



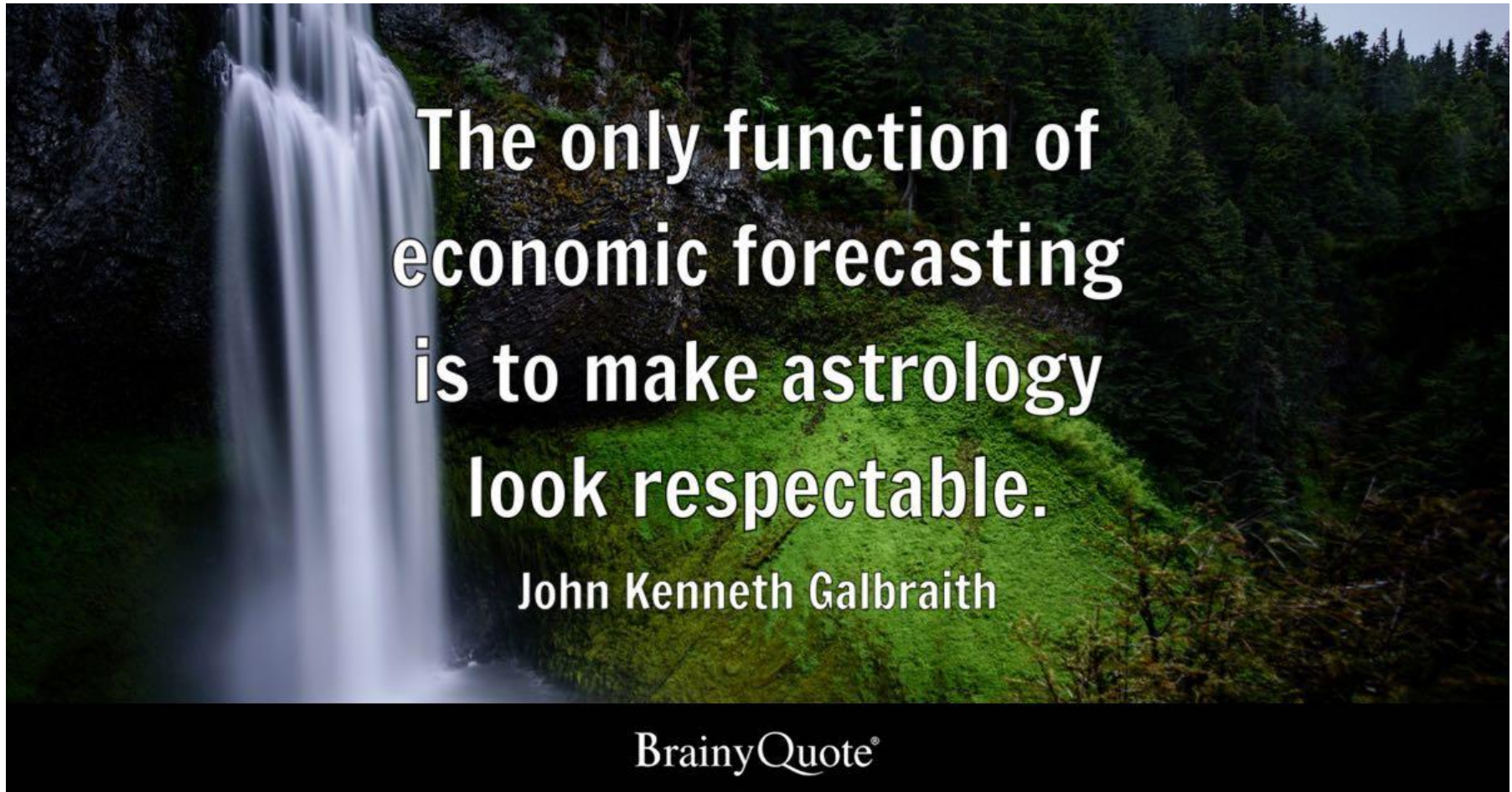
Is Recession Coming?

By

John Min Ph.D.

September 15, 2023

Prologue



**The only function of
economic forecasting
is to make astrology
look respectable.**

John Kenneth Galbraith

BrainyQuote®

Market Wizards



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ECONOMIC
ASSOCIATION**

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Annual Meeting

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 - 2023
 - 2022**
 - [Program](#)
 - [AEA 2022 Session Recordings](#)
 - 2021
 - 2020
 - 2019

ASSA 2022 Virtual Annual Meeting

 JANUARY 07 — 09



The ASSA 2022 meeting was held January 7 - 9, 2022.

AEA Sessions from the ASSA 2022 Annual Meeting are available, compliments of the AEA.

Recession!



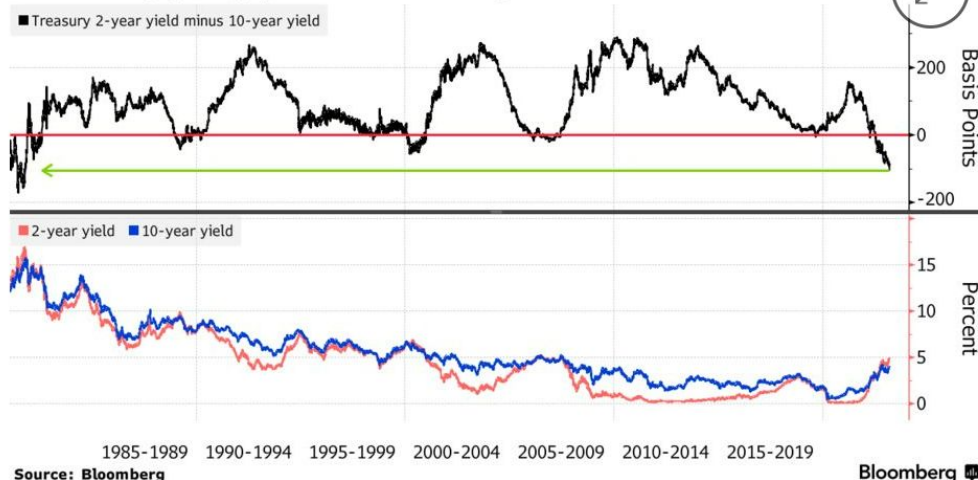
Chart and spread via St. Louis Fed, annotations by Mish

Recession!

Forecast for US Recession Within Year Hits 100% in Blow to Biden

- Bloomberg Economics sees near certainty downturn will start
- Tightening conditions, inflation, hawkish Fed weigh on outlook

Biggest Inversion Since the 1980s The Treasury yield gap hasn't been this big since Volcker ran the Fed



Significant US Recession 'Not Inevitable,' Says Raimondo

By [Josh Wingrove](#)
October 17, 2022 at 10:02 AM EDT

[Listen](#) 2:04

Not Prescient

13,939.62

+1,219.04 (9.58%) ↑ past year

Aug 4, 3:11 PM EDT • Disclaimer

+ Follow

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max

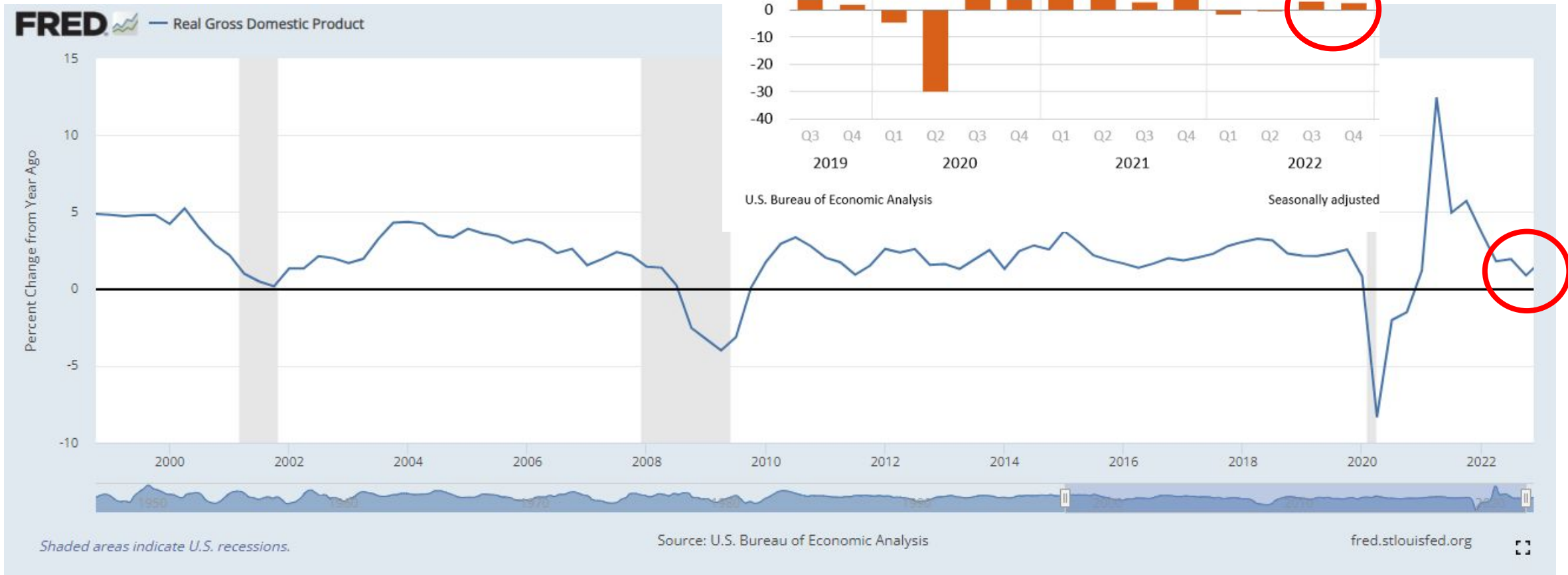


Open	14,025.96	Low	13,920.09	52-wk high	14,446.55
High	14,119.22	Prev close	13,959.72	52-wk low	10,088.83

Feedback



What Recession?



