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Global Economic Recession as a Major Risk Beyond Business Insights and Economies

Anis BENABED*
Bucharest University of Economic Studies, Bucharest, Romania[1]
**Corresponding author, anis_anisse@yahoo.fr*

Andrei BULGARU
Bucharest University of Economic Studies, Bucharest, Romania[2]
andreiioan1985@gmail.com

Abstract. *Global economic growth prospects are facing ups and downs, the rise of interest rates to contain inflation, especially after the lingering effects of the pandemic and supply chain disruptions, recession and geopolitical tensions are obstacles for the world economy. The research question is what are the reasons for the recent global economic recession and what challenges could have on business and markets? As a methodology of research, we focused on a literature review of the existing literature and data analysis. Various economic recessions could happen from time to time and several have happened throughout history affecting the financial levels of businesses and profits. The economy bases as well on the degree of production, services, goods, consumer confidence and market trends. So, the stability of companies and countries depend a lot on these things.*

The results show that advanced economies raise interest rates to combat inflation, financial conditions are tightening, especially for emerging market economies. In conclusion, with cautious policy action, new strategies of negotiations and joint multilateral efforts, the world could move towards stronger and more inclusive growth. Strengthening global cooperation remains the best way to improve economic prospects. Fostering emotional intelligence in business is important. Mainly it is better to avoid? Decrease or deal with inflation rates first then with the recession since inflation is one of the main indicators and drivers to and in a recession.

Keywords: Global, economic recession, economies, business, market, oil market, inflation.

Introduction

The economy bases as well on the degree of production, services, goods, consumer confidence and market trends, so the stability of companies and countries depend a lot on these things. Various economic recession could happen from time to time and several have happened throughout history affecting the financial levels of businesses and profits. To avoid the economic downturn governments, managers and leaders try to take action, however recessions can provoke a crisis if they occur many times.

Indeed, it is up to the term, if the economic growth is slow or slowed down to control inflation, oil prices may decline whereas, a high inflation may lead to higher oil prices. Growing economic strengths, geopolitical tensions and even tight supplies may be main factor in the rise of oil prices, besides, high oil prices may affect the costs of goods and services since oil is major necessary key in manufacturing, transportation and shipping products.

[1] *Scientific Researcher, Doctoral School of Economics and International Business*
[2] *Doctoral School of Economics and International Business*

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More investments are needed in oil platforms and companies to tackle the problem of transportation and companies and avoid the threat of inflation, so rising oil prices will not act directly on low economies. Inflation may devalue currencies and results serious for goods and services therefore, economic growth may be impacted if costs of living for customers get higher. Mainly, when oil prices are high, even products that come from oil such as plastic or refined oil could be higher as well.

According to world bank "the third weakest pace of growth in nearly three decades, overshadowed only by the global recessions caused by the pandemic and the global financial crisis," (World bank 2022)

In fact, recession are inflations are economic facts, recessions temporarily hit the growth, jobs and the wealth by they are usually followed by periods of growth. Meanwhile, inflation hits and destroys the wealth that has been achieved and the value of money especially for low income countries, emerging and developing countries it can lead to a crisis with a permanent damage. Since inflation is one of the major indicators of an economic and global recession, the increase in the price level in a determined period. Recession remains a phase of the economic cycle in which the economic activity is low or falls and the level of consumption and investment decreases and the level of unemployment raises. High costs of living lead to more social difficulties. Companies and business have to deal with the new criteria of both recession and new costs. Inflation generally comes out from foreign demand, private consumption and government policies, although, it hits goods and services that available for sale as supply sides.

The global economic recession is reflected in various economies as well as on people's lives in many ways, manifested in high unemployment rates, low levels of economic activity, low levels of income and wealth, in addition to uncertainty related to jobs and income in the future.

Literature review

Business, recession and emotional intelligence

The economic crisis is one of the global challenges that requires international cooperation, we look at the strength, capacity and capability of international and domestic institutions to cope with the crisis. (Josef S. Nye. Jr & Scowcroft, 2009). The threat of economic recession make a firm survival a serious challenge for entrepreneurs, during a recession entrepreneurs and most institutions face a spread pessimistic psychological feeling with past evidence. Entrepreneurs from less-developed regions that were under the negative impact of the 2008 global shock had a serious feeling compared to those from more-developed regions (González-Pernía *et al.*, 2018).

Supporting young entrepreneurs to come up and discover their business ideas helps identify the gaps and opportunities present in the market. With a clear understanding of the market conditions such a support mechanism and established networks help young entrepreneurs to fine tune their business ideas (Choto, 2015, Vegitti & Adoscalitei, 2017).

According to Vegetti and Adăscăliţei (2017) after the 2008 economic recession, the fall in global trade, the decline in foreign and national investments, a slower GDP growth or a rising unemployment rate in most European countries provoked lower quantity of entrepreneurial activity especially the creation for new firms and more than that to a lower quality of entrepreneurship. Emotional intelligence or EQ is the ability of someone to manage and control their emotions and possess the capability to control the emotions of others as well (The Economic Times, 2022).

