



**GLOBAL
ECONOMIC
SLOWDOWN**

Executive Summary



Vani Tambi
Senior Associate
XFC



Mehek Agarwal
Senior Associate
XFC



Rishav Pareek
Senior Associate
XFC



Saourya Jain
Junior Associate
XFC



Vidhi Agarwal
Junior Associate
XFC



Shalini Mishra
Junior Associate
XFC



Vishakha Gadia
Junior Associate
XFC

Overview
Factors
Impacts
Financial Markets
Anticipated Decline
Examples
Conclusion

3
4
8
16
20
23
27

Disclaimer:

This material has been prepared by Xavier's Finance Community using publicly available information, anecdotal sources, and proprietary estimates. It includes forward-looking statements, projections, and assumptions regarding market performance, which may not necessarily align with actual outcomes. While efforts have been made to ensure accuracy, Xavier's Finance Community does not assume liability for any errors, omissions, or shifts in market conditions post-publication.

Reproduction or distribution of any part of this document is prohibited without prior written consent. This publication does not constitute financial, tax, legal, or specialized advice, nor does it endorse or commit to any specific transactions.

Please note that Xavier's Finance Community is not registered with SEBI. The information provided herein is intended solely for educational purposes. We bear no responsibility for any profit or loss resulting from the application of our suggestions. Readers are strongly advised to consult their financial advisors before making any decisions based on the information in this document.

Published: January 2025

© 2024 Xavier's Finance Community. All rights reserved.



xaviersfinancecommunity.xfc@gmail.com

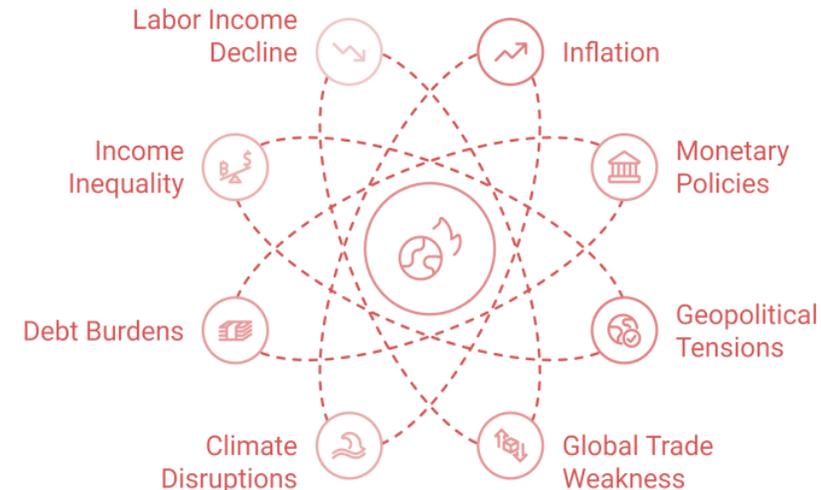


xaviersfinancecommunity.com

What if the global economy isn't just slowing down—but changing forever?

The global economy is confronting a marked slowdown, with growth expected to drop to 2.6% in 2024, barely surpassing the 2.5% recession threshold. This represents the third consecutive year of below-average performance compared to the pre-pandemic period, where global growth averaged 3.2%. Key factors include persistent inflation, tighter monetary policies, geopolitical tensions, and weakened global trade. Climate disruptions and debt burdens in emerging markets further exacerbate the challenges. Many regions are experiencing varied impacts. Yet, structural issues like rising income inequality and declining labor shares of income underline the disproportionate distribution of recovery gains. Addressing these issues require comprehensive structural reforms and global cooperation to stabilize economies, support investment, and mitigate the impacts of ongoing disruptions. As nations adapt to this new economic landscape, the importance of sustainable and inclusive growth has never been more critical. At present, the global economy seems to be experiencing a gradual recovery, although it still exhibits fragility, which hints at a possible "soft landing."

Anatomy of Global Economic Challenges



1. Geopolitical Uncertainties

Russia-Ukraine war:-

- **Energy disruptions:** Russia is a major supplier of natural gas and oil to the world, but its prolonged conflict has caused enormous interruptions to energy exports, especially to Europe.
- **Food Supply Chain Disruptions:** Known as the "breadbasket of Europe," Ukraine is an important supplier of grains, mostly corn and wheat. Food shortages and price increases worldwide are the outcome of the conflict's impact on Ukraine's **agricultural output and export capacity.**
- **Investment Uncertainty:** The geopolitical risks arising from the conflict have caused global investors to adopt a more cautious stance. This shift has resulted in an outflow of capital from at-risk areas.

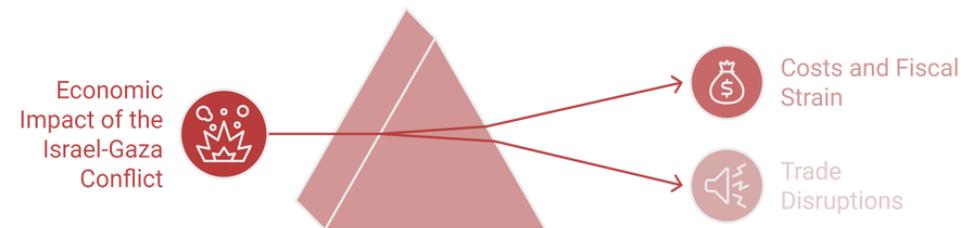
Israel-Gaza conflict:-

- **Costs and Fiscal Strain:** The humanitarian impact and refugee situations resulting from the conflict impose further burdens on the financial stability of nearby nations like Egypt and Jordan.
- **Trade disruptions:** Israel plays a significant role as a trade partner in industries like technology, defense, and agriculture. The persistent conflict interferes with trade routes and diminishes economic activity in this region.

Global Impact of the Russia-Ukraine War



Unraveling the Economic Impact of the Israel-Gaza Conflict



US-China relations:-

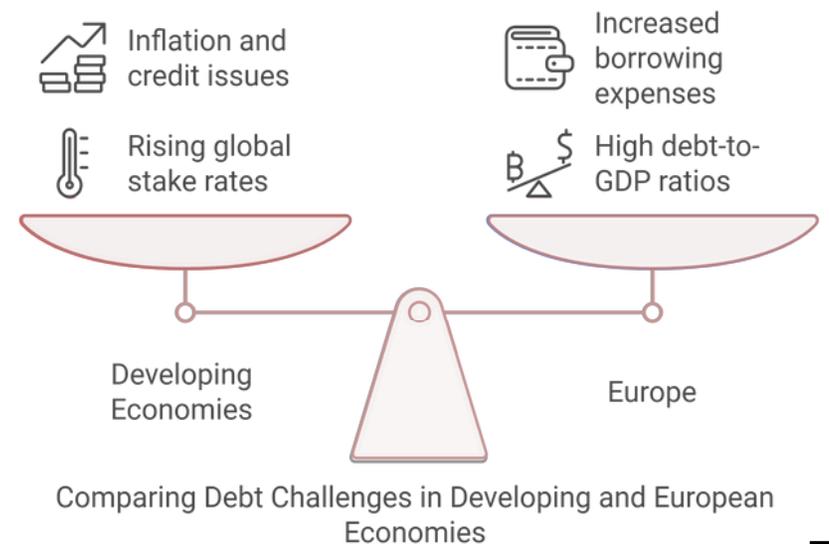
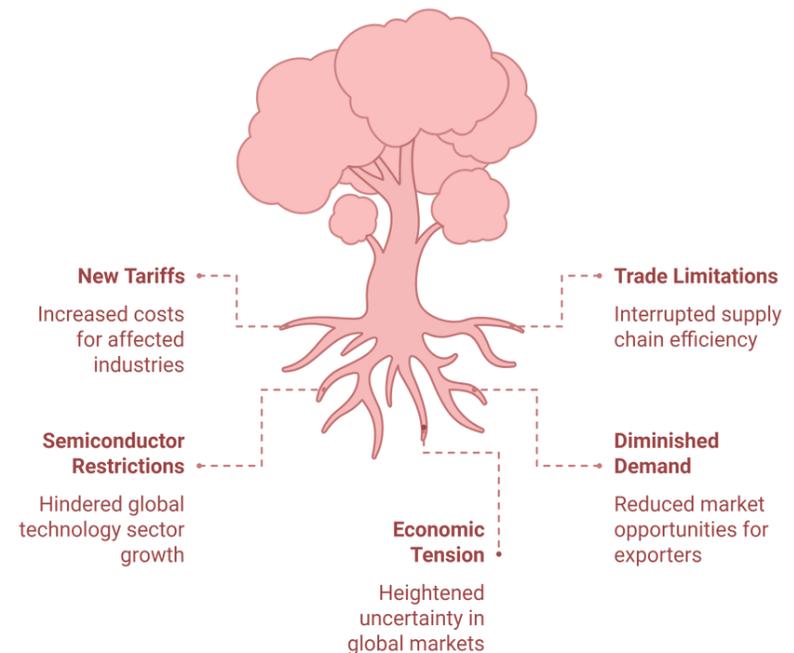
- The United States and China have one of the world's most important and complex relationships. Since 1949, the countries have experienced periods of both cooperation and tension over issues including trade, climate change, and Taiwan
- In 2024, new US tariffs were imposed on Chinese electric vehicles and other green products. The implementation of tariffs and trade limitations during the U.S.-China trade conflict has interrupted international trade patterns.
- The U.S. limitations on semiconductor and technology shipments to China have diminished the global technology sector, leading to consequences.

Regional Debt issues:-

- **Developing Economies:** Countries such as Zambia and Ghana in Africa, along with Sri Lanka and Pakistan in South Asia, have significant debt suffering due to escalating global stake rates and up-to-dateness disparagement.
- **Europe:** Countries including Italy and Greece continue to face challenges with rarified debt-to-GDP ratios.

