

The effects of global recession on local economies



Global recession is an economic issue that prevails these recent years. With recession, the economic activities of a country slowly go downhill over a period of time in a business cycle. A business cycle is the economy-wide economic activity over several months or years. It is the fluctuations in the production of the economy for a period of time. During recession, business profits, capacity utilization, investment spending, employment, Gross Domestic Product and household income and budgeting are all affected negatively.

With the slowdown of the global economy, there are a lot of areas which are affected. Multinational and international industries, local industries, government establishments and the consumers themselves are all affected by the changes in the economic standing of the country. Global recession has a great impact on the value of local and international currencies, generally affecting end-users and households. In effect, the buying capability of the consumers goes down.

And because of how global recession significantly impacts consumers and local economies, I want to delve deeper into these effects. This paper will discuss the different areas of the local economy such as employment, investment spending, profit and capacity utilization. This will enable us to understand and demonstrate how local economies are able to survive or not. This paper also aims to compare and contrast the different theories associated with recession, like the neoclassical perspective and the Keynesian perspective, and how applicable it is on explaining the effects of global recession on local economies.

To know the effects on the local economies at the present time, I will look at the volume of production and service of local companies in contrast to the <https://assignbuster.com/the-effects-of-global-recession-on-local-economies/>

demands of the market, the unemployment and employment rate and the success or failure of investment projects in contrast to the fluctuations of the value of the local currency.