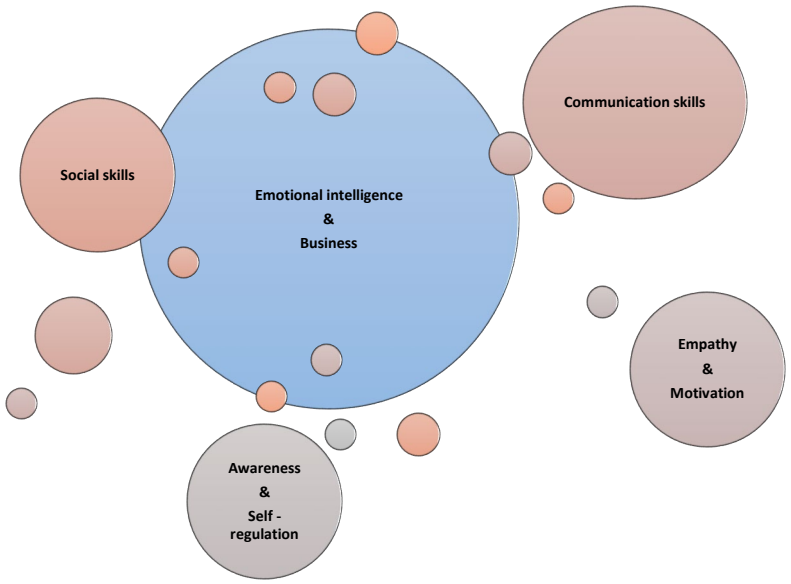


Figure 1 Emotional intelligence main skills for business

Source: Economic times, author's contribution & design, 2022.

According to economic times, emotional intelligence has got five parameters Self-awareness, self-regulation, empathy, motivation, social skills (Economic times, 2022) and we add a sixth characteristic " Communication skills", these skills together with the sixth one are important for business, negotiation process and help increase networks. First, self-awareness is the ability to know the strengths and weaknesses; it helps you understand and control yourself and others, thus you are able to affect others' feelings. Second, self-regulation means thinking before speaking, being self-regulated and able to manage every situation by staying calm. Third, Motivation is important by doing a series of tasks you may challenge yourself may help with a job consistency under challenges positively. Fourth, social skills are the abilities to have comfortable relationships by socializing. Fifth, empathy that is ability to understand and respond positively to others' feelings and emotions, hence, a successful manager may respond with empathy to the needs of others. Sixth, communication skills are very important by using the best way and language skills to communicate and negotiate ideas especially for business, the things that requires being open-minded to various difficulties and situation by diplomatically treating them especially if it is with a team. (See figure 1).

Inflation and economy

According to Brian Atkinson (1998) Inflation is a general and continuous increase in prices, on the one hand it is about a general increase in prices; in other words, an increase in the price of one or two goods is not inflation since most goods are a tiny part of total spending. But if it is about a few goods that increase affect relative prices and could have implications for the allocation of resources but it does not affect the price level as a whole, unless the commodities are extremely important. Back to the past, an increase in the price of oil in 1973 had knock on effects that put up prices as a whole. However, increases in the price of a few goods do not constitute inflation. On the other hand as a second point to not, inflation is a process that continues over a period of time but a one-off increase in prices does not mean inflation. (Brian Atkinson, 1998). Jašová M., Moessner R., Takáts E. Argues and finds out a diminished role for global inflation in determining EM national inflation rates following the global financial crisis, in contrast to their

evidence for developed countries. (Jasova M., Moessner R. & Takats E, 2019).Global factors play a more important role to indicate the trend inflation in emerging economies compared to developed economies. (Kamber and Wong, 2020). The evidence for low-income or emerging countries in the frames of the globalization of inflation is also equivocal. (Duncan and Garcia, 2019). Domestic inflation may depend on international conditions and it is not something new. (Duncan and Garcia 2019). Ignoring International developments is a main risk that misinterprets the effect of domestic economic conditions and pursuing suboptimal macroeconomic policies (Duncan and Garcia 2019). Consequently, to develop better models for policy analysis and forecasting needs to understand the international linkage that affects inflation. (Duncan and Garcia 2019).In high-income countries there is, a deeper financial development, lower inflation volatility, higher GDP per capita, lower average inflation, and more transparent monetary policy that explain a greater role for global inflation factors. (Parker, 2018).

Recession and energy between consumption and production

According to Reuters 2022 all recessions in 1974, 1980, 2008 and 2020 left oil consumption and production on a permanently lower trajectory than before. Moreover, the recessions that went through a larger and faster fall in consumption than production, causing inventories to accumulate and resulting spare capacity. Consequently, inventories depleted and spare capacity were reabsorbed in the years that followed a recession, until prices started rising to restrain consumption growth and encourage more investment in production. (Reuters, Sep 2022). In each case, until the next business cycle slowdown occurred, inventories went on to deplete and spare capacity continued to fall and decrease resulting upward pressure on prices. (Reuters, Sep 2022). There is no recorded instance where spare oil production capacity rose when the global economy continued to grow strongly. (Reuters, Sep 2022). There is no evidence to prove that producers have ever deliberately invested in spare capacity simply to provide more shock absorption or limit further price increases. (Reuters, Sep 2022).

According to the International Energy Agency (IEA) 2022 in 2023 there is an expectation of as stronger oil demand by China's manufacturing sector, energy prices should be lower compared to 2022 due to the weaker demand prospects, oil Supply growth should be in the US, Canada, Brazil, Norway.

According to the International Energy Agency (IEA) Europe has focused more on liquefied natural gas **(**LNG) imports so gas storage is still enough. In 2023 natural gas prices are expected to remain high as the Europe is planning to replenish ahead of next winter 2024 without Russian gas, together with successive demand from China that will pressure LNG demand that has focused on oil demand more as well.

Methodology and research question

The research question is what are the reasons for the recent global economic recession and what challenges could have on business and markets? As a methodology of research, The main focus was on a literature review of the existing literature and data analysis from different perspectives.