MENA and Latin America: Economies in the Middle East and North Africa, equally well as those in Latin America are battling currency devaluation, political unstableness, and financial crises.

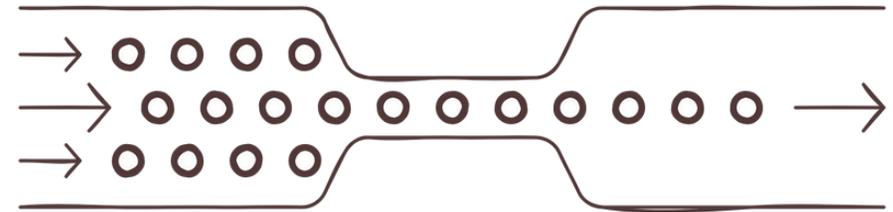
Disruption of International Trade Due to Tariffs



3. Supply Chain Disruptions

- **Legacy of the COVID-19 Pandemic:** The pandemic revealed weaknesses in global supply chains, leading to extensive factory closures, workforce shortages, and shipping delays. Although numerous economies have resumed operations, the delays caused during the pandemic continue to affect sectors that depend on just-in-time manufacturing strategies.
- **Shipping and Logistics Challenges:** Persistent congestion at ports, especially in Asia and the U.S., along with a shortage of shipping containers, has resulted in delays and escalated shipping expenses.
- **Increasing Energy Expenses:** Rising energy costs, fueled by geopolitical conflicts, lead to elevated transportation and production expenses, further burdening supply chains. Industries that consume a lot of energy, including manufacturing and agriculture, encounter higher input costs, which ultimately get passed on to consumers.
- **Natural Disasters and Climate Change:** Events like floods, hurricanes, and droughts have disrupted production and transportation systems around the world, particularly in sensitive areas such as Southeast Asia and Sub-Saharan Africa.

Delays escalate shipping costs and disrupt supply chain efficiency.

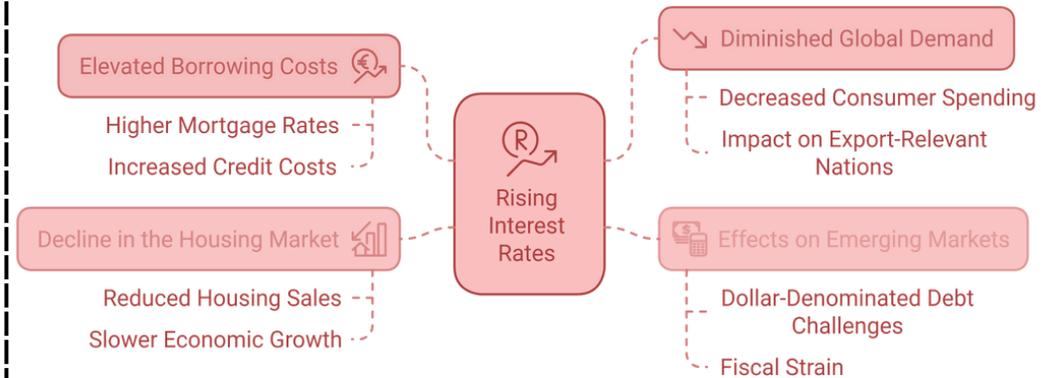


Key Challenges in Global Supply Chains



3. Central Bank and Monetary Policies

- **Elevated Borrowing Costs:** Rising interest rates render borrowing to a greater extent costly for both businesses and consumers. Companies find increased disbursement for financing enlargement, capital projects, and unremarkable operations, resulting in a retardation of economic increment.
- **Diminished Global Demand:** Restrictive monetary policies in major economies such as the U.S. and Eurozone have resulted in decreased spending by consumers and businesses, thereby slowing demand.
- **Effects on Emerging Markets:** Rising interest rates in developed nations have bolstered the value of the U.S. dollar, increasing the cost for emerging markets to manage dollar-denominated debt.
- **Decline in the Housing Market:** Restrictive policies have notably affected the real estate market worldwide. Increased mortgage rates have resulted in a drop in lodging cut-rate sales and twisted natural action, leading to slower increments in both advanced and rising economies. Rising interest rates render borrowing more costly for both businesses and consumers.



Economic Consequences:

- **Inflation:** The scarcity of goods and rising costs for transportation and materials contribute to increased prices for consumers.
- **Reduced Production:** Delays in delivering raw materials interrupt manufacturing processes and decrease productivity.
- **Decline in Global Trade:** Nations that depend on imports experience diminished economic activity due to extended delays and elevated costs.



1.Changes in GDP trends:

- **Advanced Economies:**

United States:

GDP Growth: Anticipated decline in GDP growth from 2.1% in 2023 to 1.5% in 2024.

Factors: Stricter monetary policies and reduced consumer spending.

Eurozone:

GDP Growth: Expected at 0.7% in 2024, down from 3.5% in 2022

Factors: High energy costs and sluggish industrial output lead to weak recovery efforts. Germany is also projected to have near zero growth.

China:

GDP Growth: Growth rate is predicted to fall to 4.6% in 2024, compared to 8.1% in 2021.

Factors: Sluggish real estate market, declining exports, and weak domestic consumption has led to a fall in GDP



- Emerging Economies**

The growth in emerging markets is predicted to slow to 3.9% in 2024, down from 4.1% in 2023, due to elevated debt levels, reduced capital inflows, and higher borrowing costs.

Sri Lanka:

GDP growth: Severely impacted by ongoing debt crises

Factors: High external debt, foreign exchange shortages and political instability

Argentina:

GDP growth: Struggling due to severe debt issues

Factors: Hyperinflation, currency devaluation and high borrowing costs

Russia:

GDP growth: expected to remain stagnant in 2024.

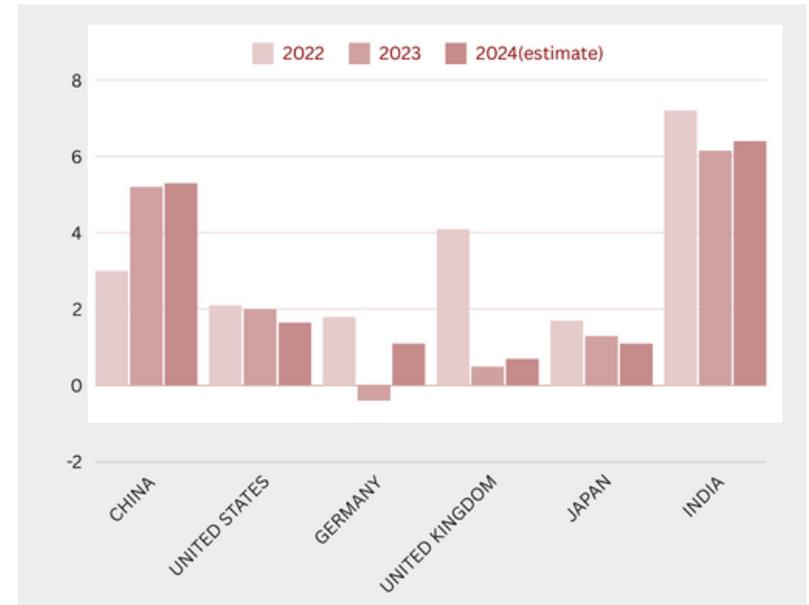
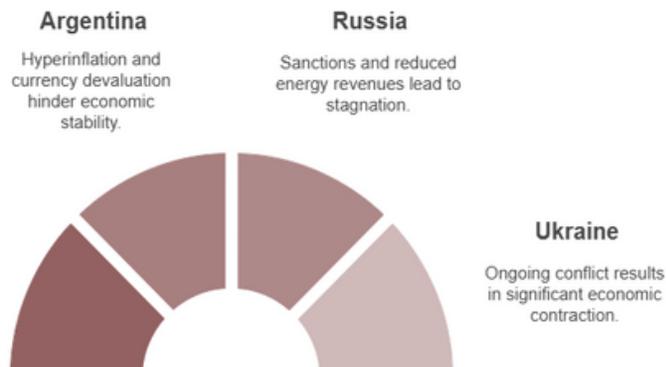
Factors: Sanctions and reduced energy export revenues

Ukraine:

GDP growth: Economy has contracted by over 30% since 2022.

Factors: Prolonged conflict and extensive economic disruptions.

FACTORS



The graph illustrates the shifts in GDP growth rates for few major economies for the years-2022,2023 and the estimated growth rate of GDP for year 2024.

China: Marked slowdown from double-digit growth in 2010 to moderate levels, driven by structural reforms, demographic pressures, and export declines

United States: Gradual deceleration owing to restrictive monetary policies and subdued consumer spending.

Germany: A contraction in 2023, with slight recovery projected, amidst industrial and energy crises.

United Kingdom: Post-Brexit challenges, inflation, and high interest rates continue to weigh on growth.

Japan: Moderate growth constrained by declining exports and high energy import costs.

India: Strong and consistent growth despite inflationary and global trade pressures.



2. Fluctuations in commodity prices

- **Oil:**

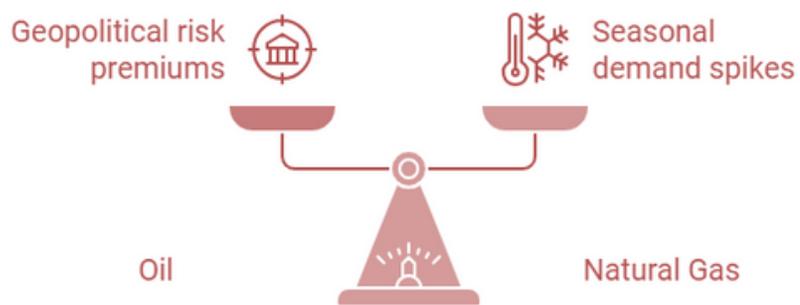
Prices remain volatile due to Middle East tensions, particularly the Israel-Gaza conflict, adding risk premiums. Record-high U.S. oil production and declining global demand, especially from China, are likely to exert downward pressure on prices throughout 2024.