Hogwarts

Photos from the 2023 ASSA Annual Meeting



The 2023 Annual Meeting was held in New Orleans, LA, on January 6-8, 2023.

Postmortem



Market Wizards



◆ WSJ NEWS EXCLUSIVE | THE OUTLOOK

Economists in WSJ Survey Still See Recession This Year Despite Easing Inflation

Forecasters put 61% probability of recession in next 12 months

By Harriet Torry [Follow](#) and Anthony DeBarros [Follow](#)

Jan. 15, 2023 5:30 am ET

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The Federal Reserve has indicated that it doesn't expect to cut rates this year. PHOTO: JONATHAN ERNST/REUTERS

Did It Again!



 Yahoo Finance

Maybe the 'most anticipated recession' won't come after all

Stronger-than-expected economic data has Bank of America revoking its call for a recession at the end of Fed's interest rate hiking cycle.


2 days ago

 Fortune

'Imagine no recession, it's easy if you try.' Bank of America flip-flops on its recession call, arguing a 'soft landing' is on the way

The investment bank has been predicting a recession since the summer of 2022.

2 days ago

 Yahoo Finance

Why Bank of America sees a soft landing, no recession for U.S. economy

Bank of America now says the U.S. will avoid a recession and achieve a soft landing. Many economists and investors have been anticipating a...

1 day ago

 Reuters

Fed staff drop US recession forecast, Powell says

U.S. Federal Reserve Chair Jerome Powell said on Wednesday the central bank's staff no longer forecasts a U.S. recession, and "we do have a..."

1 week ago



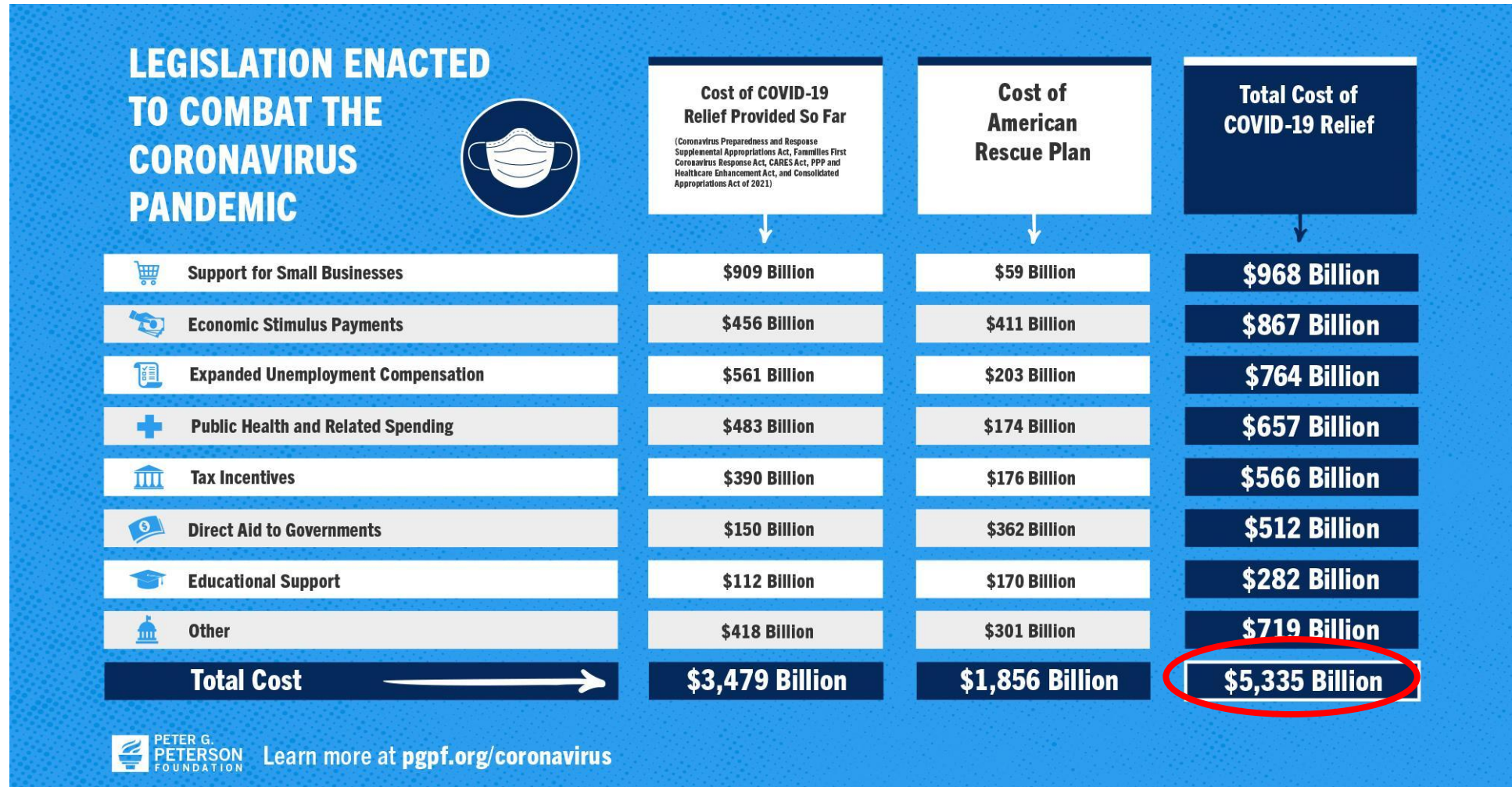


Monday, July 21, 14

No Free-Lunch

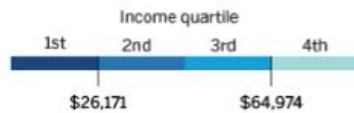
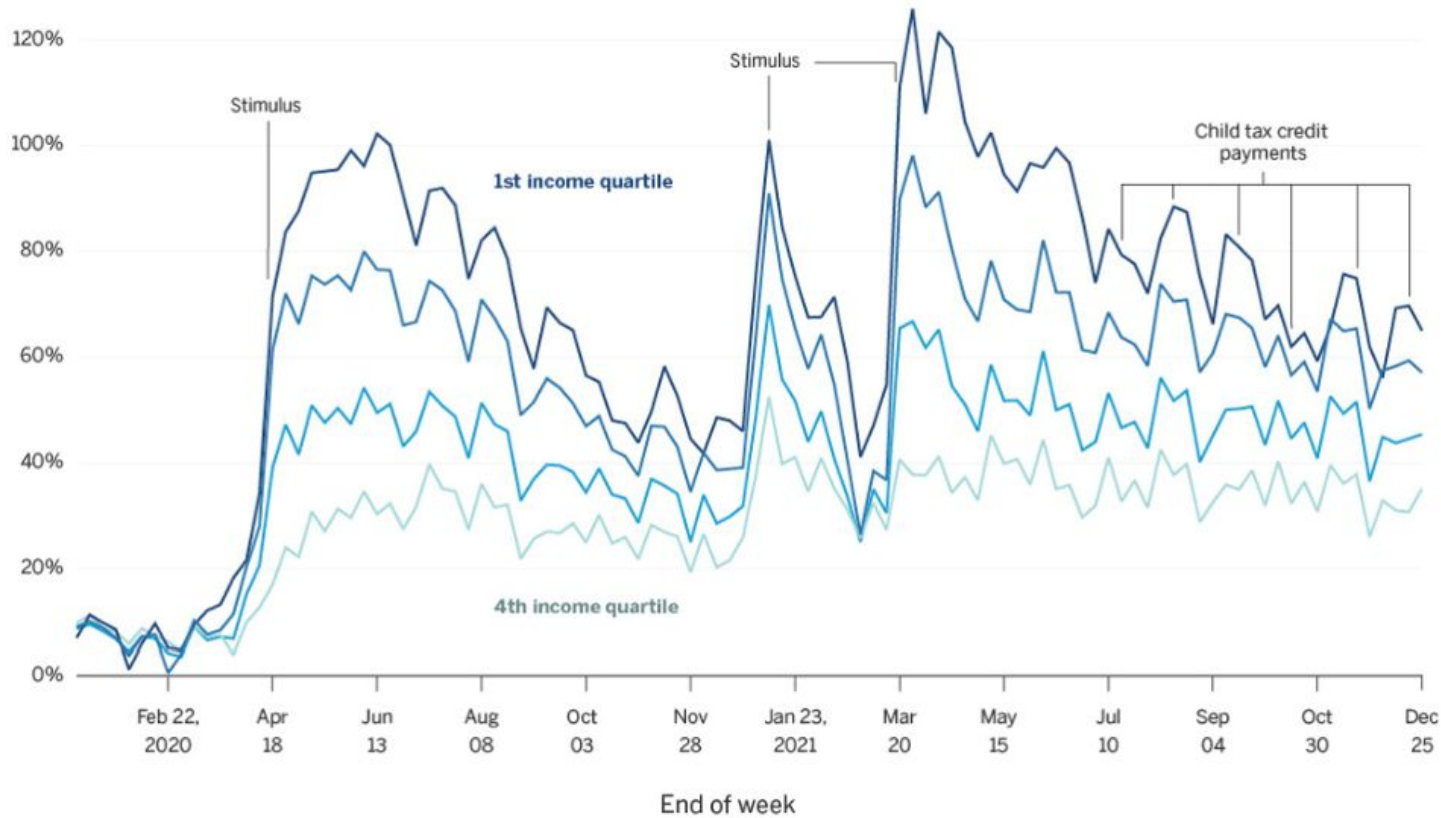