Analysis, results and discussions

Indeed, when the gross domestic product of a country goes down and decreases for 6 months in a row, a recession could happen. So, the supply of goods and services decreases substantially and

drastically. Thus, a drop in the purchasing power of the customers and population could occur. In this regard, companies could be forced somehow to increase the prices of the products to cover production costs. This in the medium term could transform and become inflation and strongly affects and harms people with minimum economic salaries and fewer resources. On the other hand, recession is not always linked to inflation since deflation the opposite often happens due to a significant drop in demand that leads to the abrupt decrease in the prices of goods and services. Consequently, all this can damage a country's economy during a recession.

For this reason, to avoid big harms and loses economies have to be eventually prepared to avoid and overcome any kind of recession in the best way.

When the economy declines for at least six consecutive months it directly provokes a recession. In this way, investments, the rate of consumption and financial activity decrease as a direct consequence of the recession, the thing that could be difficult for governments to devise strategies to get out of it although it is raised in all economic cycles. Interest rates may also be affected, since banks could lower them to encourage the consumption of goods but, if the purchasing power of workers decreases, it is very unlikely that this measure will have a positive effect on the environment. it is a phenomenon that economically sooner or later may occur.

Even if a recession and crisis can be similar they are different from each other since a crisis can take a longer period of time by causing and leading for instance to a high percentage or level inflation, currency devaluation and a fall in GDP by more than 10 % the thing that may last more than two years depending on the internal economic situation of the country and stability of companies or production. Besides, a crisis or depression economically comes after a serious fall in prices, overvalued assets over a long period of time, the thing that can require a revision to the entire situation and cannot rely on just a policy change. Whereas, an economic recession can be solved with some political adjustments and economic cooperation for example.

Monetary tightening from central banks, increased commodity prices and surging inflation have raised the question about economic and business cycle, especially of the obstacles, impacts and consequences of the pandemic and the Russian-Ukrainian war. According to Fidelity investments, the fourth quarter of 2022 has shown and proved that the U.S economy remains in the late cycle of expansion stage, there an increasing risk to a recession but it has not reached the contraction stage and extreme levels. Whereas, the Chinese economy is in a contraction despite the efforts of the Chinese government to jumpstart the growth. Meanwhile, the European economy has entered a recession. (Fidelity investments, 2022).

The global economy has been under the risk of recession since the start of the pandemic and the Russian-Ukrainian war that could impact the whole world economic stability and lead to other measures and transitions. The probability of a 2023 recession is increasing although it can be brief but inevitable since the true and most interesting economy is the international economy.

Figure 2 inflation rate, average consumer prices (annual percent change)

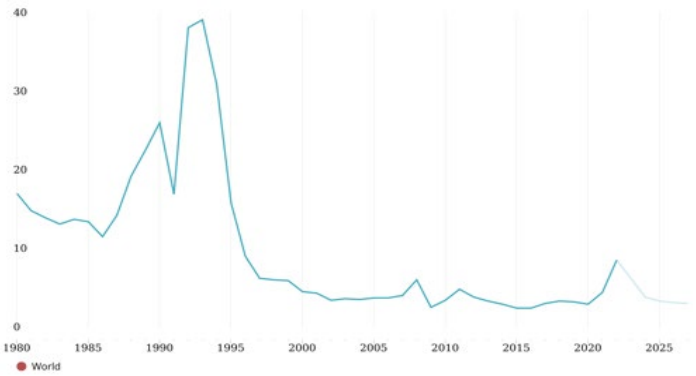


Figure 3 difference in inflation rate, annual average consumer prices 1985-2022

Source: IMF (October 2022).

Despite the fact that there is not a positive outlook 2023 world economic growth, there is possibility for recovery after a shock in the global economy and international geopolitical stability, an increasing inflation together with a fluctuation and raise in energy and commodity prices. A possibility for a recovery is possible unless there will a nuclear threat or a sudden crisis. Since inflation rates have increased in 2022 and the first quarter of 2023, they continue to overwhelm the economy the thing that could lead to a disruption in market and market stability. Investing in debts or floating rate is something vulnerable. With a global recession and inflation consequences that will be dominating investor and corporate concerns for all the quarters of 2023 until the start of the economic recovery that needs to base more on political adjustments and stability at first. Investing more to kill the inflation and balance the economy is something that can face both rate risk and credit risk. (See figures 2, 3, 4, 5, 6, 7).

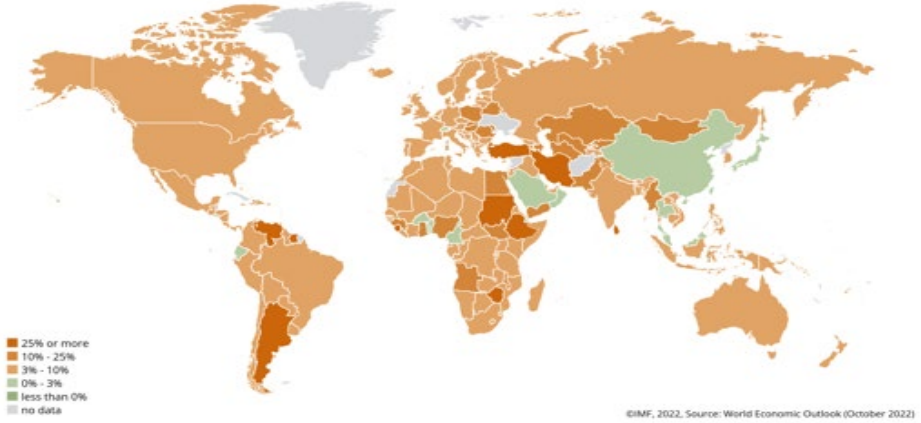


Figure 3 Map of inflation rate, average consumer prices (annual percent change)

Source: IMF October 2022.