Outlook: Downward trend in prices despite geopolitical risks.

- **Natural Gas:**

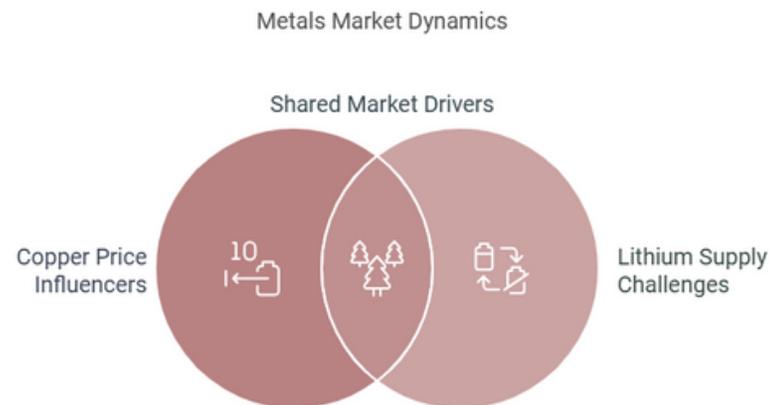
Prices have decreased due to rising inventories. Seasonal winter demand may cause temporary price spikes.

Outlook: Likely moderate price increases during winter months.



Comparing Energy Commodity Price Drivers

- **Metals**



Copper:

Global downturn, real estate challenges, and weak Chinese demand have impacted prices. Despite temporary difficulties, prices have been supported by demand from electric vehicle (EV) industry.

Key Concern: Supply constraints due to geopolitical tensions and environmental regulations.

Lithium and Other Vital Metals:

Supply remains under strain, affecting the broader metals market.

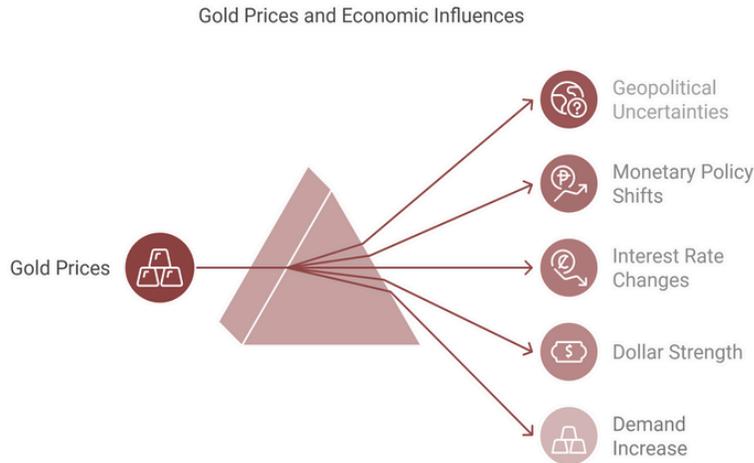
Outlook: Gradual recovery supported by sustainable demand drivers like EVs

• Gold

Trend: Gold prices are sensitive to geopolitical uncertainties and monetary policy shifts.

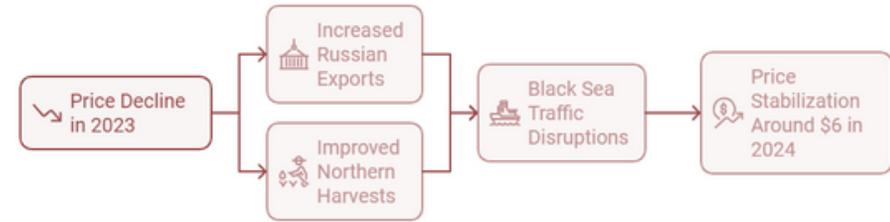
Outlook for 2024: Expected rise toward the end of 2024 due to anticipated U.S. Federal Reserve interest rate cuts. These rate cuts are likely to weaken the dollar, increasing gold demand.

Safe-Haven Role: Continues to be a preferred investment during uncertain times.



• Wheat

Wheat price fluctuations



Trend: Significant decline in prices in 2023 after peaking during the early Russia-Ukraine conflict.

Supply Factors: Increased exports from Russia and improved harvests in the northern hemisphere.

Key Concern: Ongoing disruptions in Black Sea traffic. Price is expected to stabilize around \$6 per bushel in 2024

In Summation, while certain commodities are experiencing downward pressure due to waning economic growth, others are bolstered by specific demand trends or geopolitical risks, making their price movements an essential factor in the global economic outlook.



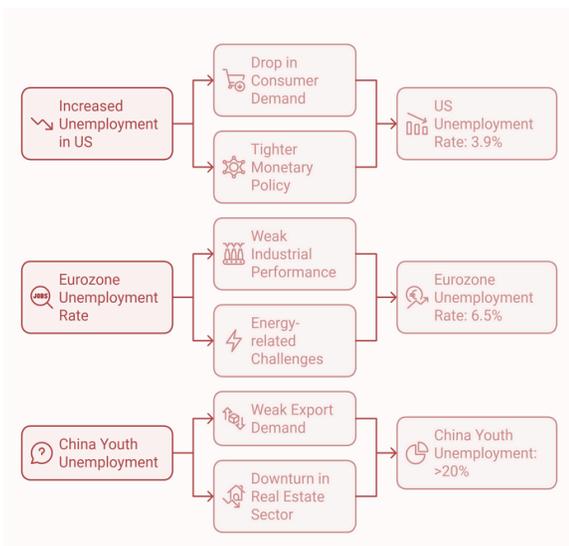
3. Unemployment

- **Advanced Economies:**

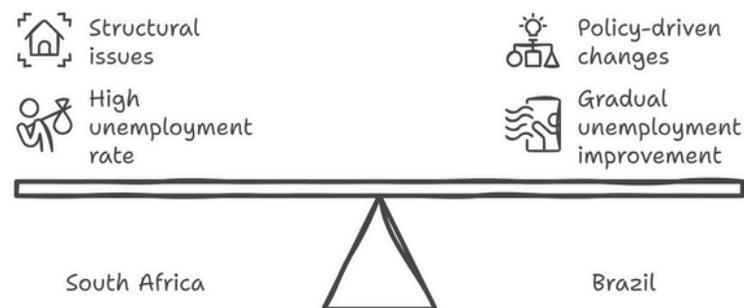
United States: Although the labor market is still strong, unemployment has gone up a little to **3.9% from 3.6%** in 2023. Job losses have resulted from a drop in consumer demand and tighter monetary policy, particularly in interest rate-sensitive industries like technology and real estate.

Eurozone: Due to weak industrial performance and energy-related problems, the unemployment rate in the Eurozone is approximately **6.5%**, with higher numbers (almost 13%) in some countries, such as Spain.

China: China's youth unemployment rate had grown to more than **20%** earlier in 2024 when the government suspended statistics reporting. The primary drivers of employment losses have been a weakening demand for exports and a downturn in the real estate sector.



- **Emerging Markets and Developing Economies:**



Comparing Unemployment Challenges and Responses

Emerging Markets and Developing Economies (EMDEs) face unique challenges, as highlighted by countries like South Africa and Brazil.

South Africa: The country struggles with persistently high unemployment rates, hovering around 30%. This is due to a combination of structural issues, such as inequality, education gaps, and labor market inefficiencies, compounded by weak global demand affecting export-driven sectors.

Brazil: While still facing challenges, Brazil has seen marginal improvements in unemployment, dropping from 6.40% in September 2024 to 6.20% in October 2024. This can be attributed to some positive shifts in labor market dynamics, potentially driven by government policies, investment, or sectoral recoveries.



- Conflict-Affected Regions**

The labor markets in regions affected by conflict, such as Ukraine due to the Russia-Ukraine war and Gaza due to ongoing instability, have been severely harmed. Ukraine's workforce has been profoundly affected by displacement and destruction, while Gaza has reported alarmingly high unemployment rates stemming from prolonged turmoil. Between early October 2023 and the end of September 2024, the unemployment rate in the West Bank averaged 34.9%, while in Gaza it averaged 79.7%. The Palestinian territories are facing an unsustainable situation due to the war in Gaza with Israel.

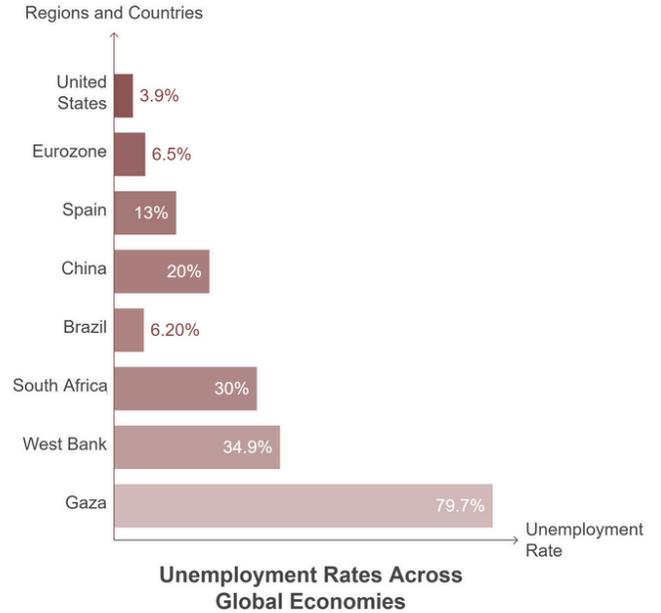
The graph highlights global unemployment trends, reflecting varied regional challenges. In advanced economies, U.S. unemployment rose to 3.9% due to weaker demand and monetary tightening, while the Eurozone faced 6.5%, with Spain at 13% due to industrial and energy issues.

