

# Global Economic Instability

written by Hamna Seyyed | January 9, 2023



Global economic instability refers to a situation where there are significant fluctuations or disruptions in the global economy, which can have negative impacts on countries, businesses, and individuals. Some common causes of global economic instability include:

**Financial crises:** A financial crisis is a sudden and severe disruption in the financial system, which can be caused by a variety of factors such as asset bubbles, high levels of debt, or financial fraud. Financial crises can lead to economic downturns, high unemployment rates, and other negative impacts.

**Trade disputes:** Trade disputes between countries can lead to economic instability, especially if they involve major trading partners. For example, a trade dispute between the United States and China could have significant impacts on the global economy.



**Geopolitical tensions:** Political tensions or conflicts between countries can also lead to economic instability. For example, if there is a threat of military conflict between two countries, businesses may be reluctant to invest in those countries, leading to economic downturns.

**Natural disasters:** Natural disasters such as earthquakes, hurricanes, and floods can disrupt economic activity in affected regions, leading to economic instability.

**Pandemics:** Pandemics such as COVID-19 has lead to economic instability as they disrupt global trade and supply chains, and also lead to reduced demand for goods and services due to lockdowns and other measures.

The world is going through these all situations right now at the same time which eventually has caused global recession. The current global recession is a result of the economic downturn caused by the COVID-19 pandemic. The pandemic has had a devastating impact on the global economy, resulting in a sharp decline in economic activity, rising unemployment, and a sharp rise in poverty. The global recession has been particularly hard on developing countries, where the economic impact of the pandemic has been compounded by the lack of access to healthcare and other essential services. In many countries, the pandemic has caused a rapid increase in poverty, with millions of people unable to access basic necessities such as food and shelter. The economic impact of the pandemic has been felt across the world, with the United States, Europe, and China all experiencing a sharp decline in economic activity.





In the US, the unemployment rate has risen to 14.7%, the highest level since the Great Depression. In Europe, the Eurozone economy has contracted by 12.1% in the second quarter of 2020, the largest decline since records began in 1995. In China, the economy has contracted by 6.8% in the first quarter of 2020, the first contraction since 1976. The global recession has had a significant impact on global trade, with many countries experiencing a sharp decline in exports. This has resulted in a decrease in global demand for goods and services, leading to a decrease in global economic growth. The global recession has also had a significant impact on global financial markets. Stock markets around the world have experienced a sharp decline in prices, with many investors losing significant amounts of money. In addition, the value of the US dollar has declined significantly, resulting in a decrease in the purchasing power of many countries. The global recession has had a devastating impact on the global economy, and it is likely to take some time for the economy to recover. Geo-political tensions among the countries are going side by side and this has the great impact on the economies. One of the biggest example is of Russia-Ukraine conflict.

Governments around the world are taking measures to mitigate the economic impact of the pandemic, such as providing financial support to businesses and individuals, and implementing measures to stimulate economic activity. However, it is likely that it will take some time before the global economy returns to pre-pandemic levels. To mitigate the impacts of global economic instability, governments and international organizations may implement measures such as fiscal and monetary policy interventions, trade agreements, and emergency aid. It is important for countries to have strong economic policies and institutions to help them weather economic downturns and recover from them. Also, In addition, governments and businesses need to focus on creating jobs. This can be achieved through investment in infrastructure and education, as well as providing incentives for businesses to hire more workers. This will help to increase consumer spending and business investment, which will help to stimulate economic growth.