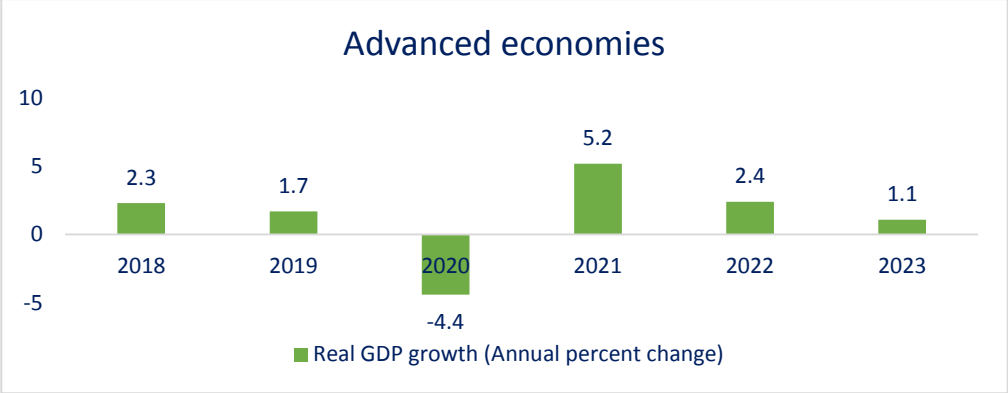


Figure 4 Real GDP growth in advanced economies (Annual percent change)

Source: Author's contribution and research 2023, IMF data 2023.

The effect of recession in general on any economy is summarized in two main axes, the first is productivity and the degree of growth, and the second is the level of employment and unemployment. the existence of unemployment in society that may affect the demand and the standard of living of individuals, the balance between the change and raise in prices of goods, services, costs of living and wages could be difficult the thing that could lead workers to think about better work conditions especially if taxes are higher. As a result this is not an advantage for companies and business to focus on the profit, the rate of unemployment in between 2022 has increased 2023 in particular in advanced economies that have known a raise in unemployment with a high rate in 2020 (6.6%), 2021(5.6%), 2022(4.5%) and in the first quarter of 2023 with the rate 5%. (See figure 8).

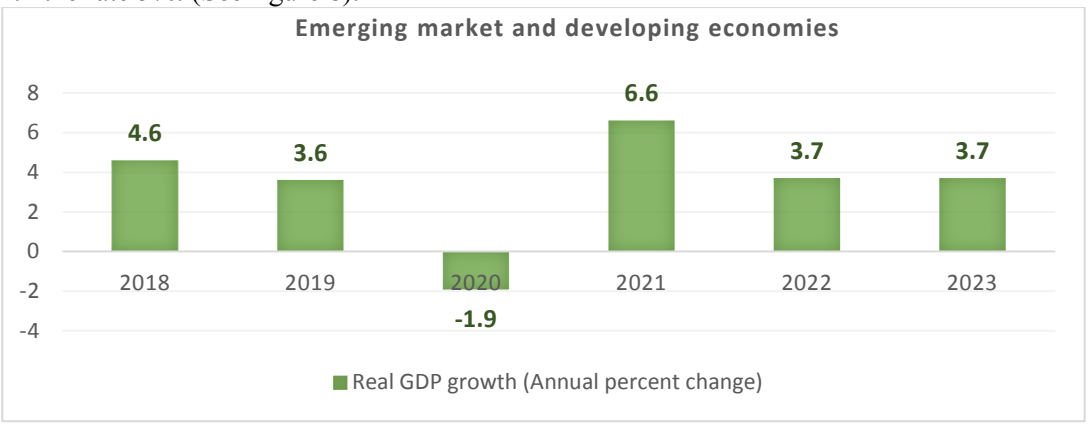


Figure 5 Real GDP growth in the emerging market and developing economies

Source: Author's contribution and research 2023, IMF data 2023.

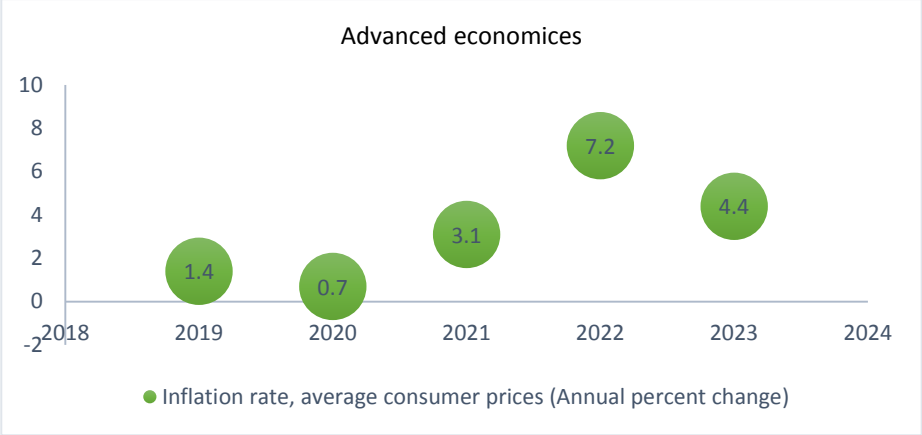


Figure 6 Inflation rate, average consumer prices in advanced economies

Source: Author's contribution and research 2023, IMF data 2023.