Fuel



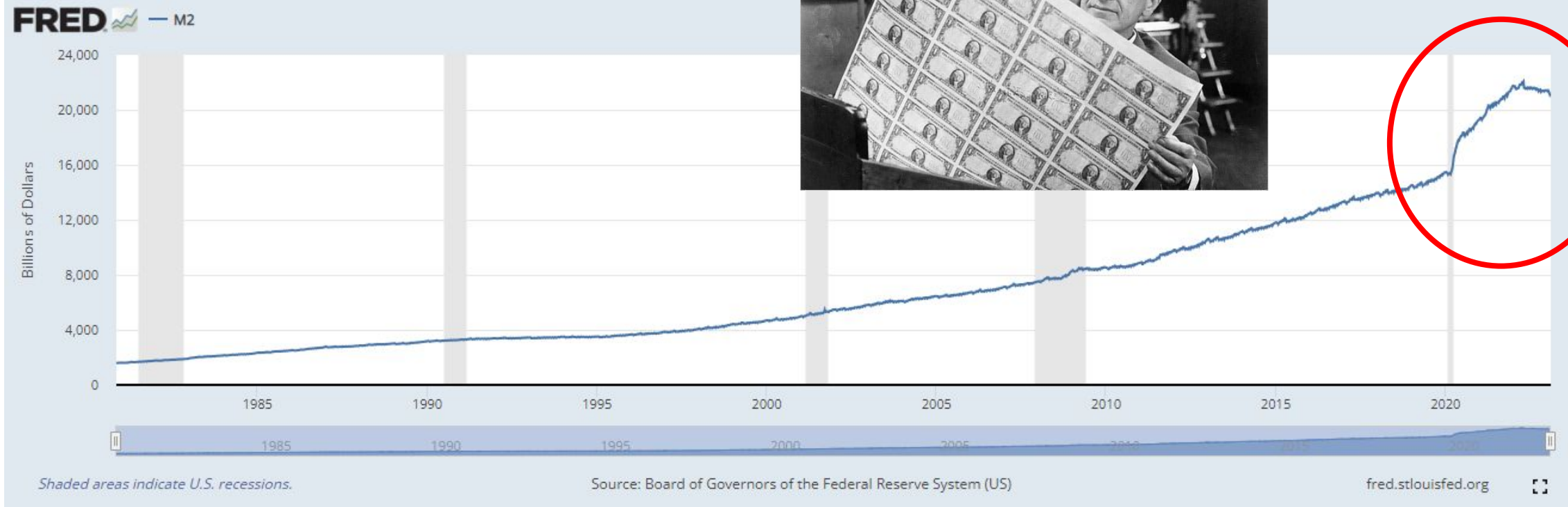
Balances

Percent change (relative to 2019) in median weekly checking account balances, by income quartile



Note: We assign households into income quartiles based on their total income in 2019. Households in income quartile 1 earned between \$12,000 and \$26,171 in total income; quartile 2 households earned between \$26,171 and \$40,826; quartile 3 households earned between \$40,826 and \$64,974; and quartile 4 households earned more than \$64,974.

Money Supply



Shock



Stress



BUSINESS

Passing the buck: Dollar Tree raises prices to \$1.25

November 23, 2021 · 3:15 PM ET



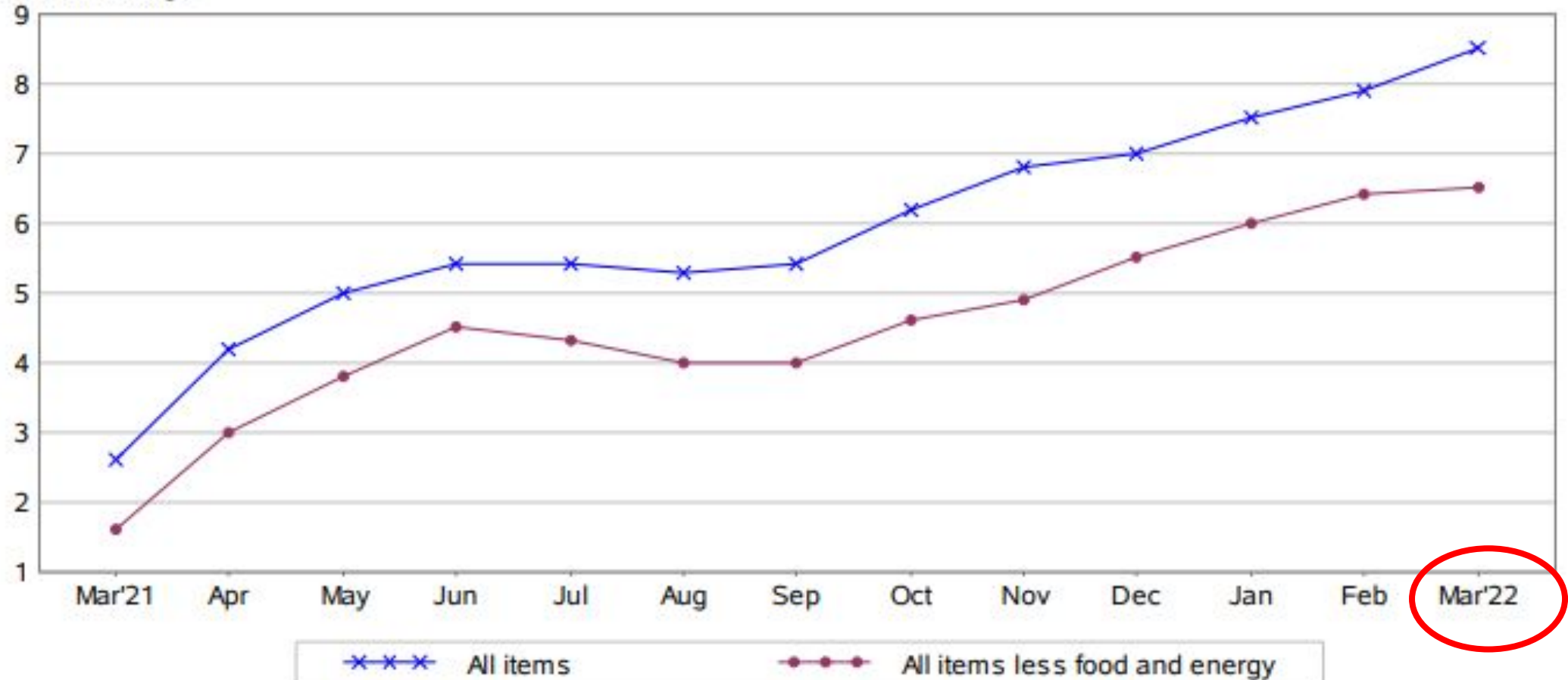
Dollar Tree stores are raising prices above \$1 for the first time in 35 years.