China's youth unemployment exceeded 20% in 2024, driven by export declines and a real estate downturn. Emerging markets showed mixed results, with Brazil's rate improving to 6.2% in October, while South Africa remained at 30%. Conflict-affected regions were hit hardest, with Gaza's unemployment at 79.7% and the West Bank at 34.9%. Ukraine's workforce also suffered due to displacement and destruction from the ongoing war

Broader Trends:

Global Youth Unemployment: The rising rate of joblessness among youth is a significant issue, particularly in developing economies, resulting from a disconnect between skills and economic conditions.

Sectoral Impacts: The manufacturing, construction, and export-driven sectors have been the most adversely affected, while the service and technology industries are experiencing varied outcomes.



Economic Impact of Conflicts



4. Inflation

- **Advanced Economies:**

United States: Inflation rates in the U.S. have been easing but are still higher than what they were before the pandemic. The Consumer Price Index (CPI) is projected to rise by approximately 3.2% in 2024, a decrease from 6.5% in 2023.

Eurozone: Inflation in the Eurozone has remained persistent, with CPI inflation around 5.5% in 2024, down slightly from 6.9% in 2023. Elevated energy prices and disruptions in food supply chains, particularly due to the conflict in Ukraine, have played significant roles.

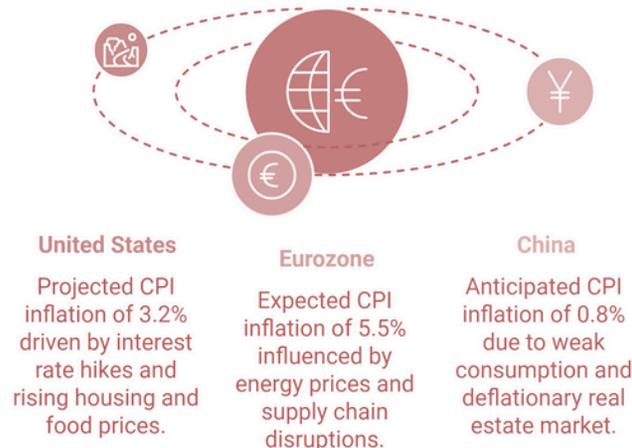
China: China's inflation has been quite low, with CPI rising by just 0.8% in 2024. This is primarily attributed to weak domestic consumption, deflationary trends in the real estate market, and declining global commodity prices.

- **Developing Economies:**

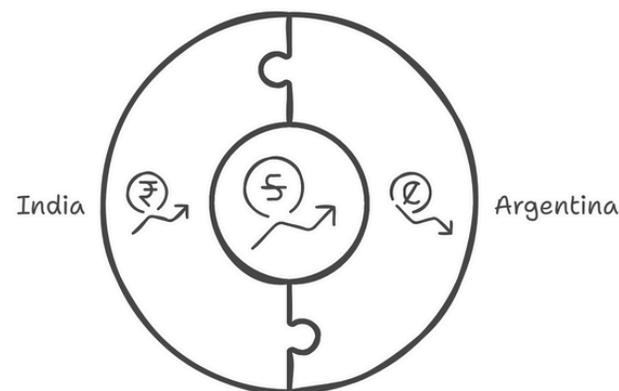
In numerous developing countries, inflation has been noticeably higher. For instance, Argentina is experiencing hyperinflation, with projections for annual inflation to surpass 100% in 2024, driven by currency devaluation, soaring food prices, and economic turmoil. Argentina's inflation rate was 193.0% in October 2024

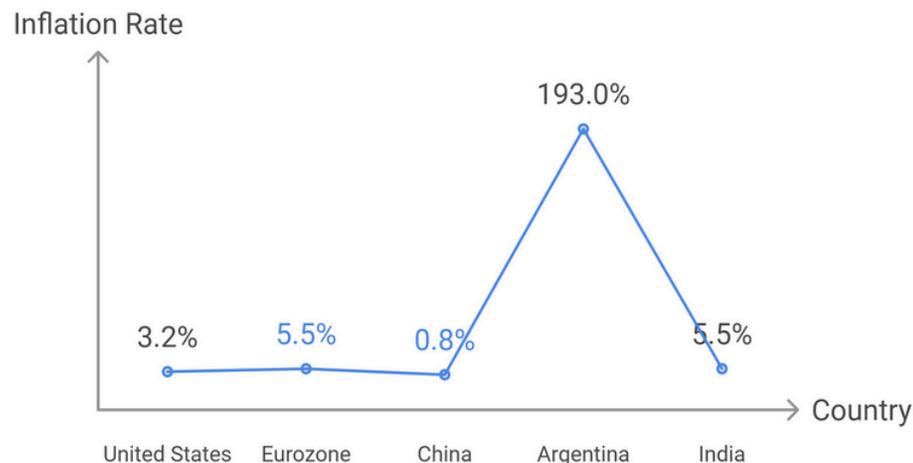
India has maintained an inflation rate of around 5.5%, largely influenced by food prices, although this rate is significantly lower than that of other emerging economies.

Global Inflation Dynamics 2024



Comparative Inflation Dynamics





Projected CPI Inflation Rates for 2024

The graph compares inflation trends in both advanced and developing economies, showing significant disparities. In advanced economies, inflation has been gradually easing but remains elevated compared to pre-pandemic levels. In the United States, the Consumer Price Index (CPI) is projected to rise by 3.2% in 2024, down from 6.5% in 2023. This reduction is mainly due to tighter monetary policies and decreased demand, though rising housing and food prices continue to drive inflation. In the Eurozone, inflation remains persistent, with the CPI around 5.5% in 2024, slightly lower than the previous year's 6.9%. Elevated energy prices and disruptions in food supply chains, exacerbated by the Ukraine conflict, have been major contributors to this inflation, despite the European Central Bank's efforts to control it through interest rate hikes.

On the other hand, inflation in developing economies has been much higher. Argentina is grappling with hyperinflation, with projections for its annual inflation rate to exceed 100% in 2024, and a staggering 193.0% recorded in October 2024. This extreme inflation is primarily driven by currency devaluation, soaring food prices, and economic instability. India, while still facing inflationary pressures, has managed to maintain a relatively lower rate of around 5.5%, largely influenced by food prices. Despite being lower than other emerging economies, India's inflation still poses challenges for its population. This stark contrast highlights the diverse economic conditions and inflationary pressures faced by different regions around the world.



Stock Market

Stock markets have struggled due to poor corporate earnings growth. For instance, the profits of S&P 500 corporations in the United States are growing by only 2-3%, which is significantly less than what was anticipated as a result, Investor mood has been cautious. Energy prices, supply chains, and investor caution are all impacted by geopolitical events, which causes stock values to fluctuate quickly. Decreased consumer spending because of high inflation and rising interest rates, has impacted business profits and sales.

Stock Market Dynamics

Economic Factors

Encompasses the effects of inflation and interest rates on consumer spending.



Poor Corporate Earnings

Reflects the sluggish growth in corporate profits affecting market expectations.



Investor Sentiment

Captures the cautious mood of investors leading to market volatility.

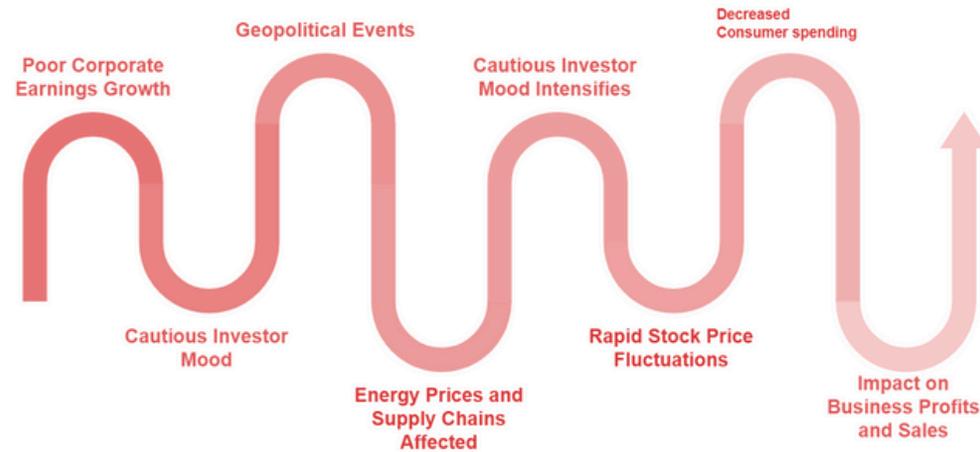


Geopolitical Events

Highlights the impact of global tensions on energy prices and supply chains.