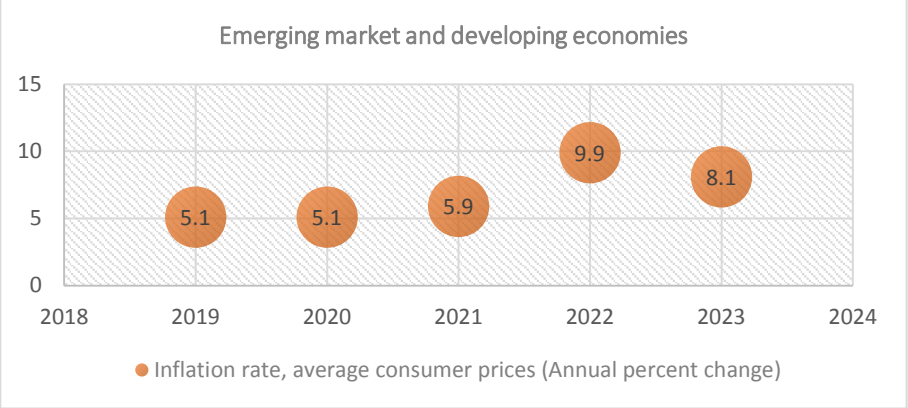


Figure 7 Inflation rate, average consumer prices in emerging market and developing countries

Source: Author's contribution and research 2023, IMF data 2023.

The labor market has known changes and challenges after the start of the pandemic and the recent international geopolitical political instability that put have overwhelmed both emerging and advanced economies. Because the Crisis of Covid could lead a part of qualified workers to leave their jobs or return under different conditions and high cost of leaving the thing that make wages weaker in contrast with the rising rate of inflation. On the other hand, it is highly difficult to match the labor supply and demand. Because an occurring inflation impact the supply chain as well. (See figure 8).

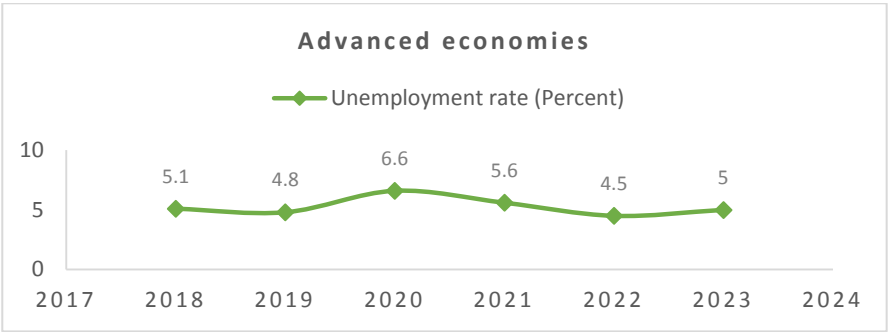


Figure 8 Annual unemployment rate in advanced economies (Annual percent change)

Source: Author's contribution and research 2023, IMF data 2023

The successive sanctions on Russia after the outbreak of the Russian Ukrainian war affected the access to food and energy prices in many nations in the world, in other words both advancing and emerging economies but low income nations could be more affected especially after the raise of inflation rate. The global commodity necessity and the raise of energy prices during the pandemic and the outbreak of the geopolitical conflict in 2022 that generated global inflation with recessive effects in the international level but mainly in Europe. On the other hand it forced an acceleration of investments in clean energy and could strengthen the collaboration and relations and collaboration more between the EU and USA. The thing that may have benefits in the medium term but also cost and consequences in the short term.

The rate of inflation is common indicator of a recession in Europe and the EU in particular since the rate in 2022 was (9.2%) and a contraction in China especially after its period of Zero Covid policies. Global tensions and the speed to energy transition and the prices of crude Oil, Gas and commodities are not showing a positive outlook for 2023 until the start of the recovery period.

The global economy nowadays is littered with fuel, the resurgence of the Covid 19 pandemic and the escalation of geopolitical tensions could be the flame that pushed the world economy into recession. (See figures 9, 10, 11, 12, 13). Mainly countries are asked to focus and strengthen resilience to climate change, encourage economic diversification and improve government efficiency but climate change and debt sustainability are not priorities during a recession and inflation periods, the most important thing is to deal with the inflation then the recession to avoid a global economic crisis, especially that low income countries are 60% threatened to poverty after all the escalation and major changes globally.

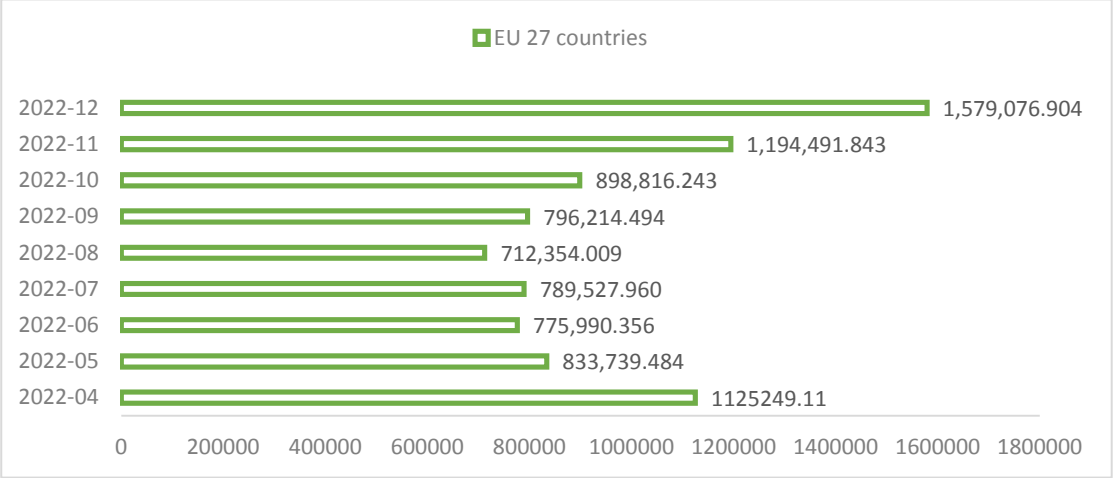


Figure 9 Supply, transformation and consumption of gas in the EU (monthly data)

Source: Author's contribution and researcher 2023, Eurostat data 2023.

