

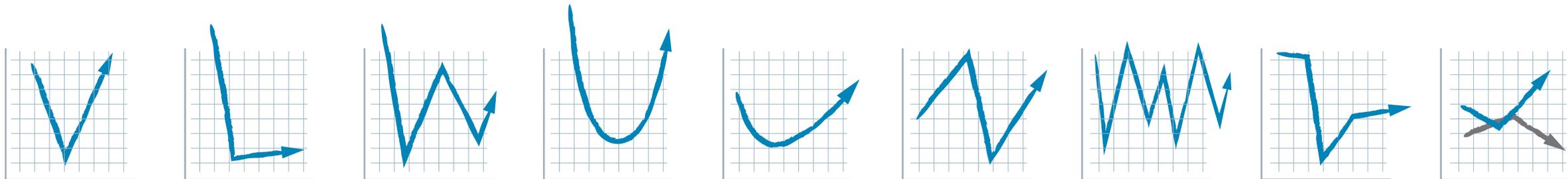
The letters of economic recovery

A V-, U-, W- or L-shaped recession/recovery is an informal shorthand description of the economic cycle heard often these days. The shapes take their names from the approximate pattern data make in graphs tracking the fluctuations of the economy. In the first of a two-part series on the shape of recovery, we decipher what they mean.

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WHAT KIND OF RECESSION OR RECOVERY DO THE SHAPES SHOW?



- V-SHAPED**

A best-case scenario. It depicts the economy snapping back as quickly and steeply as it fell. A clear example is the US recession in the mid-1950s, when output fell for three straight quarters and shot back up shortly at 8.3 per cent and then 12 per cent.
- L-SHAPED**

This is the most worrisome of all. It shows an economic plunge that stays down a long time. The steep drop is followed by a flat line that resembles the shape of an "L". The classic example is the Japanese economy in the 1990s, when it stagnated for a "lost decade" after an asset bubble burst.
- W-SHAPED**

Also known as "double-dip", it refers to a downturn that becomes an upturn but then reverts to a downturn again. The "down up down up" pattern resembles the letter "W". This happened in the US in the 1980s when the economy "dipped" in the first half of 1980, recovered in the second half and then "dipped" again from July 1981 to November 1982.
- U-SHAPED**

A long, tedious recession with a bottom that's hard to decipher. It could happen if the economy stagnates. The US's downturn in 1973-75 was U-shaped. The economy started to shrink in early 1973 and continued to decline or have low growth for nearly two years. After bumping along the bottom, it climbed back to recovery in 1975.
- 'NIKE SWOOSH'-SHAPED**

This is the scenario where after falling, growth starts recovering quickly but then, slowed down by obstacles, moves gradually back to the trend-line.
- Z-SHAPED**

A somewhat unrealistic outcome where the economy quickly rises like a phoenix after a crash. The recovery raises growth much higher than the trendline – and stays there.
- WW-SHAPED**

This depicts an economy "slipping in and out of recession for a prolonged period of time, perhaps three to four years or more".
- SQUARE ROOT-SHAPED**

Attributed to George Soros, this basically explains that while there could be a rebound from the bottom, the growth slows and settles a step down from before the crash.
- K-SHAPED**

Coined by US economist Peter Atwater, it refers to the situation in the US where things get better for the haves, and worse for the have-nots.