Difference Between Recession & Credit Crunch

Introduction

- These terms are used while referring to the macroeconomics.
- Both have a great effect on the economy because both these terms are used when the economic cycle become because of certainly unfavourable factors which affect the economy.
- Both have an adverse effect on the buyer and the seller's deal.

Recession:

- When in a market, the growth of economy becomes negative or adverse by comparing it with GDP of that particular country this situation is called a recession.
- So a recession is a condition when the level of trading or industrial activity is reduced in the market for two consecutive quarters.
- If it falls continue for two consecutive quarters by comparing with a measurement of gross domestic product and if it fails it is called a recession or economic decline.
- A recession means a notable decline in the trading or and industrial activity in the economy.
- Recession can be seen in the employment, production activity, wages, trading activity.
- The recession is part of a business cycle and for short period.

Credit crunch:

- A credit crunch is also known as a Credit squeeze or credit crisis.
- A credit crunch is a condition in which there is an immediate decline in the availability of a loan or the credit.
- A situation in which suddenly the credit becomes difficult to get.
- Sometimes it can be done by reverse actions like by strict rules and regulations to avail the fund from the financial institutions like banks, NBFCs, and many other lenders.
- This can also be done by making the interest rate higher than the normal rate so it automatically leads to the reduction in the demand for the credit and vice-versa.
- This can be the authority of a particular economy to handle or manage the inflation.
- A credit crunch is affected by the irregularly and improper lending manners which end with a loss to the financial institutions.
- And it will increase the debt to the lender and badly affects the whole economy.

Recession vs Credit crunch

Basis	Recession	Credit crunch
Meaning	Recession is a situation in which the trading activities slow down because of some factors.	A credit crunch is a condition in which a sudden decline occur in the availability of a loan or the credit.
Reason	In recession, the trading activities starts falling in the market due to some unfavourable factors.	Improper lending to the borrowers leads to the credit crunch.
Indictor	A recession is indicated by the growth domestic product.	Debt increased in the market due to defaulters to the financial institutions.
Effect on economy	A recession has short term effect on the economy which affects the production activity,	A credit crunch has more effect on the economy as compared to the

	wages, trading activities etc.	recession which affects the borrowers.