According to the official statistics of Eurostat (2022/1Q 2023), in 2022 the European union annual inflation reached a higher tripled rate compared to 2021 with 9.2% in 2022 compared to 2.9% in 2021. (See figure 10 and 11). The main reason is the geopolitical tensions in particular after the outbreak of Ukrainian-Russian war. Meanwhile, in Japan it reached 2.5% in 2022 compared to a negative inflation rate in 2021 (-0.3%). It remains acceptable for Japan's fast economic recovery in the upcoming period and year. In China in 2022 it was 2022 but 2021 it was less with a rate of 0.9% and differences is due its restrictions and government strategy with Zero Covid 2022. (See figure 10 and 11).

In the US in 2021 the annual inflation rate was 5.3% but it 202 the value reached 8.7%, obviously, the difference and change are not as high as in the EU. (See figure 10 and 11).

In 2022 the European union the average inflation annual rates were higher in transport in food and non-alcoholic products 11.9%, in transport 12% and in housing, water, electricity and other fuels (18%). (See figure 12).

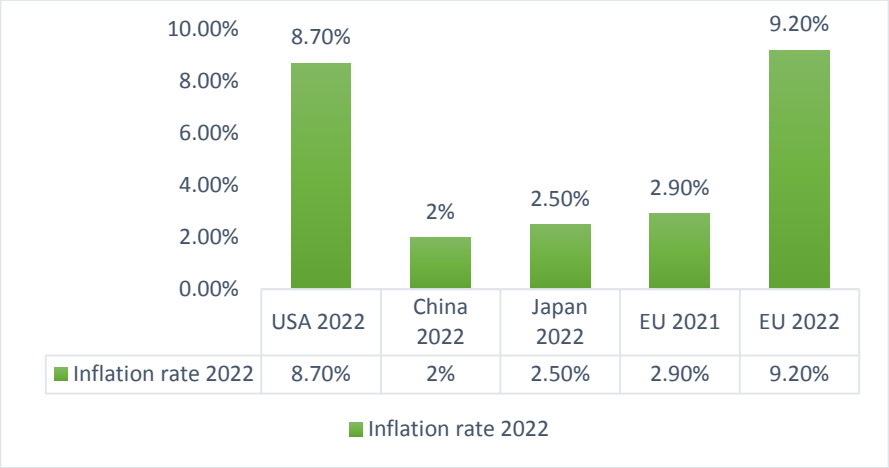


Figure 10 2022 Inflation rate in the world four largest economies

Source: Author's contribution 2023, Eurostat data 2023.

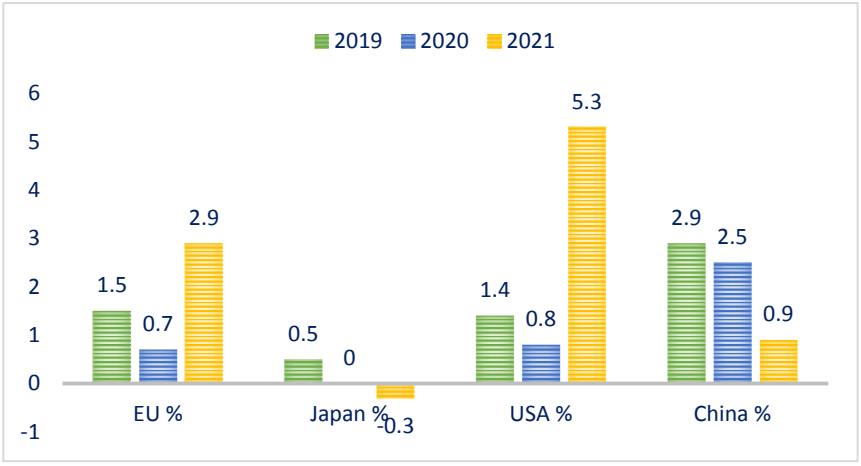


Figure 11 Inflation rate in the world 4 economies 2019, 2020 & 2021

Source: Author's contribution 2023, Eurostat data 2023.

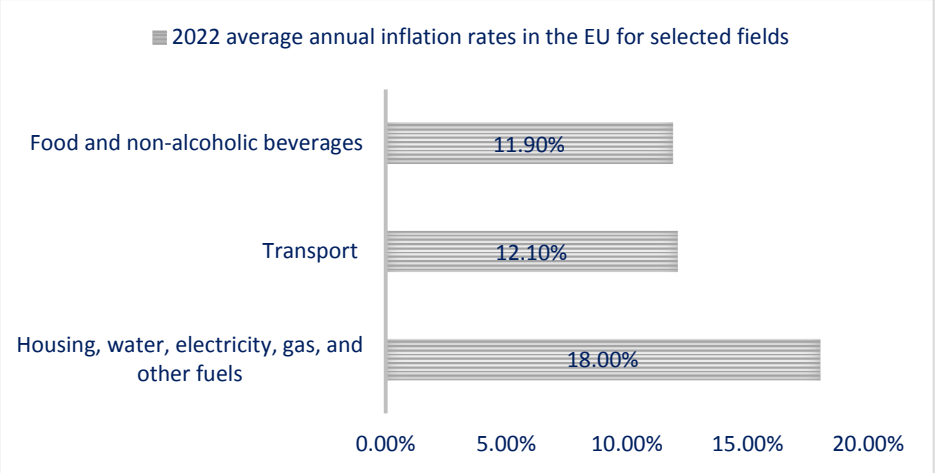


Figure 12 2022 average annual inflation rate in the EU for selected fields

Source: Author's contribution 2023, Eurostat data 2023.