Scott Olson/Getty Images

Inflation

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Mar. 2021 - Mar. 2022

Percent change



Transitory

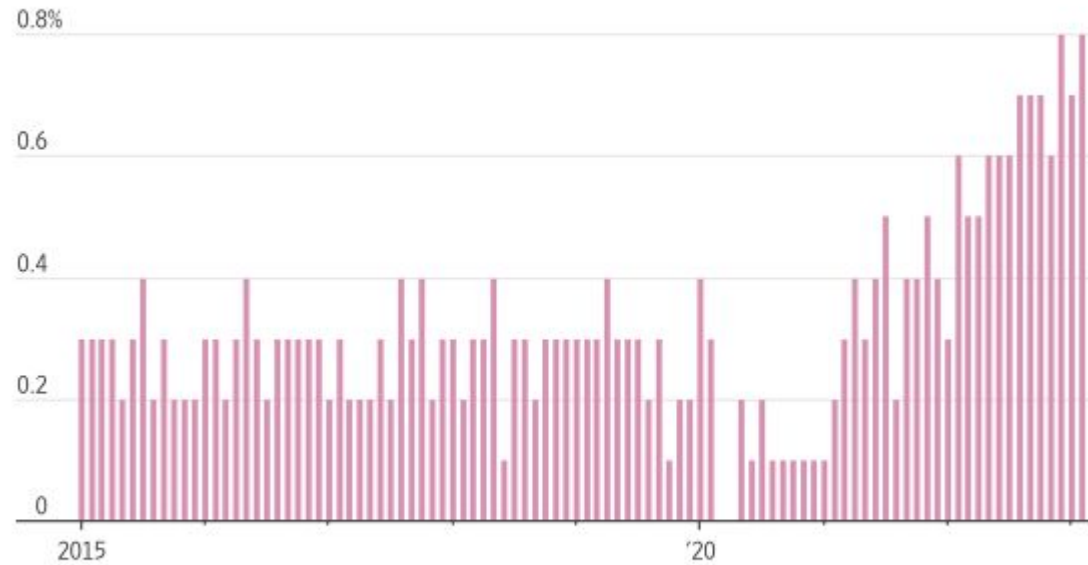


Conflict



Spillover

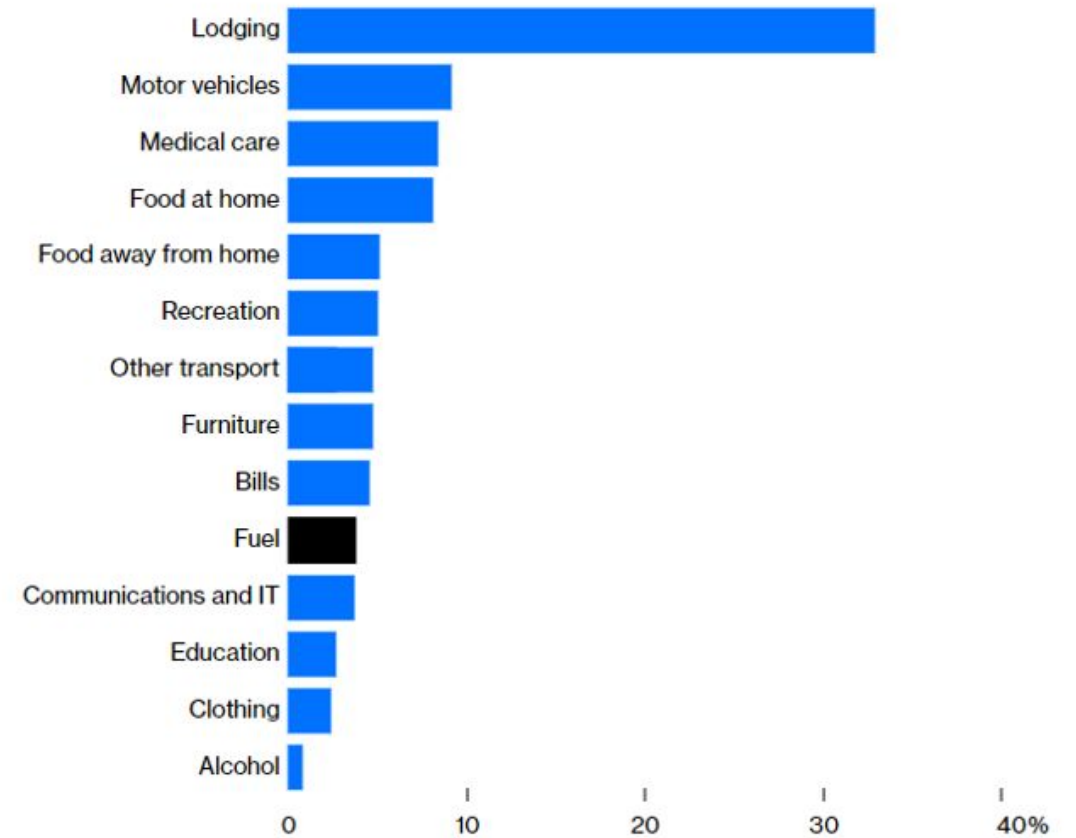
U.S. consumer-price index for shelter, 1-month change



Note: Seasonally adjusted
Source: Labor Department

Volatile Matter

Fuel costs annoy voters, but they don't form that big a part of what people spend their money on, based on the U.S. consumer price index basket



Source: U.S. Bureau of Labor Statistics

Labor



Wage

NEWSLETTERS • CFO DAILY

Say goodbye to the standard 3% raise—one-quarter of employers plan to give increases of 5-7% next year

BY SHERYL ESTRADA

September 8, 2022 at 6:24 AM EDT



CORNELL CHRONICLE

Topics Campus & Community All Stories In the News Expert Quotes Corn

U.S. labor strikes up 52% in 2022 as worker activism rises

By [Mary Catt, ILR School](#)

February 21, 2023

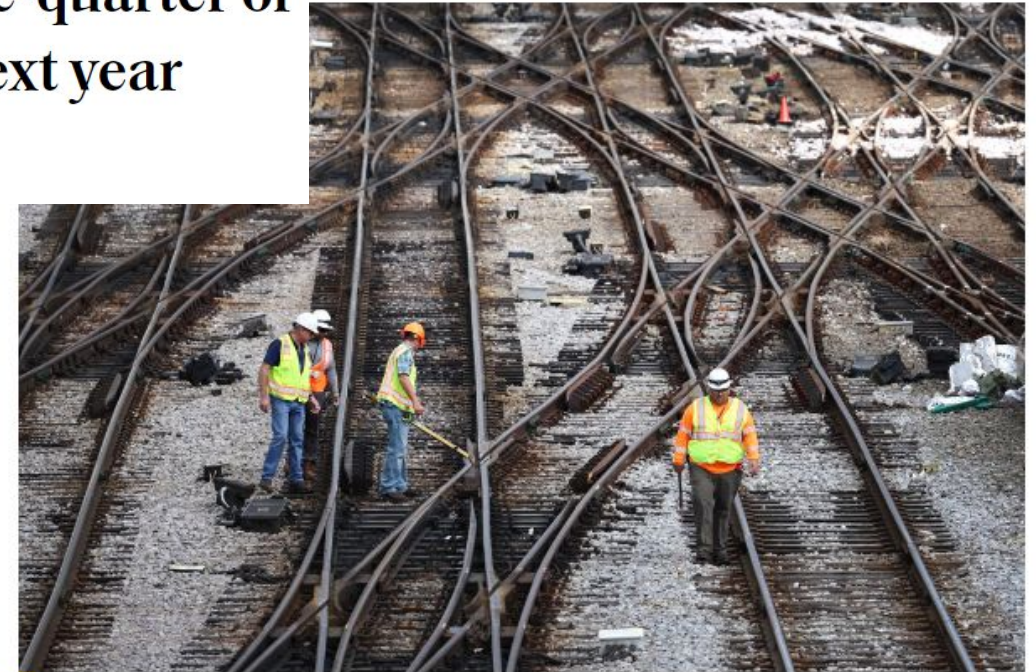


Strike numbers rose in 2022, reflecting a trend of more U.S. work stoppages in recent years by workers and activists in the labor movement, according to a [report published Feb. 21 by the ILR School](#).

Railroad Unions, Companies Reach Tentative Compromise To Avoid Strike

A Texas A&M Transportation Institute Researcher discusses the fallout that could have resulted from a rail strike.

By Maria Salas, Texas A&M University Division of Marketing & Communications • SEPTEMBER 22, 2022



Workers service the tracks at the Metra/BNSF railroad yard outside of downtown on Sept. 13, 2022 in Chicago, Illinois. Metra, the largest rail service carrying commuters from the suburbs to downtown Chicago, said that it would be forced to suspend service on many of its lines if freight rail workers went on strike.

