Bharat Ram

### Global recession 2020

IMF, that is, International Monetary Fund has told that due to the lockdowns because of the corona virus the economy worldwide has already been hit by recession. Infact , according to them, not only will this recession be worse than the 2008 Global Financial crisis but it will be the worst economic recession in the past 100 years after the Great Depression of 1930s.

**The questions that come across over mind are as :**

'What is the current status? What is expected to be the condition of the world economy in future? What impact will it have on your jobs and studies?'

First of all, what is the difference between economic slowdown, recession and depression? You must have heard these three words quite frequently. The difference amongst them is - Economic slowdown happens when the GDP growth rate is low it is not negative- it stays in the positive, but it is (decreasing) lesser in comparison to the previous years.

For example, we have been seen economic slowdown in India in the past few years. But economic slowdown does not mean recession. Most of the economists describe recession as when the GDP growth rate of a country goes into the negatives for two quarters or more and depression is a worse condition than recession. Depression is basically recession over a long period of time. It is defined as a minus 10 or even lower GDP growth rate of a country for a period of three years or more.

Depression is such a terrible condition that over the past 150 years, the world economy has faced depression only once and that was 'The Great Depression of 1929'. You must have read about it in the history books- The great depression went on for more than 10 years the GDP growth rate of the world economy had almost touched minus 15 percent. The unemployment rate in most of the countries was 25-30%. Those were appalling conditions.

Such a bad economic state worldwide has never happened (occurred) since then For comparison, the Global Financial crisis of 2008 saw the worldwide GDP fall by a mere minus 1%. So you can compare minus 15% and minus 1%. The Global Financial crisis of 2008 is referred to as the Great Recession. Today's recession is compared with the recession of 2008 and the 1930's depression by a lot of people.

But most of the economists are of the opinion (had believed) that the (current) condition is going to be worse than the recession of 2008.

This is already visible in the data. For instance, consider the example of France. The quarterly GDP growth rate of the first three months in France has been calculated to be minus 6%. This is the worst performance in the history of France ever since World War 2 (Second world war) . It is being predicted that the GDP growth rate in the second quarter in Germany is going to be minus 10%.

Compared to 2008, there are some critical differences in today's scenario. The first being that the people today are not working due to the lockdowns. When recession had struck in 2008, some banks did collapse and some people did lose their jobs.

But on the whole, the economy was still running and the people were still working which is not possible today. A lot of companies did try and inculcate work from home. But think about it- there are so many industries and sectors where work from home is not possible.

For example,

Sports industry- Cricket, football, tennis and almost all the sports events and matches have either been cancelled or postponed. Think about how many jobs were dependent on it. The Olympics got cancelled. It was going to be held in Japan in 2020. Now, it has been postponed until 2021. It is extremely likely that IPL will be postponed too. Travel and aviation industry- it is one of the hardest hit industries (had a major hit due to lockdowns). Hotels, airlines, travel agents, tour group organizers, air hostesses, pilots, the people working at the airports. All of these people are unable to work and earn their salaries right now.

Film and entertainment industry. Cinema halls have been shut down. The people working at the cinema halls (are unable to work ).

The screening of films has been halted. The film production has been stalled. So the people employed to make these films- I'm not talking about famous actors and directors. Thousands of people are employed to make a film. They have no livelihood right now. Concerts and theme parks have been shut down. Artists have become unemployed because of this.

Technology industry is an industry that has remained neutral to some extent. There have been some negative effects for sure. (In the field of) Manufacturing- where plants and factories were forced to be shut down.

So Apple, too, is no longer a trillion dollar industry. There have been delays in the shipments of Apple. There have been delays in manufacturing too, but due to "Work from home" a lot of people are (still) able to work.

Restaurant industries is also one of the worst hit industries (affected industries) . People have curtailed going to restaurants and so the restaurant owners are unable to garner profits. So all the people employed in restaurants are becoming jobless.



Now, if the business is down in so many different sectors, so barring a few, almost all the companies would incur losses. And if a company incurs losses, then it would want to save money.



'And what would the companies do to save money?'

Either they would not pay the salaries to their employees and cut their salaries or they would layoff their employees from their jobs. This is exactly what is happening across the world. Either their salaries are being cut or they are being laid off from their jobs temporarily or permanently.

For example, Tesla has slashed the salaries of all of its employees by 10%  
Marriott - the world's largest hotel company. They have slashed the salaries of their senior executives by 50%. And they are laying off almost 10,000 workers from their jobs.