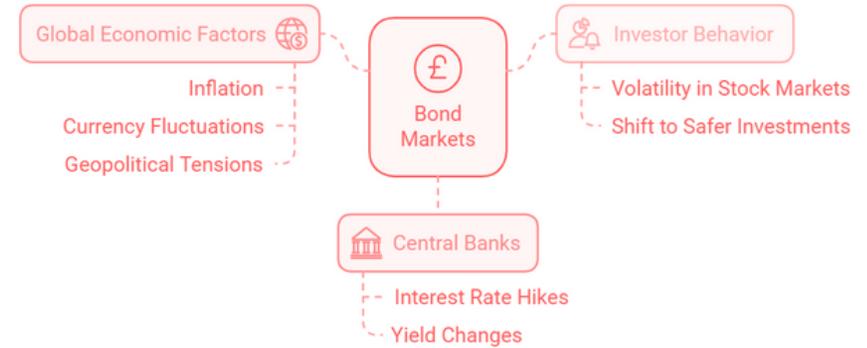
Impact of Economic and Geopolitical Factors on Stock Markets



Investor confidence falters when businesses release lower earnings projections, which can lead to sell-offs or steep recoveries. Hence, Geopolitical issues affect energy prices, disrupt supply chains, and make investors cautious, leading to rapid shifts in stock prices. In addition, the uncertainty surrounding geopolitical and economic factors has made investors more risk-averse. Many have turned to safer assets or adopted a wait-and-see approach, further slowing market activity. The interconnected nature of these issues creates a feedback loop, where geopolitical disruptions raise energy prices and disrupt supply chains, which in turn amplify inflationary pressures and constrain corporate growth

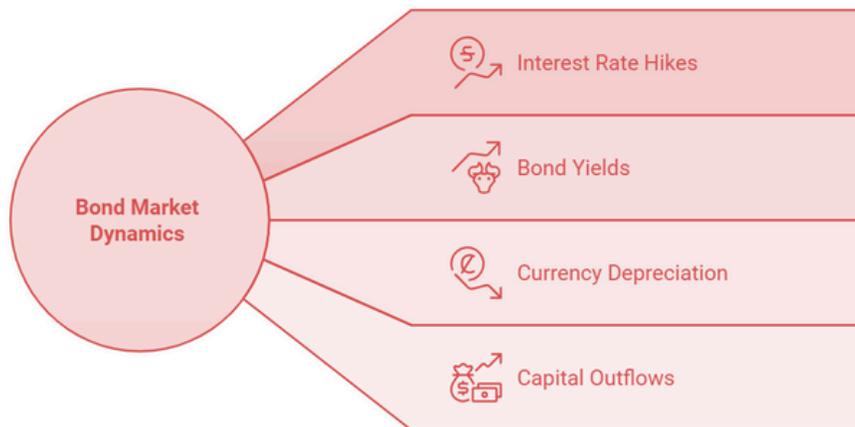
Bonds Market-

As stock markets become more volatile, many investors are turning to bonds as a safer investment option. However, Central banks worldwide, like the U.S. Federal Reserve, have raised interest rates over the past two years to control inflation. This has caused bond yields (the return investors earn on bonds) to rise. When interest rates rise, the price of existing bonds falls because new bonds offer better returns. This inverse relationship has impacted bondholders negatively, especially those holding long-term bonds. With inflation gradually easing, investors are now expecting central banks to start reducing interest rates. This anticipation has stabilized bond yields somewhat. However, central banks are being cautious about cutting rates too quickly, creating uncertainty in the bond market and keeping yields relatively high.



The combined market size for grocery and meal delivery services is projected to grow from \$3.53 billion in 2017 to an impressive \$91.88 billion by 2029, highlighting the increasing consumer reliance on delivery services.

Unraveling the Complexities of Bond Markets



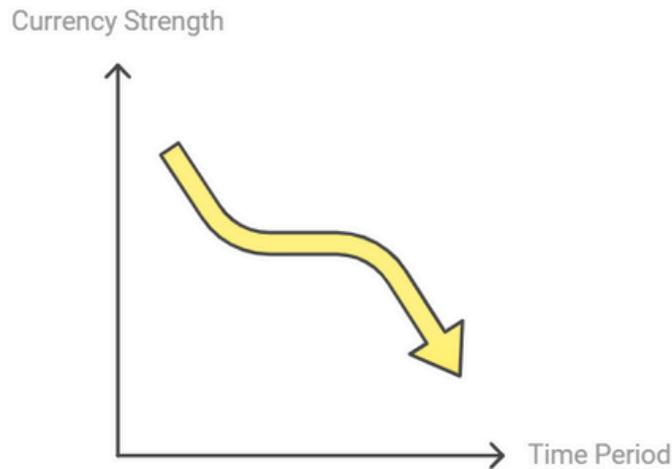
Grocery delivery, initially a smaller segment of the market, has shown rapid expansion, growing from \$0.5 billion in 2017 to an anticipated \$54.9 billion by 2029. This shift reflects evolving consumer preferences and the adoption of online grocery shopping.

Meal delivery continues to be a significant contributor, rising from \$3 billion in 2017 to \$54.3 billion in 2029. Its growth reflects changing lifestyles, convenience-driven preferences, and a booming food delivery ecosystem.

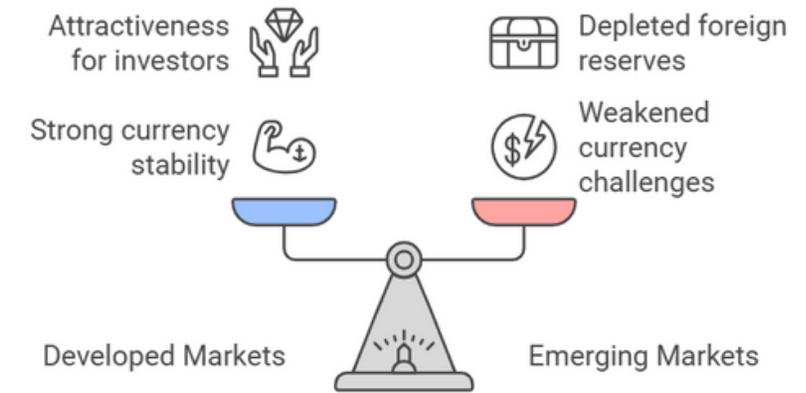


Currency market-

Currency markets, also known as foreign exchange (forex) markets, have been deeply affected by the global economic slowdown in 2024. During economic uncertainty, investors often flock to the U.S. dollar as a safe-haven currency. This demand has kept the dollar strong in 2024, even as global growth has slowed. Investors have been pulling money out of emerging markets due to higher risks and better returns in developed markets, weakening their currencies. As a result, Some emerging markets have had to deplete their foreign reserves to stabilize their currencies or keep interest rates high, even if it hurts their economies, leading to limited growth.



Currency Strength Declines Amid Economic Slowdown



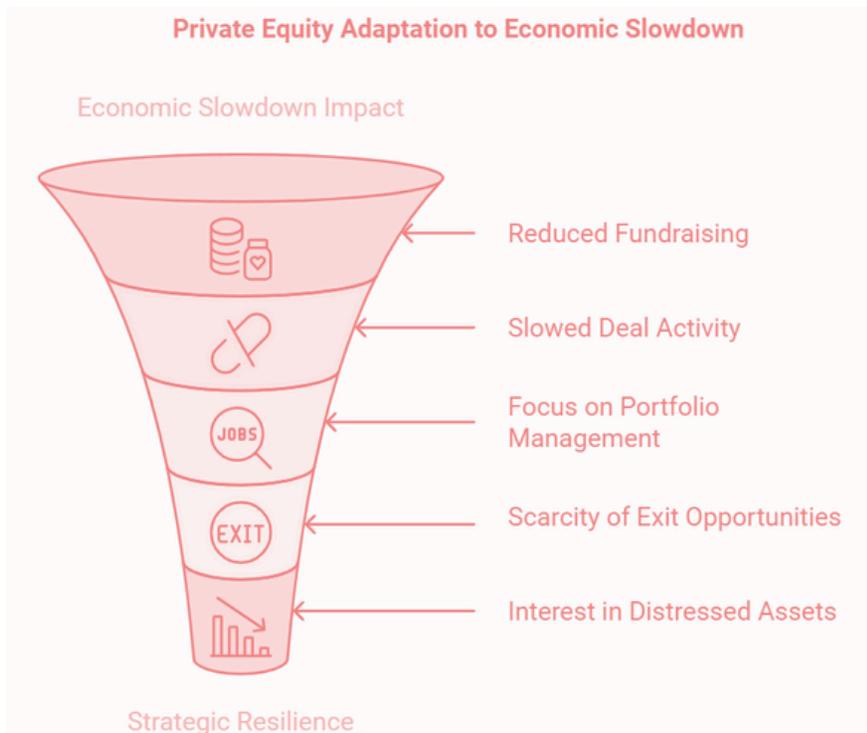
Comparing Currency Dynamics in Global Economic Slowdown

Along with this, Countries experiencing high inflation (like Argentina and Turkey) have seen their currencies plummet. Weak currencies make imports more expensive, worsening inflation in a vicious cycle. Hence, the global economic slowdown has amplified risks in currency markets, with sharp movements reflecting the interplay of interest rates, trade flows, and geopolitical tensions. For instance, central banks in many developed economies have pursued aggressive interest rate hikes to combat inflation, contributing to global financial tightening. These rate hikes have widened the gap between returns in developed and emerging markets, further fueling capital outflows from the latter.



Private Equity

The global economic slowdown has significantly impacted private equity by reducing fundraising as investors shift to safer assets like bonds and slowing deal activity due to higher borrowing costs and valuation mismatches. PE firms are now focusing on managing struggling portfolio companies, implementing cost-cutting measures, and restructuring debt to sustain profitability in challenging conditions. Exit opportunities, such as IPOs and secondary market sales, have become scarce due to volatile markets and weak demand, forcing firms to hold onto investments longer.



At the same time, interest in distressed assets is growing, with firms seeking to acquire undervalued businesses for turnaround opportunities. ESG investments are also gaining traction as sustainability becomes a key factor for attracting capital. Regional differences are stark, with developed markets facing stagnation while emerging markets offer growth potential despite risks like currency fluctuations and political instability. Private equity is adapting to these challenges by prioritizing resilience, operational improvements, and long-term strategic plays.

