Recession Analysis using Python

A recession is an economic situation that arrives when the circulation of money in the economy is low for two consecutive quarters. When the circulation of money is low, it means that people are not spending money in the market. When people don't spend money, businesses face losses, which results in economic slowdown and layoffs, which we already have seen or heard about a lot in 2023.

Recession is calculated and analyzed according to the growth in GDP, the growth in unemployment rate, and the growth in consumer spending rate. But the most common way of measuring recession is by analyzing the monthly GDP growth data.

Here, in this project I have used the monthly GDP growth rate of UK.

Code:

As recession means the decline in the circulation of money for two consecutive years, I will convert our monthly data into the quarterly data to analyze the recession.

After which we calculate and analyze recession based on quarterly GDP growth.

The red lines show the periods of negative GDP growth(considered recessions), and the green line shows the overall trend over time.

After this we analyze the severity of the recession. The severity of a recession refers to the extent to which economy contracts during a recession. A severe recession involves a deeper and more prolonged decline in economic activity, resulting in negative effects on employment, incomes and other economic indicators.