Scott Olson/Getty Images

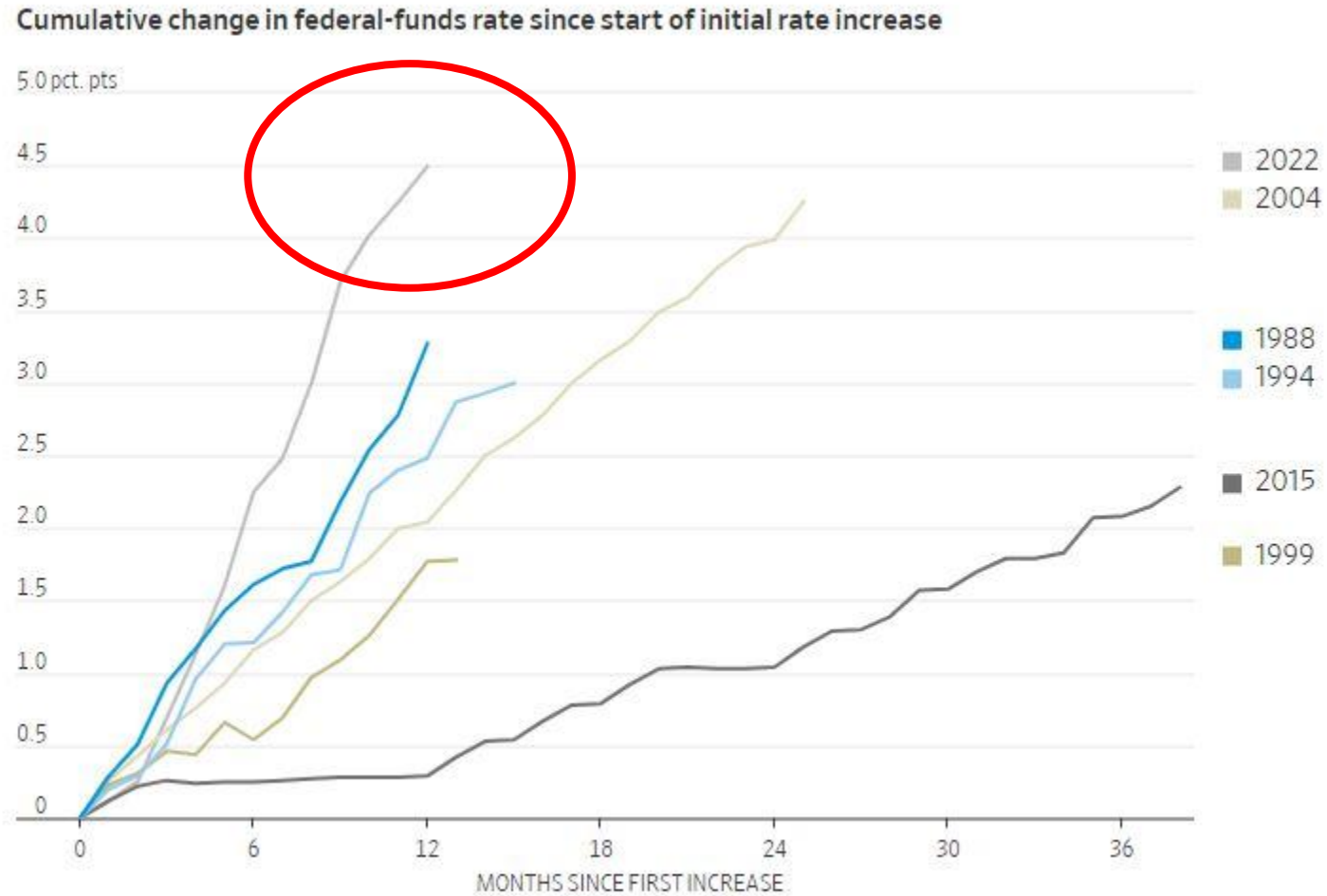
Resolve



Fed Funds



Hike Pace



Source: Federal Reserve

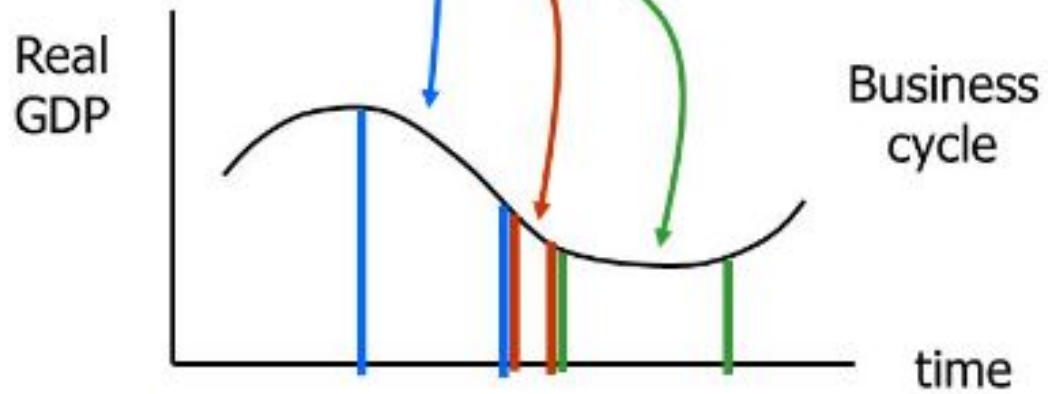
Lags

Policy time lags

- Recognition lag

- Response lag

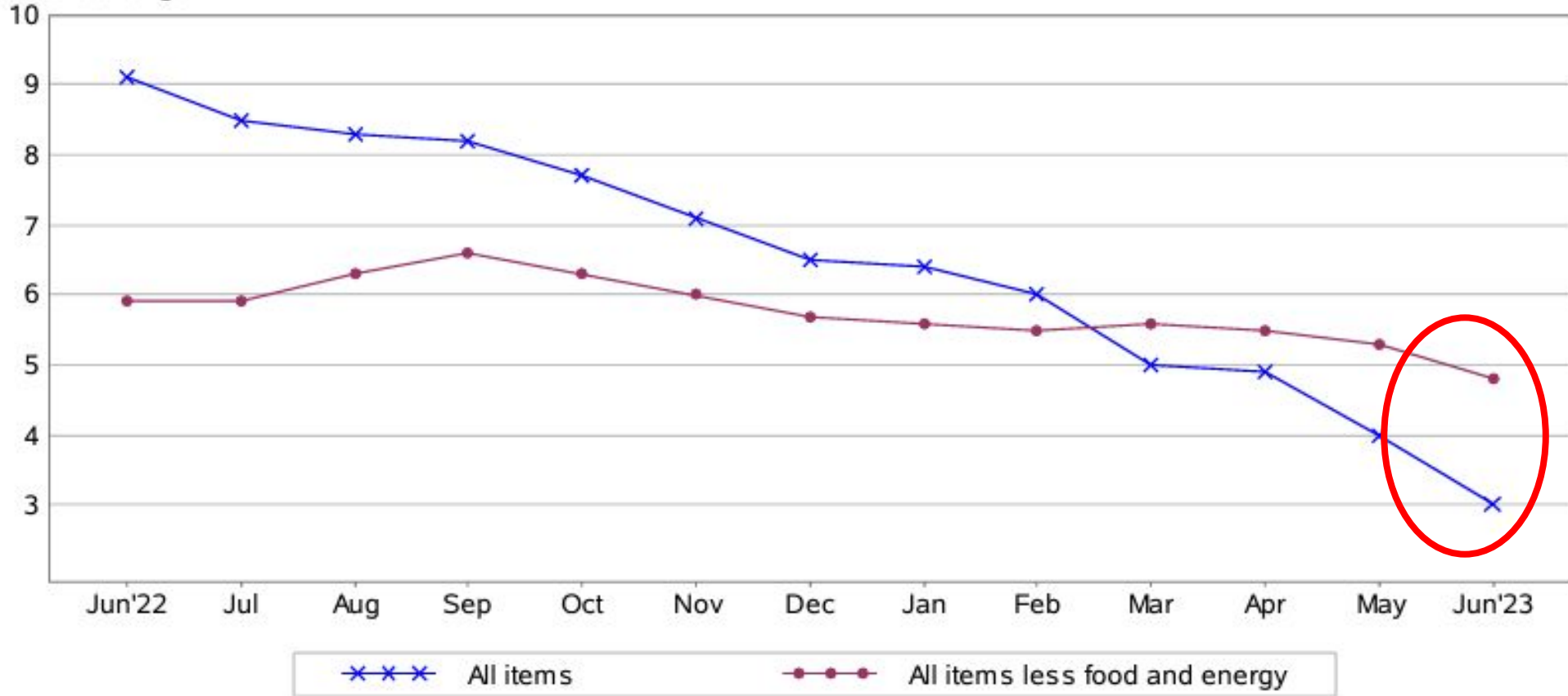
- Transmission lag



Inflation

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, June 2022 - June 2023

Percent change

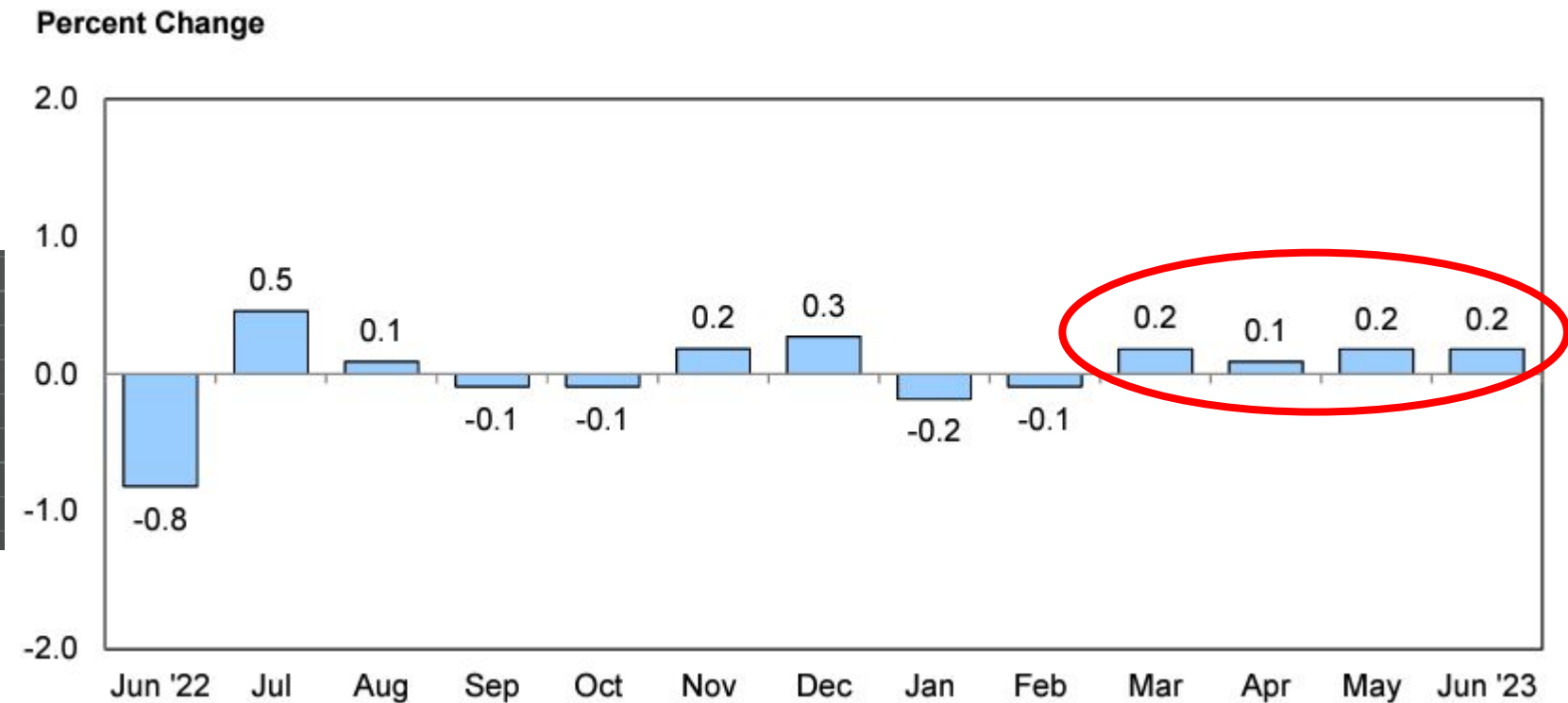


Wages



Driver

Chart 1: Over-the-month percent change in real average hourly earnings for all employees, seasonally adjusted, June 2022–June 2023



Real Wages =

Nominal Wages (Month-on-Month Change) —
Inflation Rate (Month-on-Month Change)

Driver

Real Wages =

Nominal Wages (Month-on-Month Change) —
Inflation Rate (Month-on-Month Change)