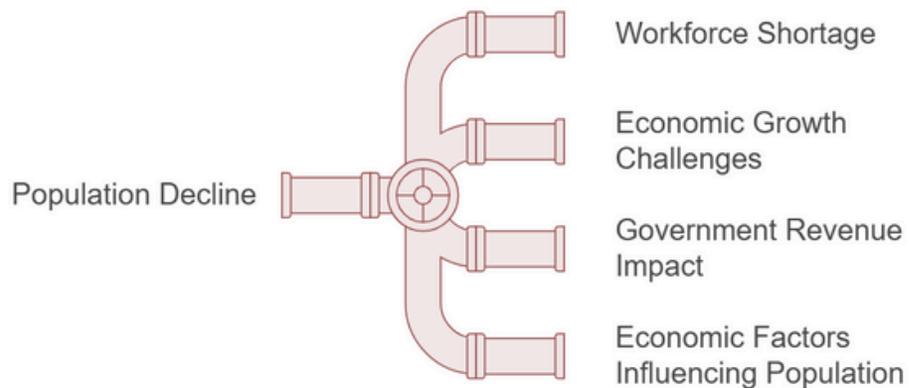


Anticipated Decline

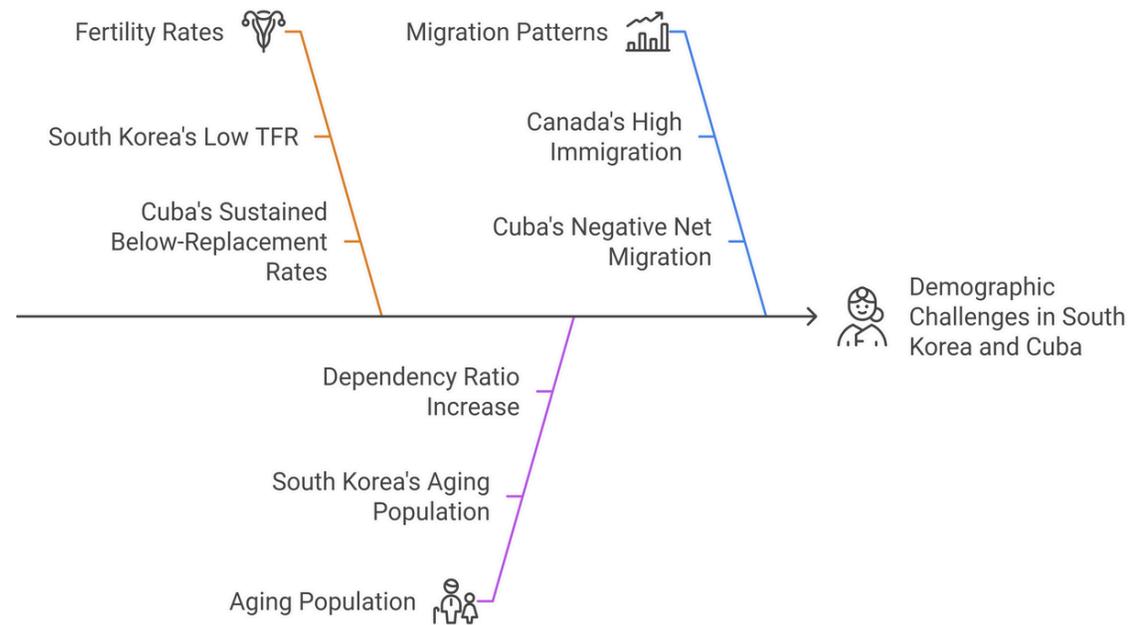
The worldwide population is anticipated to decrease in the near future due to falling fertility rates and the growing proportion of older individuals. This phenomenon may result in a workforce shortage, affecting economic expansion and government income.

On the other hand, economic variables like job opportunities and living conditions can shape population dynamics, creating a nuanced relationship between demographic shifts and economic situations.

Unraveling the Impact of Population Decline



Analyzing Demographic Challenges in South Korea and Cuba



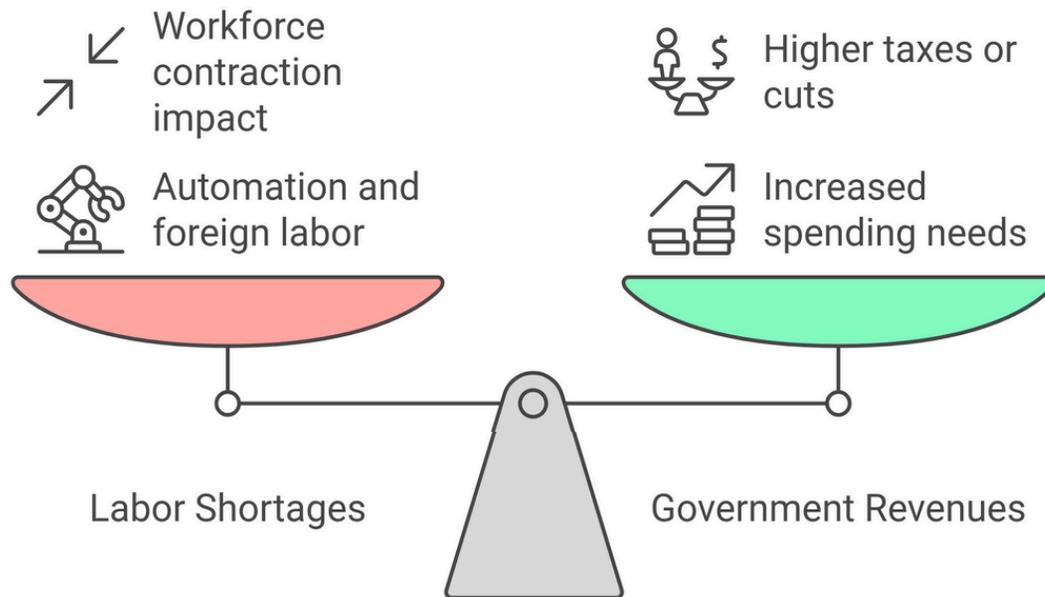
- **Fertility Rates:**
 - South Korea: TFR projected at 0.68 (2024), far below replacement level (2.1).
 - Sustained below-replacement fertility rates in nations like Cuba.
- **Aging Population:**
 - South Korea: 50% aged 65+ by 2062, increasing dependency ratios.
- **Migration Patterns:**
 - Canada: High immigration offsets decline, supports growth.
 - Cuba: Negative net migration exacerbates labor shortages.

Anticipated Decline

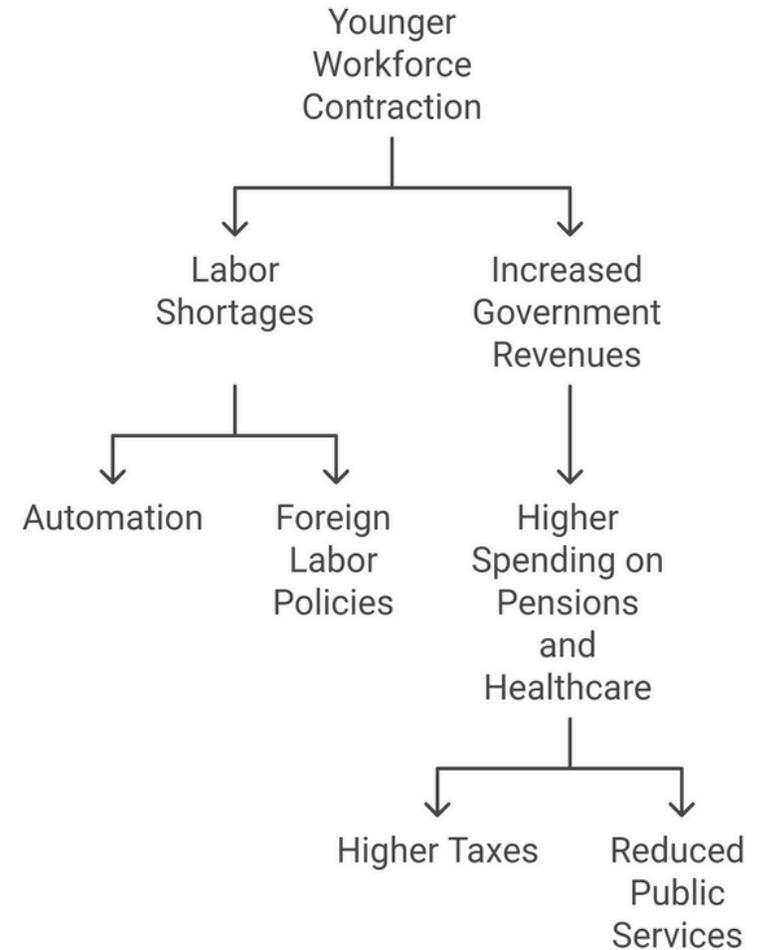
The reduction in the younger workforce poses significant challenges for industries heavily reliant on human labor, causing potential bottlenecks in productivity and innovation.

To mitigate these disruptions, nations may need to invest in advanced automation technologies or implement policies that attract skilled foreign workers to address gaps.

Additionally, with rising expenditures on pensions and healthcare for an aging population, governments face the dual pressure of funding social welfare programs while grappling with reduced tax revenues, which may necessitate a shift towards higher taxation or scaled-back public services.



Balancing Economic Challenges and Solutions



- **Labor Shortages:**

1. Younger workforce contraction impacts industries.
2. Possible solutions: Automation, foreign labor policies.

- **Government Revenues:**

1. Increased spending on pensions and healthcare.
2. Potential for higher taxes or reduced public services.

Anticipated Decline

Economic stability plays a pivotal role in shaping demographic behaviors. Conversely, economic downturns, discourage childbirth and fuel migration, amplifying demographic challenges.

