

What is K-Shaped Recovery?

January 27, 2024 • vajiramandravi.com



About K-Shaped Recovery:

- A K-shaped recovery **occurs when, following a recession, different parts of the economy recover at different rates**, times, or magnitudes.
- It leads to changes in the structure of the economy or the broader society as economic outcomes and relations are fundamentally changed before and after the recession.
- This type of recovery is called K-shaped because the **paths of different parts of the economy, when charted together, may diverge, resembling** the two arms of the Roman **letter “K.”**
- The portion of the economy that recovers quickly is represented by the upper part of the K, while the lower part represents those groups that recover more slowly.
- **Reasons:**

o K-shaped recoveries are generally caused by **disparities that existed before the recession** or by a recession that **impacts populations and groups differently**.

o It is possible due to the **creative destruction of old industries due** to the **development of new industries** and technologies during the recession.

o **Government strategies** like monetary and fiscal policies used to combat the recession can lead to a K-shaped recovery. Due to the nature of the economic policies, **certain industries will benefit more than others**.

o **Due to the nature of the recession**, it can exert **a unique impact on different parts of the economy**, especially when a recession is coupled with a negative real economic shock that results in a lasting negative impact on certain parts of the economy.

· **Example:** During the COVID-19 pandemic, North America saw a K-shaped recovery where the richer individuals and industries recovered faster compared to the poor.

Q1; What is an economic recession?

Recession is a slowdown or a massive contraction in economic activities. Such a slowdown in economic activities may last for some quarters thereby completely hampering the growth of an economy. In such a situation, economic indicators such as GDP, corporate profits, employment, etc., fall.

Source: [FM Sitharaman rejects K-shaped recovery theory for India, asks doubters to explain](#)

Source: <https://vajiramandravi.com/current-affairs/what-is-k-shaped-recovery/>

© Vajiram & Ravi. For personal use only.