The Norwegian and Scandinavian airlines have laid off 90% of their employees. The International Labour Organization has predicted that 38% of all employees in the world are either at a risk of layoff or a salary cut. It has been predicted that more than one billion workers in total will either face salary cuts or job losses and 2.7 billion workers will be directly or indirectly affected in some way or the other by the lockdowns due to the corona virus.

Now, there are very high chances of you too being laid off from your job for a few months or your salaries will be cut.

## Risky Business

The ILO fears 38% of the world's workers are at risk of layoffs, pay cuts.

### ■ Share of employment in at-risk sectors

Africa



Arab States



Asia/Pacific



Europe & Central Asia



Americas



### 'What will be the right course of action in such a situation?'

One way would be to waste your time by watching a new film on Netflix daily (digital platforms or scrolling through your social network feeds) or you could utilize this time to learn something new or to learn a new skill which would lead to your own personal growth and, it would be a very good decision if right now, you utilize this time to upskill yourself so that when the situation returns to normal, and the people resume their jobs, then your skills are better in comparison with the rest of the employees and you are better than the others so that you get a better salary and do better at your job. A good way to do this is to watch free lessons on YouTube to learn anything new for example, if you want to learn a new language or coding or animation. The possibilities are infinite. You can learn anything new to make yourself better.

Coming back to the topic,

The big companies can afford to pay salaries to their employees and to let them retain their jobs but what will become of those small businesses that were running their business on a month to month basis and they would not be able to bear losses of more than 2-3 months.

They are anyway going to fire their employees and would incur losses themselves. This is being witnessed quite a lot in India. The migrant workers in India have become jobless. They neither have jobs nor do they have money to eat, or the privilege to stay at home and look out at mobiles for the latest updates.

This is why we get to hear cases where the migrant workers have come out on streets for chasing a safe place for their families, going back to the home towns which they left to earn. There is stone pelting and demand of salaries They are demanding that they must be given atleast transportation to go back to their villages. This was seen in Surat where there was stone pelting and the migrant workers had blocked the road.

The rest of the companies for which work from home is possible and the education sector. There is a very high potential of innovation from these areas during this recession. Because these companies and our schools and universities are trying to look for new ways to get the employees to work from home and to get the students to study from home. Through online video conferencing and video calls and through online streaming we are able to stay in contact and transform studies. It might be in the future that a major shift is seen in the educational sector where more and more online classes would take place even after the withdrawal of this lockdown.

The use of automation by the companies will be speed up and some economists even believe that the commercial real estate sector might slip down after this lockdown is over because a lot of companies will realize that since they are telling their employees to work from home so what is the need of calling them to the office?

If work from home is happening in a proper manner so why should they pay for transportation and the rent of the office? When all can work from home, they would not do it (i.e, pay rent and transportation). It might be that a lot of companies realize this and work from home is continued. The commercial real estate prices might fall because of this reason' But this has its own downsides'. Because it might have a negative.

Comparing today's recession with the 2008 recession again, Some economists believe that there will be problems in the short term but not as many in the long term. Because all the prior recessions in the world have all been due to some structural economic problem. But this recession is basically happening due to voluntary choice.

The countries themselves decided to implement lockdowns and that the people will stay at home and they will not work. This is why this recession is happening But as soon as the countries remove the lockdowns, the people would resume their jobs then the situation would revert to normal. This is why some economists believe that the situation would quickly revert to normal.

Not that massive problems would arise. And the countries themselves have decided to implement the lockdowns so the countries will also decide themselves as to how to compensate the people for that short time when they are unemployed and how to support the companies that are unable to run their businesses.

So if the people and the companies are supported in a proper manner then there would not be a massive negative impact in the long run. And observing historically, whenever recession has struck, the economy bounces back in the long term

And this is exactly why the countries across the world have announced economic relief packages how much money would they spend on the public and the companies of the country in order to support them so that people have enough money for food and their daily expenses.

The companies have sufficient money to run their businesses in order to prevent them from shutting down. A lot of different countries have spent different amounts of money.

But USA is at number 1, which has spent 11% of its GDP to help its citizens 2.3 trillion dollars.

India - 265 billion dollars

Germany - 189 billion dollars

China - 169 billion dollars

Australia- 133 billion dollars

All of these countries have put in around 8-9%, sometimes 10-11% of their GDP in economic relief packages. However in comparison to India rest of the countries will give benefits to every citizen directly while India is planning to help citizens through several loans schemes. So we will see how economic packages are announced by the government will aid the people during this recession.

- Kamalkishor Pandey (19IC37)