Due to geopolitical tensions and difficulty in negotiation between the EU and Russia before and during the outbreak of the Russian-Ukrainian war led Russia's share in the European Union extra imports to drop and get contracted from 9.5% to 4.3% in 2022. (See figure 13) .Moreover between 2021 and 2022 the imports of 6 major commodities decreased for Oil from 28% to 21%, coal from 45% to 22%, fertilizers from 29% to 22 %, Natural gas from 36% to 21% and Iron and steel from 16% to 10%. (See figure 14 and 15).On the other hand, the total extra-EU exports to Russia decreased from 4% to 2% in 2022. (See figure 13).

Figure 13 Russia's share in Extra EU imports and exports

Russia's share in Extra-EU Imports		Russia's share in Extra-EU exports	
2021	2022	2021	2022
9,50%	4,30%	4,00%	2,00%

Source: Author's contribution 2023, Eurostat data 2023.

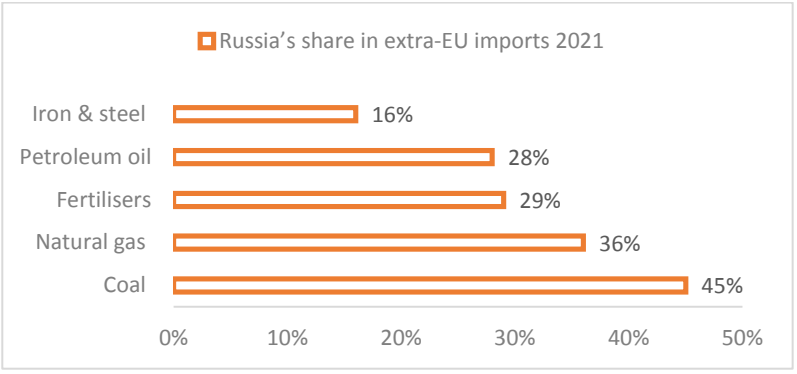


Figure 14 Russia's share in 2021 Extra EU imports for selected commodities

Source: Author's contribution 2023, Eurostat data 2023.

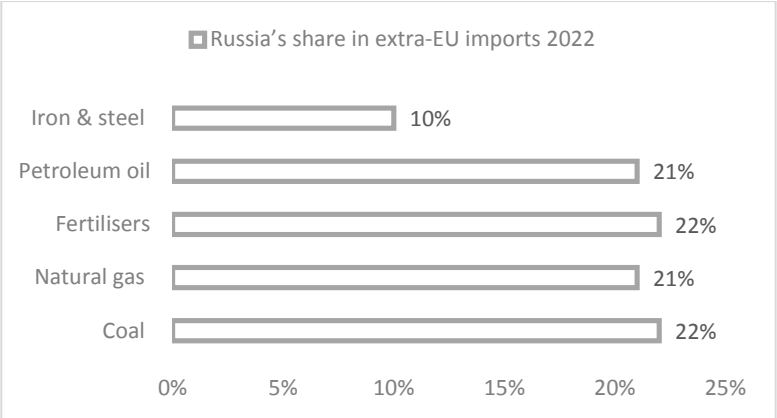


Figure 15 Russia's share in 2022 Extra EU imports for selected commodities

Source: Author's contribution 2023, Eurostat data 2023.

Metals like Copper, Iron ore, Aluminum and Nickel and Fertilizers like nitrogen, phosphate and potassium that are very important for industry, industrial zones and production got increased in prices due to high demand the international situation in the world that has been changing since 2020, high changes were observed in 2022 after all the international geopolitical tensions, restrictions, sanctions on Russia, shipping and transportation difficulties and weak investments. (See figures 16 and 17).

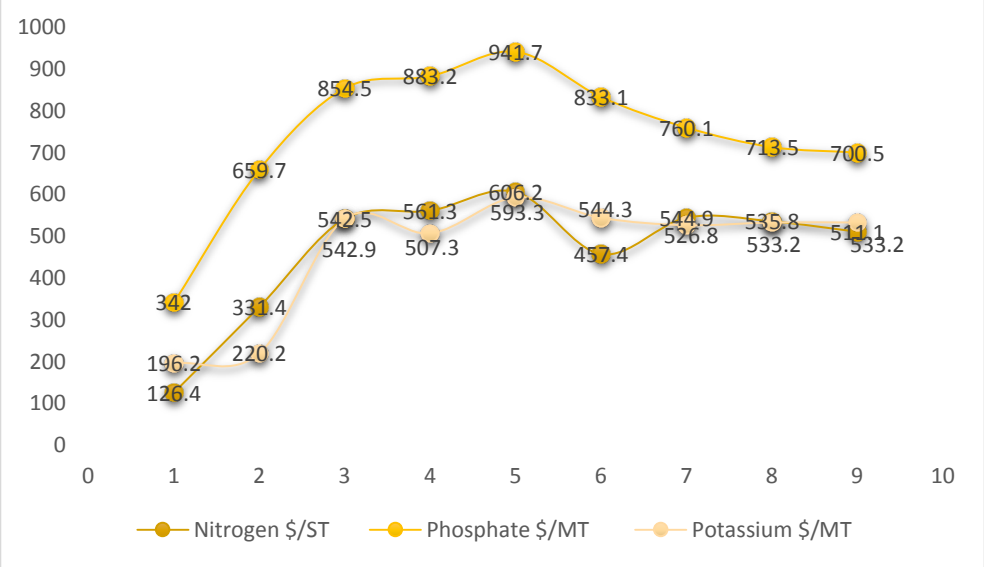


Figure 16 Fertilizers in market price change in US dollar

Source: Author's contribution 2023, IMF data 2023.