Prices and earnings, percentage change from a year earlier

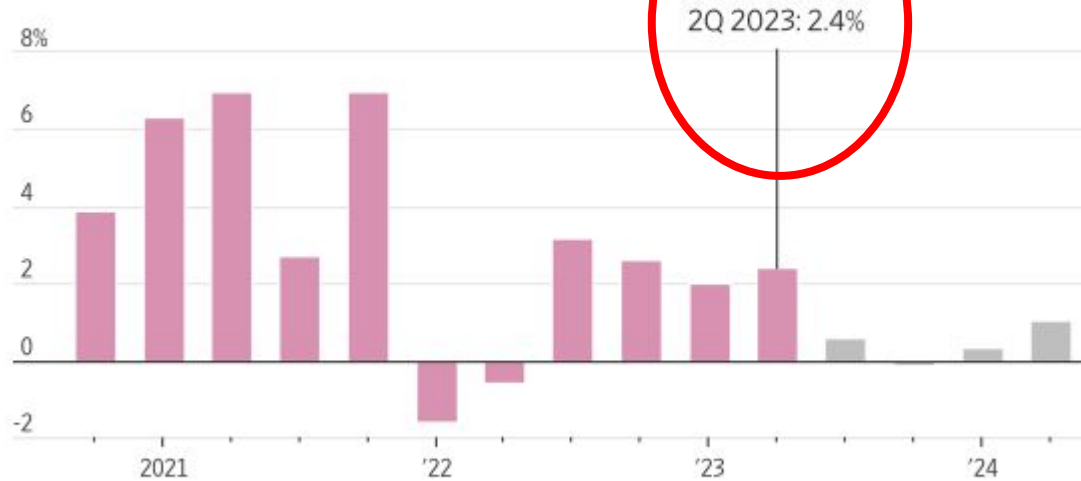


Note: Data are not seasonally adjusted. Consumer-price index is for urban consumers. Earnings are for employees in the private sector. Figures for May and June 2023 are preliminary.
Source: Labor Department via St. Louis Fed
Andrew Mollica/THE WALL STREET JOURNAL

Growth

Real GDP, change from previous quarter

Actual Forecasts



Notes: Seasonally and inflation adjusted at annual rates.

Sources: Commerce department (actual); July WSJ survey of economists (forecasts)

ECONOMY | U.S. ECONOMY

U.S. Economic Growth Accelerates, Defying Slowdown Expectations

Economy grew 2.4% last quarter, suggesting the U.S. is steering clear of recession

By Sarah Chaney Cambon [Follow](#) and Christian Robles [Follow](#)

Updated July 27, 2023 5:20 pm ET

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[Listen \(8 min\)](#)



Consumer spending has been fueling the U.S. economy. PHOTO: JUSTIN SULLIVAN/GETTY IMAGES

Employment

Chart 1. Unemployment rate, seasonally adjusted, August 2021 – August 2023

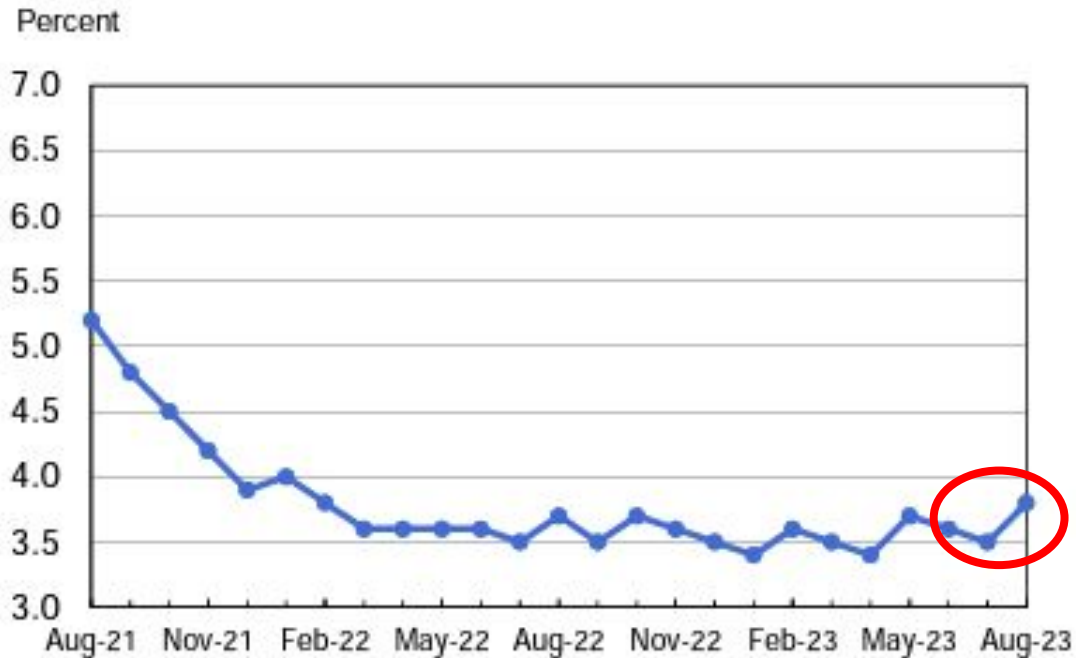
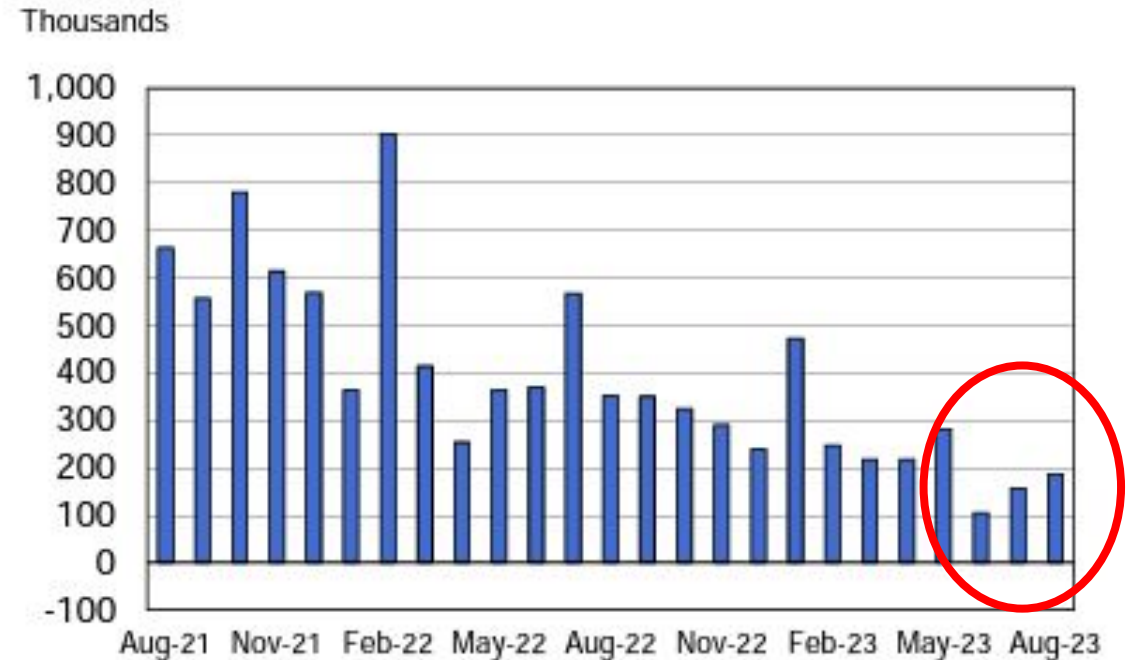
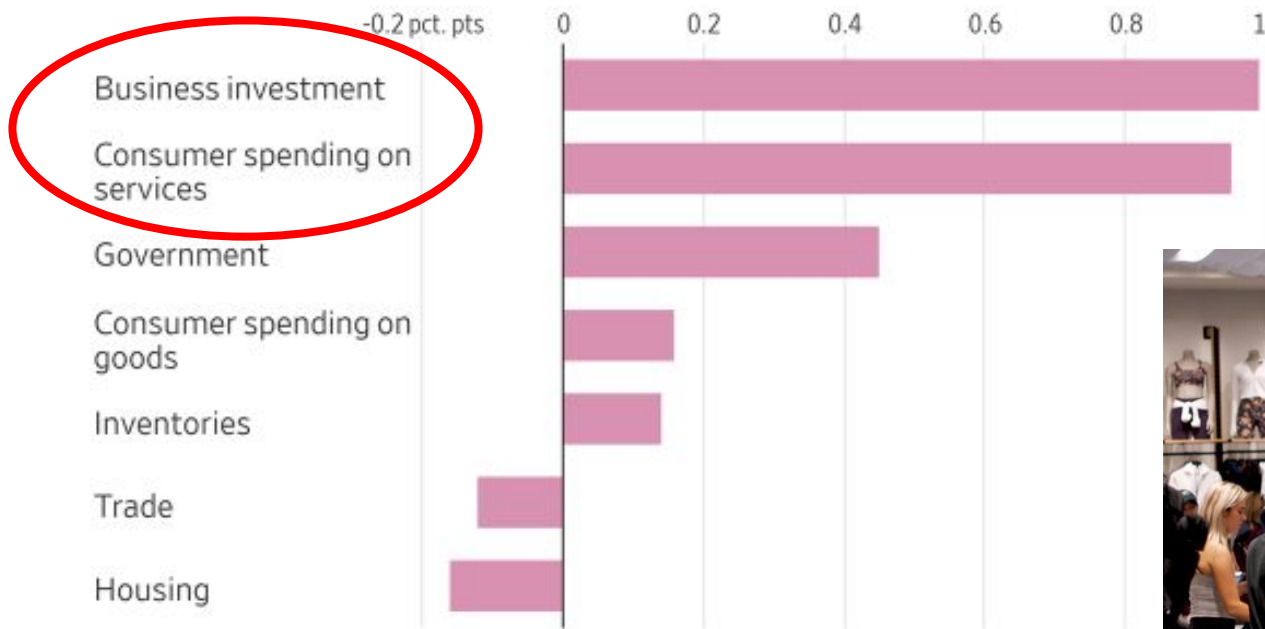


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, August 2021 – August 2023



Circular Flow

Contribution to percent change in 2Q GDP



Note: Inflation and seasonally adjusted annual rate
Source: Commerce Department



What Hikes?

