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Editorial

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'Global Recession' in the Offing: *Deliberating on Proactive Measures*

Prof. Arhan Sthapit, *PhD*

Editor-in-chief

ORCID https://orcid.org/0000-0002-2799-4936

With supranational organisations and global think tanks predicting global recession in wake of the COVID-affected era and the Ukraine war, it has become a high time that organisation leaders and managers throw down their gauntlets to face the potential challenges of the recession to their businesses.

Recessionary previsions

The International Monetary Fund (IMF) has projected that a third of the world economy will be in recession next year (IMF, 2022 October). It attributes a growing, multifaceted economic crisis to at least three factors, apart from the COVID-19 consequences; they are: the war in Europe, an economic slowdown in China and soaring inflation in most parts of the globe. The cost-of-living crisis, and tightening financial conditions in most regions, and Ukraine war (IMF, 2022 October) compounded with the protracted COVID-19 pandemic (Sthapit, 2022 June; Sthapit, 2022 March; Sthapit, 2021 June; Sthapit, 2020 December) weigh heavily on the global economic performance.

Not only China, but all the world's largest economies— including Europe and the United States— are now slowing down, which is dampening demand for exports from emerging and developing countries, already hit hard by high food and energy prices (Business-standard, 2022 October). Consequently, global economic activity has been experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than recorded in several decades.

Earlier, the Organisation for Economic Cooperation and Development (OECD) also predicted that energy and inflation crises would risk pushing big economies into recession, as it projects the global economic growth to be at 3.0% in 2022 and slow down to 2.2% in 2023, revised down from a forecast in June-2022 of 2.8% (WEF, 2022a).

Almost on the similar line with the OECD has the IMF forecasted global economic growth to slow down from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023 (IMF, 2022 October). It marks the weakest growth profile since 2001 except for the global financial crisis in 2008 and the acute phase of the COVID-19 pandemic in 2020/021. Likewise, global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 and to 4.1 percent by 2024 (IMF, 2022 October).

As uncertainty has remained high and more economic shocks are likely, it can result in high debt levels and liquidity concerns that can amplify the rapid and disorderly repricing of assets on financial markets. It is likely to exacerbate the global economic performance. Hence, if we were to go by these economic indicators and predictions, we would find that global recession was most likely.

Proactive Measures

With the 'global recession' in the offing, organisation leaders and managers have an uphill task before them in sustaining their business. Since the issue of handling global economy and recession is highly critical and falls under the jurisdiction of national governments at the macro and supranational levels, business leaders and managers will also need to spearhead lobbying with the national governments and supranational organisations including the World Bank, IMF, WTO and the like. The lobbying with the global thinktanks including the World Economic Forum (WEF) and the like is also advisable.

At the global level, it is essential that most major economies continue to tighten their monetary policy for taming inflation durably. Likewise, targeted fiscal stimulus from their governments is also key to restoring consumer and business confidence. It is also vital that monetary and fiscal policy veritably work together for which economies should work in tandem with this goal in mind.

With many governments increasing support packages to help households and businesses cope with high inflation, such measures should target those most in need and vulnerable and be temporary to keep down their cost and not further burden their high post-COVID debts. It also holds true in case of developing economies like Nepal.

Central banks of countries should persist in their efforts to control inflation—and it can be done without touching off a global recession, a WEF study recommends (WEF, 2022b). But it will require concerted actions by a variety of policymakers in countries throughout the world to make it proactive in nature:

- Governments and central banks in developing economies as well as emerging markets need to stand ready to manage the potential 'spill-overs' from globally synchronous tightening of monetary and fiscal policies.
- Central banks must communicate policy decisions clearly while safeguarding their independence. This could help anchor inflation expectations and reduce the degree of tightening needed. In emerging market and developing economies, they should strengthen macroprudential regulations and build foreign-exchange

reserves. Central banks in advanced economies should keep in mind the cross-border spill-over effects of monetary tightening.

- Fiscal authorities of countries will need to carefully calibrate the withdrawal of fiscal support measures while ensuring consistency with monetary-policy objectives. The fraction of countries tightening fiscal policies next year is expected to reach its highest level since the early 1990s. This could amplify the impact of monetary policy on economic growth. Fiscal authorities should also put in place credible medium-term fiscal plans and provide targeted relief to vulnerable households.
- Other economic policymakers will need to join in the fight against inflation — particularly by taking strong steps to boost global supply. These steps should encompass: (i) strengthening global trade networks; (ii) easing labour-market constraints; and (iii) boosting the global supply of commodities particularly in increasing food and energy supply.

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