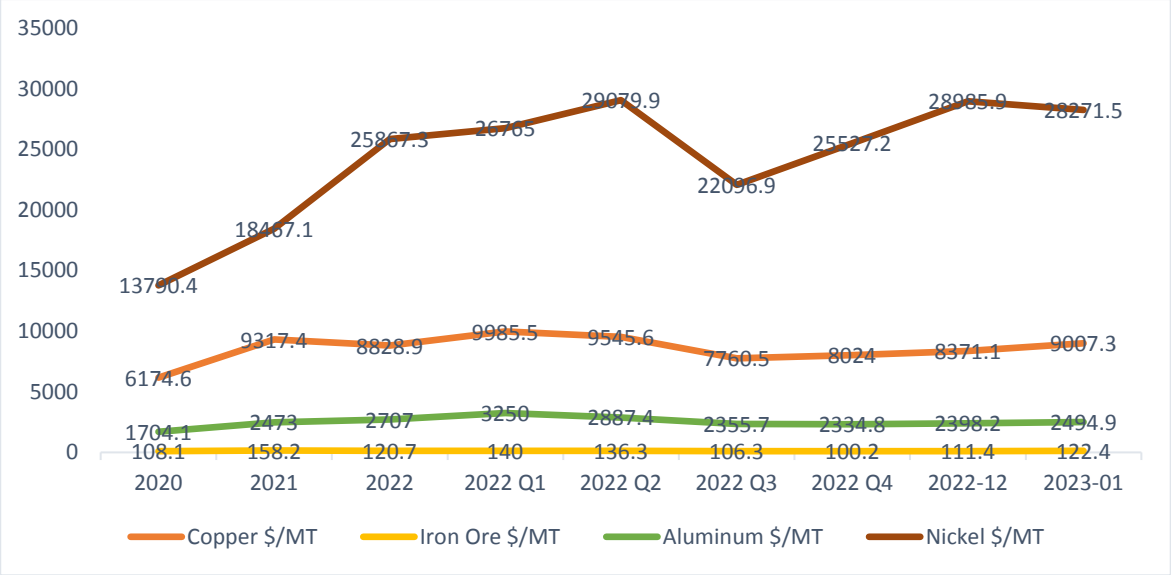


Figure 17 Metals in market price change in US dollar

Source: Author's contribution 2023, IMF data 2023.

The fundamentals of oil markets got affected by the slowdown in the global economy, China's high demand for oil, the rise in the dollar associated with the rise in the interest rate, and Sanctions on Russia's on exporting its oil and its derivatives to countries that adhere to the western price ceiling starting from February, the discount rate on Russian oil exports and the increase in supply from some countries outside "OPEC +". All this will not make oil prices rise to their average levels in 2023 in light of the current economic conditions, and may probably range between an average of 75-85%, it depends on the geopolitical conditions supply and demand and economic engines.

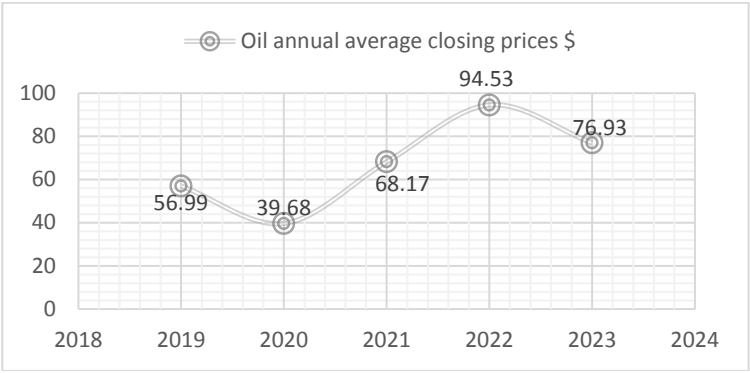


Figure 18 World oil annual average closing prices in US dollar

Source: Author's contribution 2023, Macrotrends 2023.

Oil knew it highest price in the recent decade in May 2022 with the price $ 118.10 per barrel, the annual average closing price in 2022 was $ 94.53 compared to the first Q of 2023 with annual average price $ 76,93 with a probability to have approximately the same average closing price all over 2023, the worst oil annual average closing price was in 2022 ($39.68) during the outbreak of the pandemic and the high decrease in demand. (See figure 18).

Conclusions

Fostering emotional intelligence in business is important because it helps increase collaboration between team members, employees and workers for more connection and productivity. It helps encourage and develop a positive cultural intelligence for business. Moreover, it is very able to help in problem solving and decision making. The global economy has been under the risk of recession since the start of the pandemic and the Russian-Ukrainian war that could impact the whole world economic stability and lead to other measures and transitions. The probability of a 2023 recession is increasing although it can be brief but inevitable since the true and most interesting economy is the international economy.

To sum up, recessions are mainly for short periods that precede another growth process, that's why a company and a country have to be ready for them at any time since they are part of the business cycle, a company is able to overcome a recession by rising the degree of productivity and reducing the expenses that cannot producing any kind of income, without reducing the number of employees at all costs but the entire structure must be considered and evaluated well for the right decision. Mainly it is better to avoid or decrease and deal with inflation rates first then with the recession since inflation is one of the main indicators and drivers to and in a recession. In fact, recession are inflations are economic facts, recessions temporarily hit the growth, jobs and the wealth by they are usually followed by periods of growth. Meanwhile, inflation hits and destroys the wealth that has been achieved and the value of money especially for low income countries, emerging and developing countries it can lead to a crisis with a permanent damage. High inflation may lead to the risk of stagflation in case of economic weakness

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