Share of household debt that adjusts with market interest rates

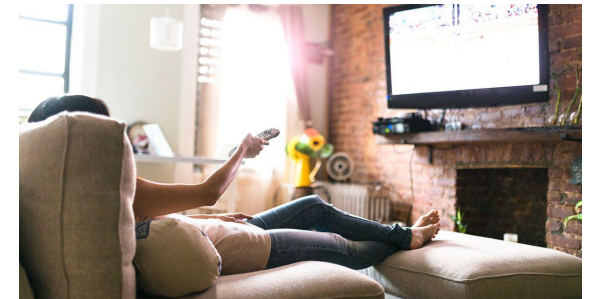


Source: Moody's Analytics

Required household debt service payments as a percent of disposable personal income

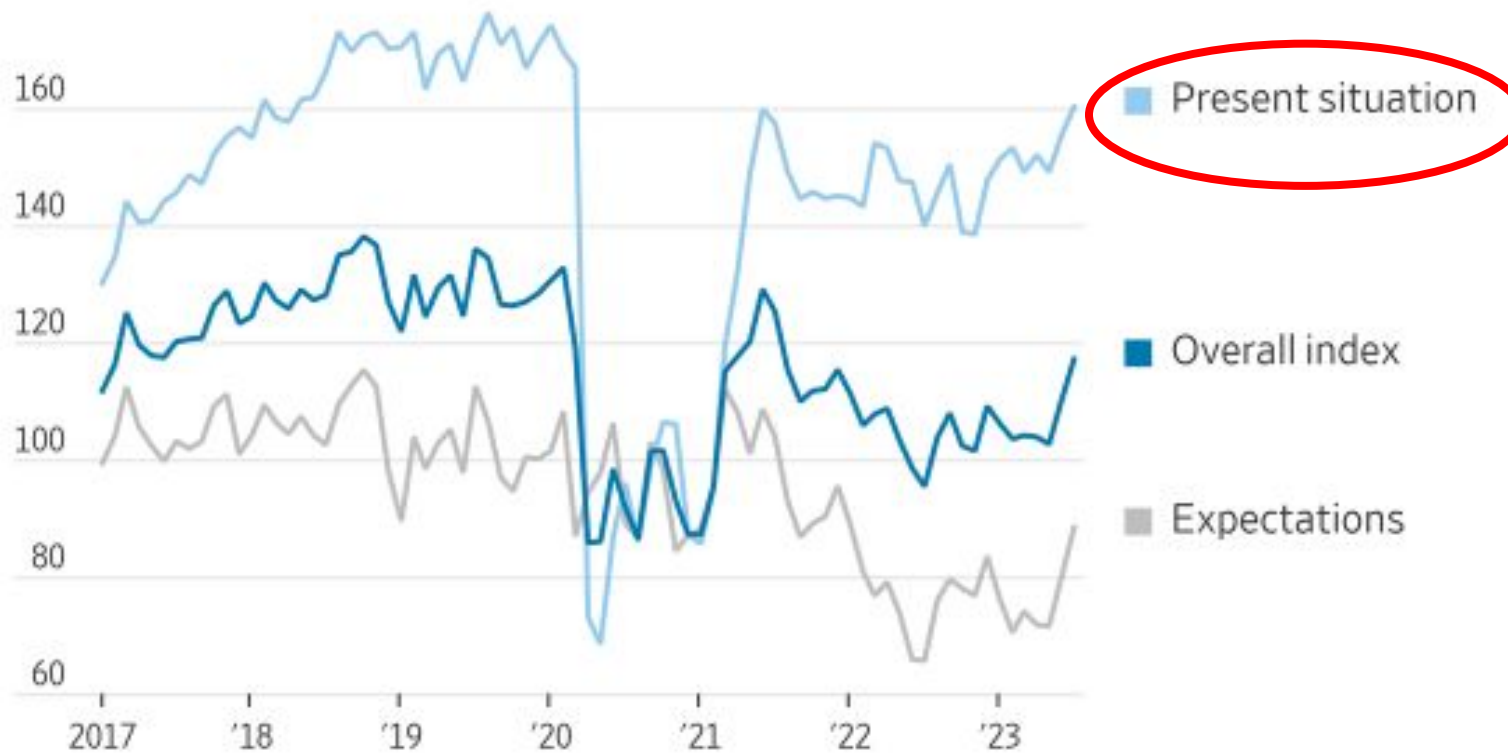


Source: The Federal Reserve



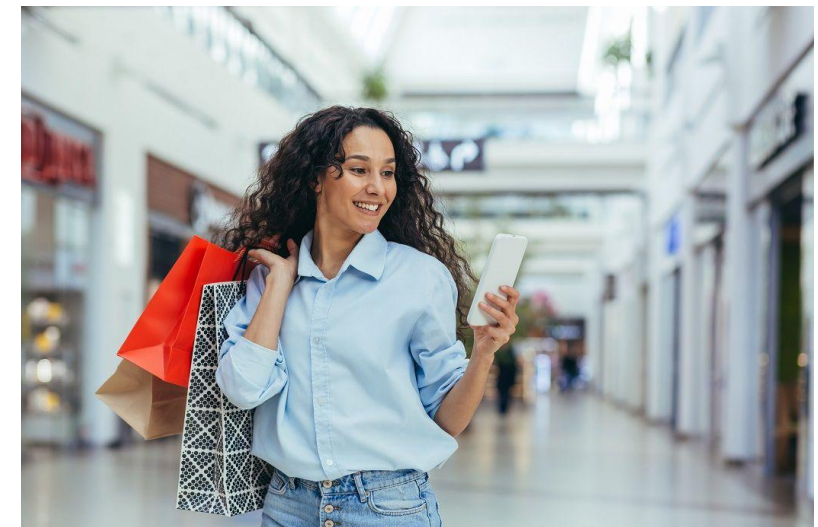
Confidence

Conference Board consumer confidence index



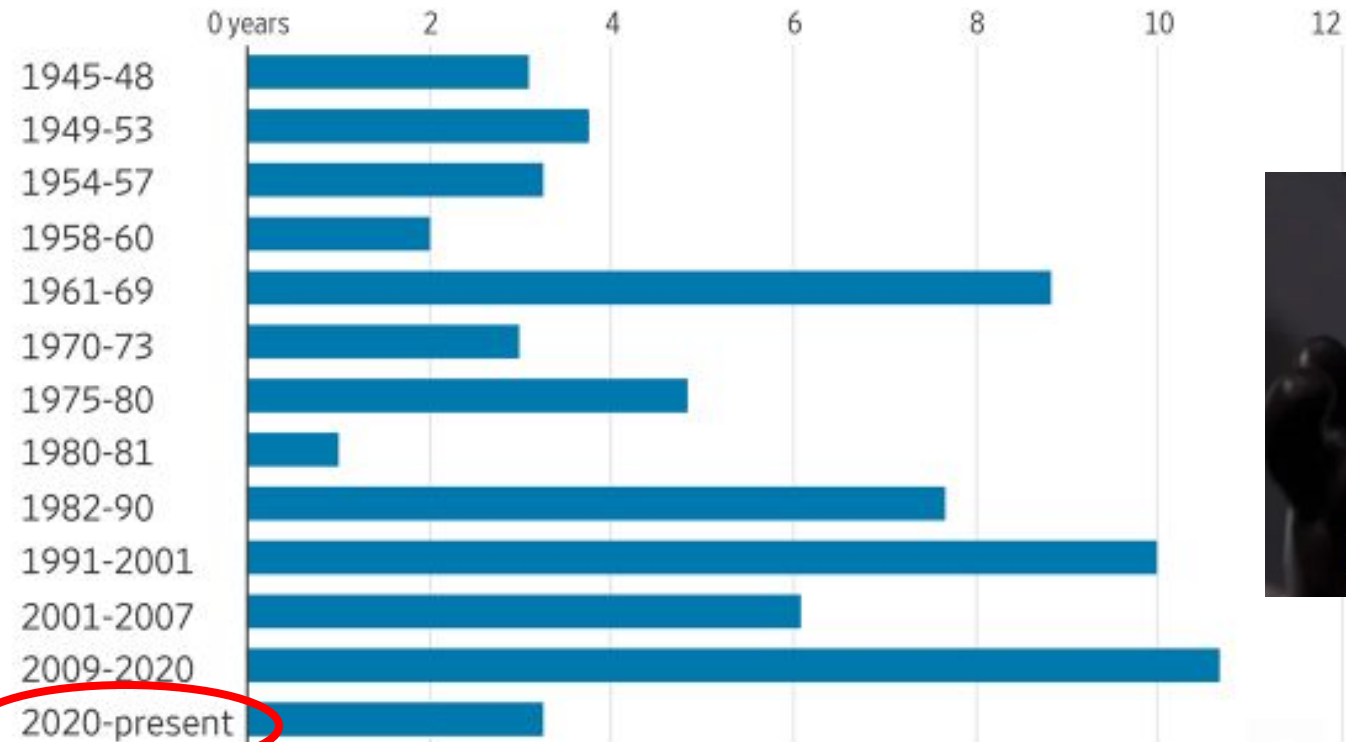
Note: Seasonally adjusted, 1985=100

Source: The Conference Board



Expansion

Economic expansions



Source: National Bureau of Economic Research



Good Place



The US Economy Is Great. Stop Worrying About It.

There is always the possibility that an expansion could turn into a recession, but strong growth is not by itself cause for concern.