- Positive Impacts:

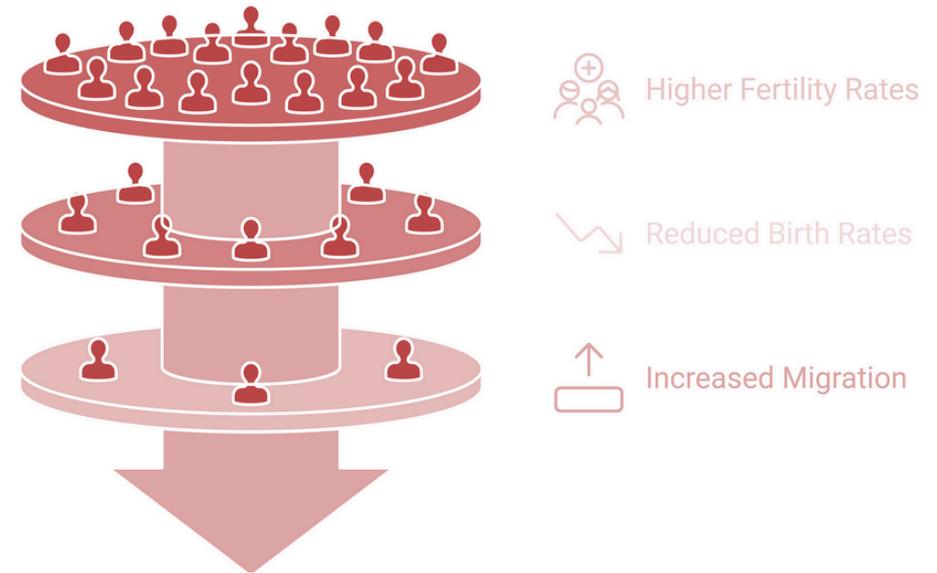
1. Economic stability and improved living standards encourage higher fertility rates.

- Negative Impacts:

2. Recessions lower birth rates and increase emigration (e.g., Cuba).

3. Economic conditions directly shaping demographic behavior.

Economic Impact on Demographics



Strategies to Combat Population Decline



To counter population decline, many nations are introducing family-friendly policies, such as subsidized childcare, extended parental leave, and direct financial aid to parents. Additionally, governments are investing in public awareness campaigns to promote the benefits of larger families. These adaptive measures are essential for mitigating the long-term socio-economic consequences of an aging and shrinking population while ensuring a sustainable future.

Pro-Natalist Policies:

- Financial incentives, childcare support, and parental leave.
- Tax breaks for larger families and access to affordable housing.

Immigration Strategies:

- Attracting skilled workers to counterbalance labor shortages.
- Creating inclusive integration programs for immigrants.



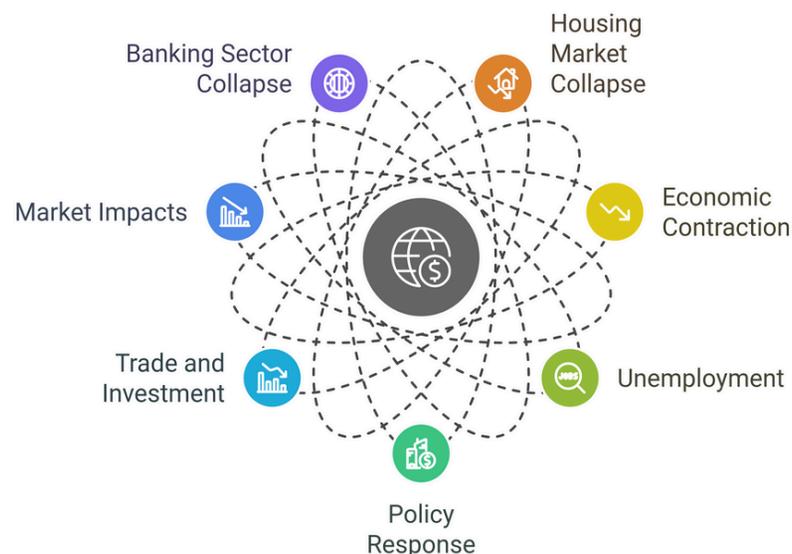
The Global Financial Crisis (2008-2009)

- Cause: Collapse of U.S. housing market due to subprime mortgage lending.
- Economic Contraction:
 - Global GDP shrank by 2.1% in 2009; advanced economies declined over 4%.
- Unemployment:
 - U.S. unemployment peaked at 10% (15.4 million unemployed).
- Policy Response:
 - Central banks slashed interest rates; governments introduced fiscal stimuli worth trillions.
 - Key reforms: Dodd-Frank Act in the U.S.
- Trade and Investment:
 - Global trade volumes fell by nearly **10% in 2009**, and investment activity plummeted, particularly in industries reliant on credit.
- Market Impacts:
 - Stock markets worldwide lost trillions of dollars in value. The Dow Jones Industrial Average dropped by over 50% from its 2007 peak to its 2009 low.
- Banking Sector Collapse:
 - Many banks faced severe liquidity crises. Governments worldwide had to intervene with rescue packages, including a \$700 billion U.S. bailout through the Troubled Asset Relief Program (TARP).

Sequence of Events in the Global Financial Crisis

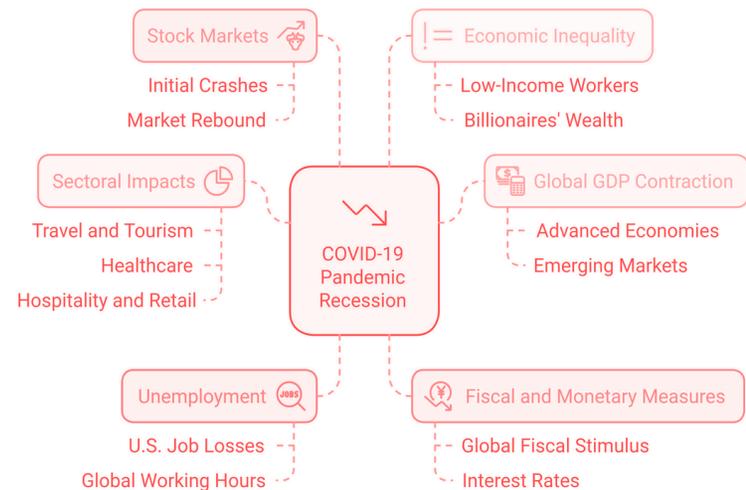
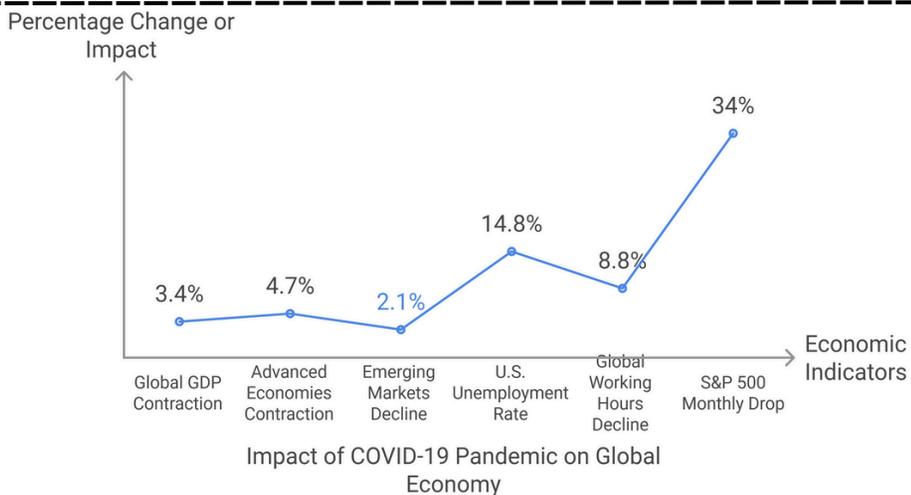


Anatomy of the 2008-2009 Financial Crisis



COVID-19 Pandemic Recession (2020)

- **Global GDP Contraction:** Shrinkage of 3.4%, with advanced economies contracting 4.7% while emerging markets saw a smaller decline of 2.1%, largely due to a quicker recovery in countries like China.
- **Unemployment:** U.S. lost 22 million jobs during the early months of the pandemic, pushing unemployment rates to a peak of 14.8% in April 2020. International Labour Organization estimated a loss of 255 million full-time jobs, equating to an 8.8% decline in global working hours.
- **Sectoral Impacts:**
 - **Travel and tourism:** Loss of \$1.3 trillion in export revenues.
 - **Healthcare:** Growth in telemedicine and vaccine R&D.
 - **Hospitality and Retail:** Massive losses, with many small and medium enterprises (SMEs) shutting down permanently.
- **Fiscal and Monetary Measures:**
 - Governments globally injected over \$16 trillion in fiscal stimulus
 - Central banks, including the U.S. Federal Reserve, reduced interest rates to near zero and launched large-scale asset purchase programs
- **Stock Market**
 - After initial crashes in March 2020, markets rebounded strongly due to stimulus measures and optimism over vaccine rollouts.
- **Economic Inequality:**
 - Billionaires' wealth surged by over \$4 trillion during the pandemic, highlighting growing wealth disparities.



Asian Financial Crisis (1997-1998)

Causes of the Crisis

- Speculative Currency Attacks: Thailand unpegged the baht from the USD after exhausting foreign reserves, triggering devaluations across Asia.
- Over-Reliance on Short-Term Debt: Heavy foreign debt became unsustainable as currencies weakened.
- Weak Financial Systems: Poorly regulated banks and excessive corporate borrowing heightened vulnerabilities.

Currency Devaluations

- Thai baht lost over 50% of its value.
- Indonesian rupiah fell by 80%, South Korean won depreciated by 50%.

Stock Market Crashes

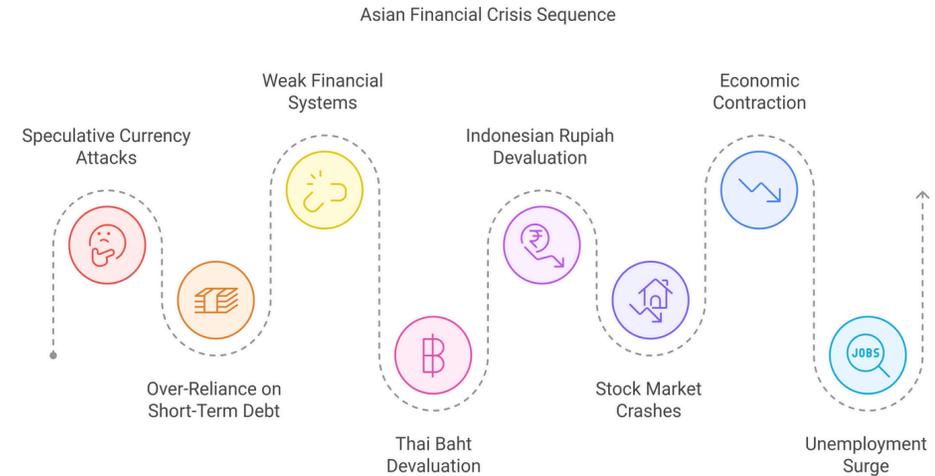
- Thailand's SET Index fell by 75%.
- Indonesia's JSX Composite declined by over 90% in USD terms.
- South Korea's KOSPI dropped 34% in 1997.

Economic Contraction

- GDP Declines:
 - Thailand: -10.5% (1998).
 - Indonesia: -13.1% (1998).
 - South Korea: -5.1% (1998).
- Unemployment:
 - Indonesia: Unemployment surged to 20% in 1998.

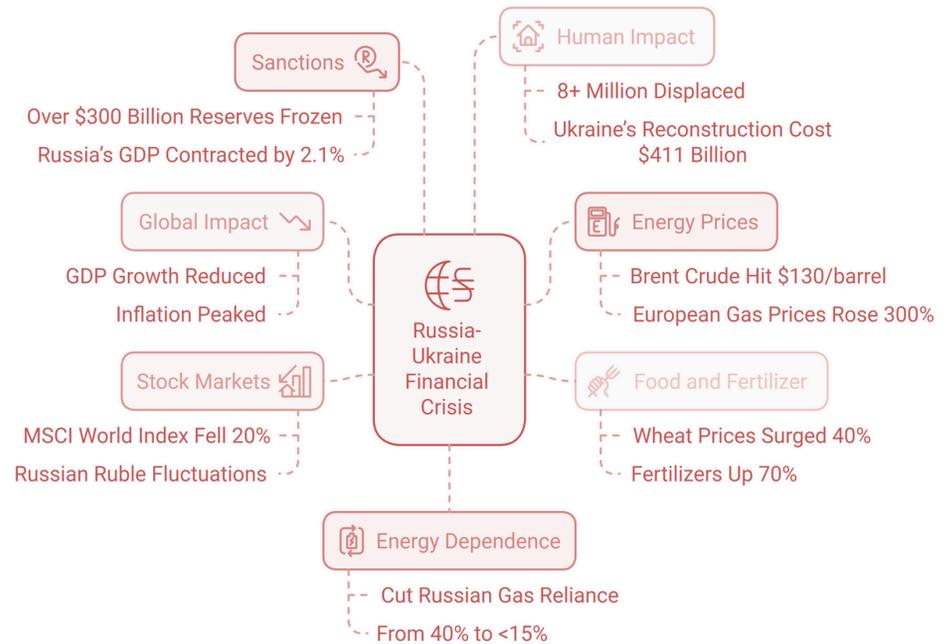
Long-Term Impacts

- Reforms: Stricter banking regulations, better currency management, increased reserves.
- Recovery: Uneven rebound; most economies recovered by the early 2000s, but Indonesia took longer.



Russia-Ukraine Financial Crisis (2022-Present)

- **Global Impact:** GDP growth reduced to 3.6% in 2022; inflation peaked at 8.8% globally.
- **Energy Prices:** Brent crude hit \$130/barrel; European gas prices rose by 300%.
- **Food and Fertilizer:** Wheat prices surged 40%, fertilizers up 70% due to export disruptions.
- **Stock Markets:** MSCI World Index fell 20%; Russian ruble initially dropped 40%, later rebounded.
- **Sanctions:** Over \$300 billion of Russian reserves frozen; Russia's GDP contracted by 2.1%.
- **Human Impact:** 8+ million displaced; Ukraine's reconstruction cost at \$411 billion.
- **Energy Dependence:** Europe cut Russian gas reliance from 40% to <15% by 2023.



Economic and Humanitarian Impact of the Israel-Gaza Conflict



Israel-Gaza Financial Crisis (2023-Present)

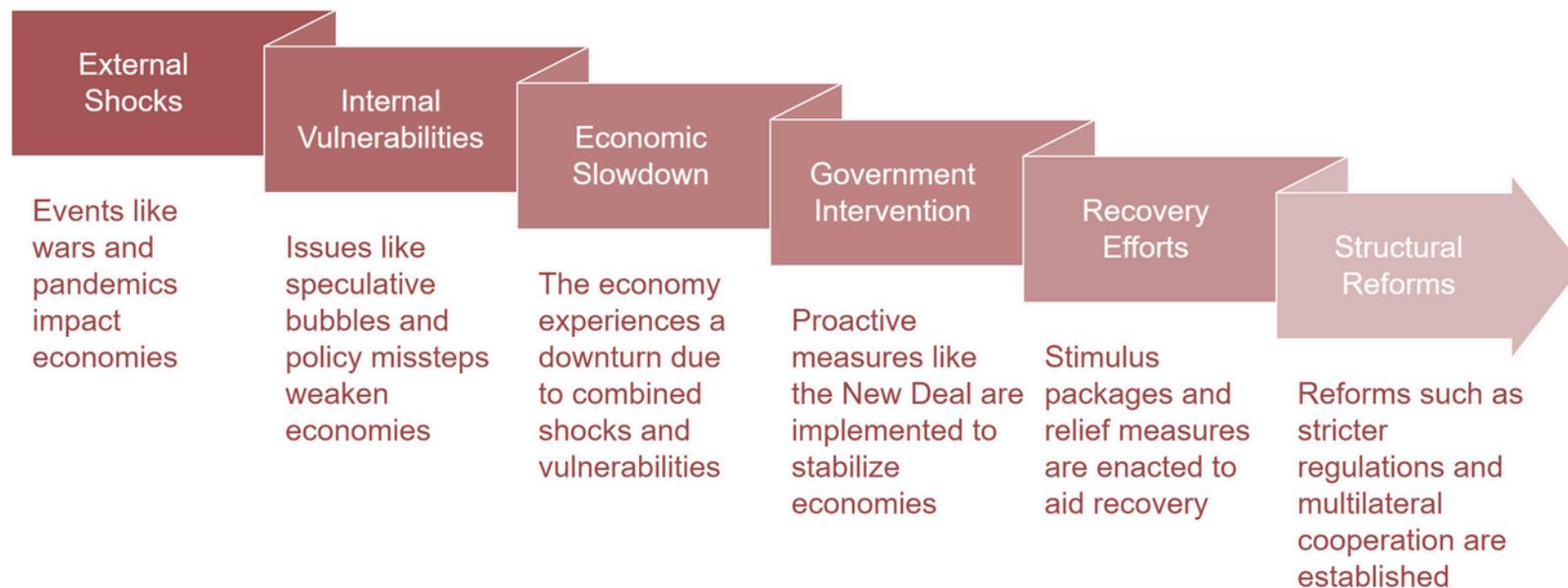
- **Gaza's Economy:** Contracted by 40% in 2023; unemployment at 50%, poverty over 70%.
- **Israel's Economy:** Defense spending increased by \$4 billion, national debt projected to rise by 10-12%.
- **Stock Market:** Tel Aviv Stock Exchange fell 15% in October 2023.
- **Global Impact:** Geopolitical tensions increased risk premiums, hesitancy in Middle Eastern investments.
- **Humanitarian Crisis:** Over 1 million Palestinians displaced; \$5 billion needed for aid.
- **Tourism Loss:** Bookings dropped by 70%, causing a \$1.5 billion revenue loss.



The historical patterns of economic slowdowns highlight the intricate interconnections between financial systems, geopolitical events, and structural inefficiencies. Each crisis—from the Great Depression to the Israel-Gaza—demonstrates how external shocks, such as wars, resource scarcity, or global health crises, coupled with internal vulnerabilities like speculative bubbles or policy missteps, can destabilize economies on a global scale. These events often lead to severe consequences, such as widespread unemployment, reduced trade, increased poverty, and heightened inequality.

Despite these challenges, history also shows that economies are resilient when proactive measures are taken. Recovery efforts such as the New Deal during the Great Depression, stimulus packages following the Global Financial Crisis, and pandemic relief measures in 2020 demonstrate the critical role of government intervention and fiscal policies in stabilizing markets. Lessons learned from past crises have also led to structural reforms, such as stricter financial regulations and greater emphasis on multilateral cooperation through institutions like the IMF and World Bank.

Economic Crisis and Recovery Sequence





Thank You