An expansion. *Photographer: Allison Joyce/Bloomberg*

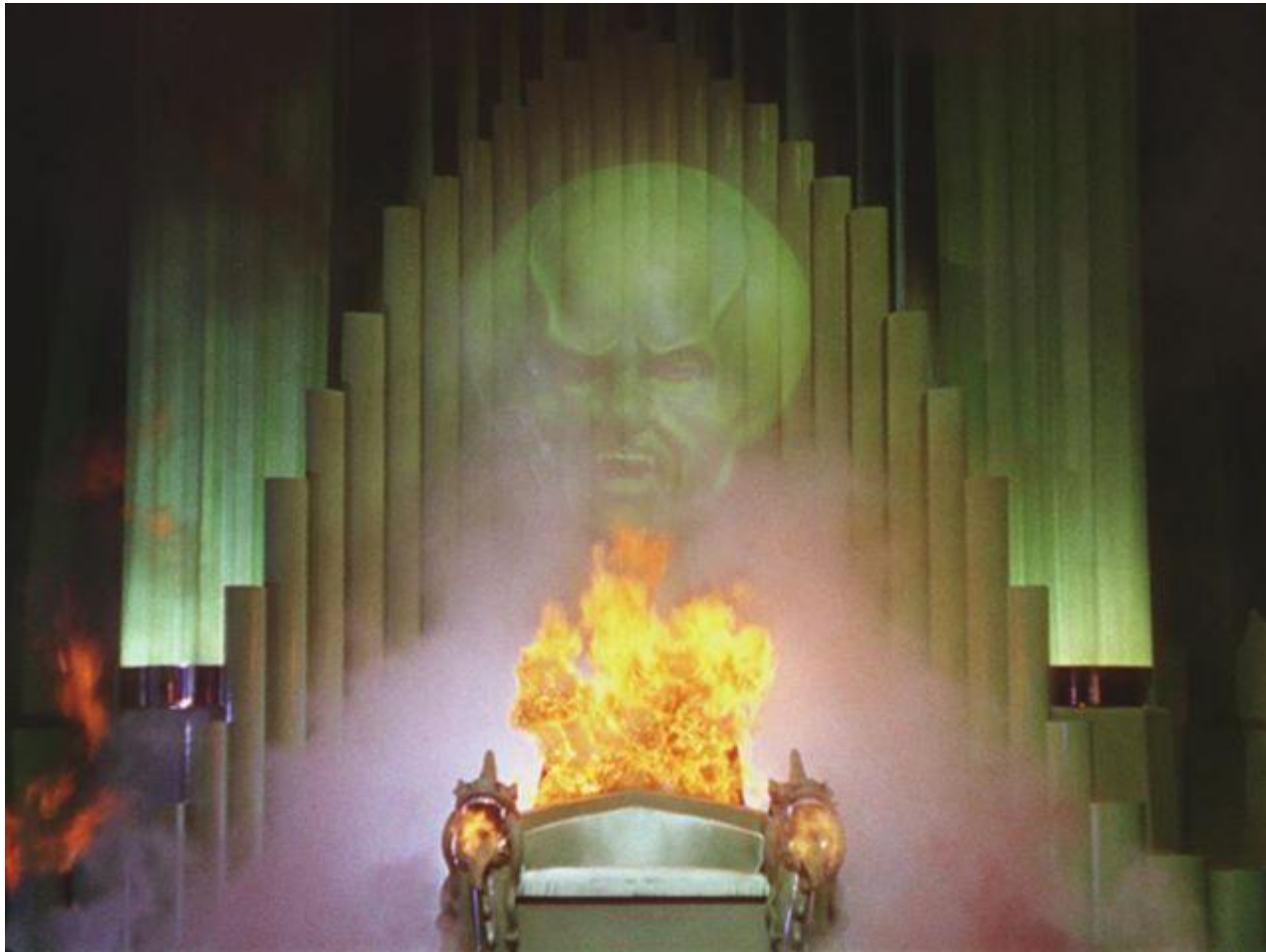
By [Tyler Cowen](#)
August 7, 2023 at 6:00 AM EDT

[Listen](#) 4:12

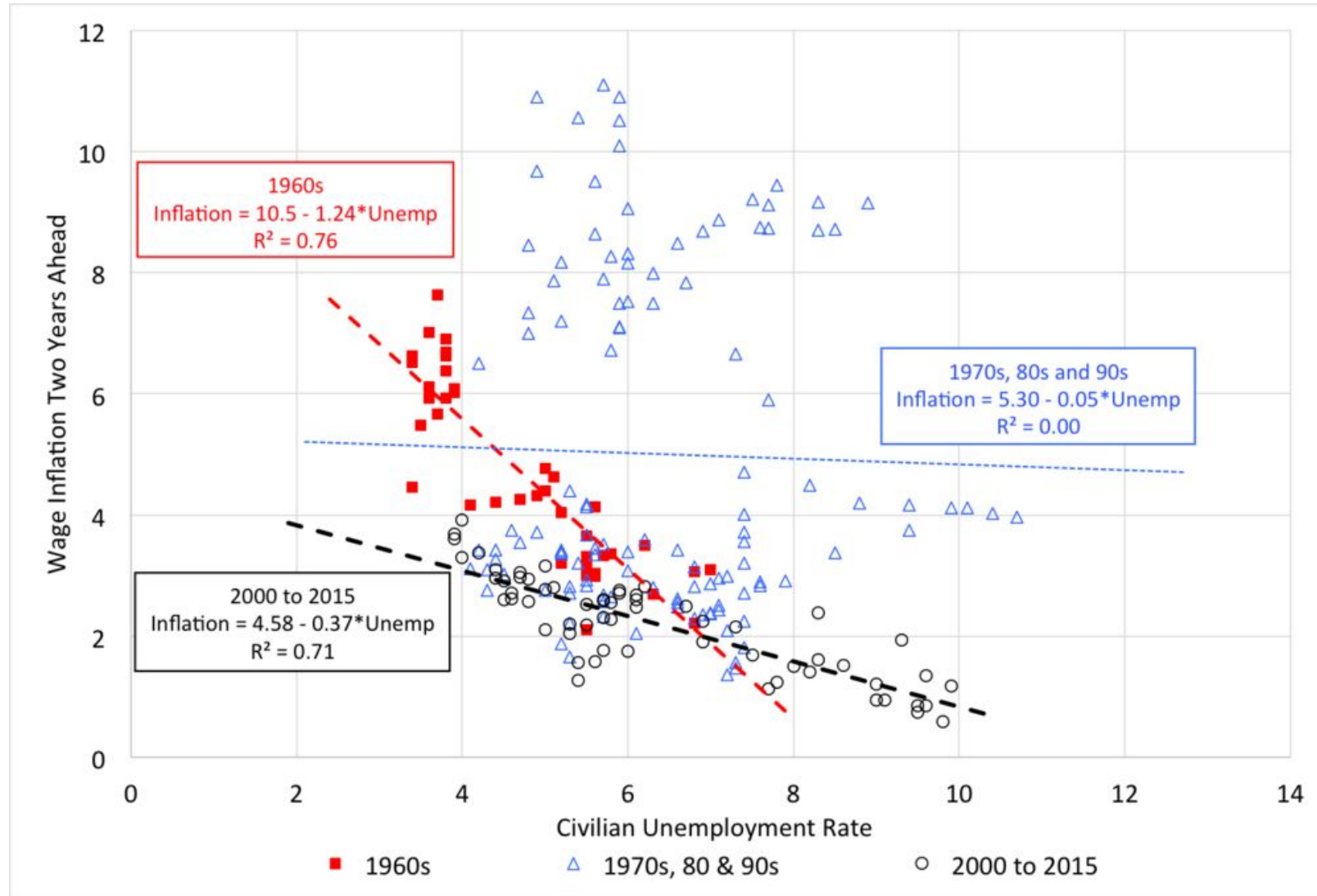
But Worrisome



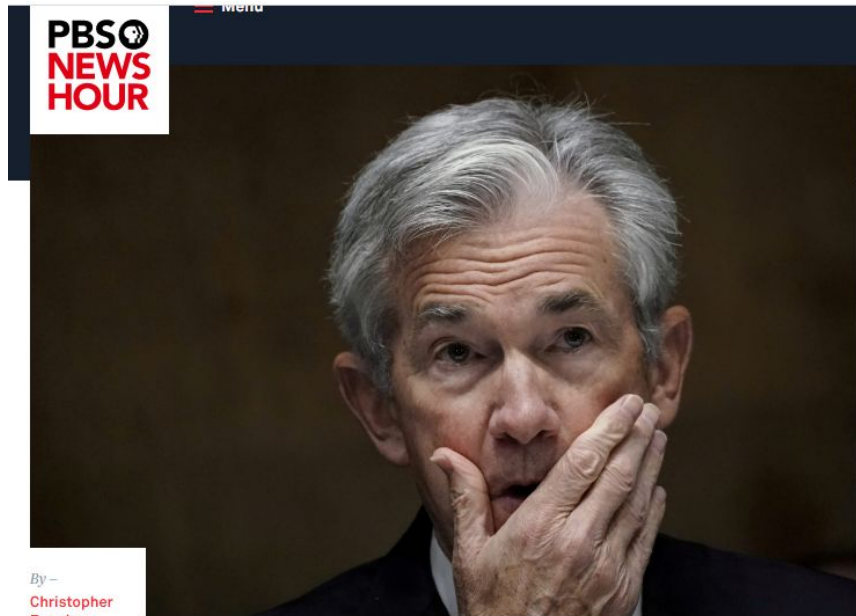
Inflation Target



Okun



Next Move?



PBSO
NEWS
HOUR

By -
Christopher
Rugaber,
Associated
Press

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feedback

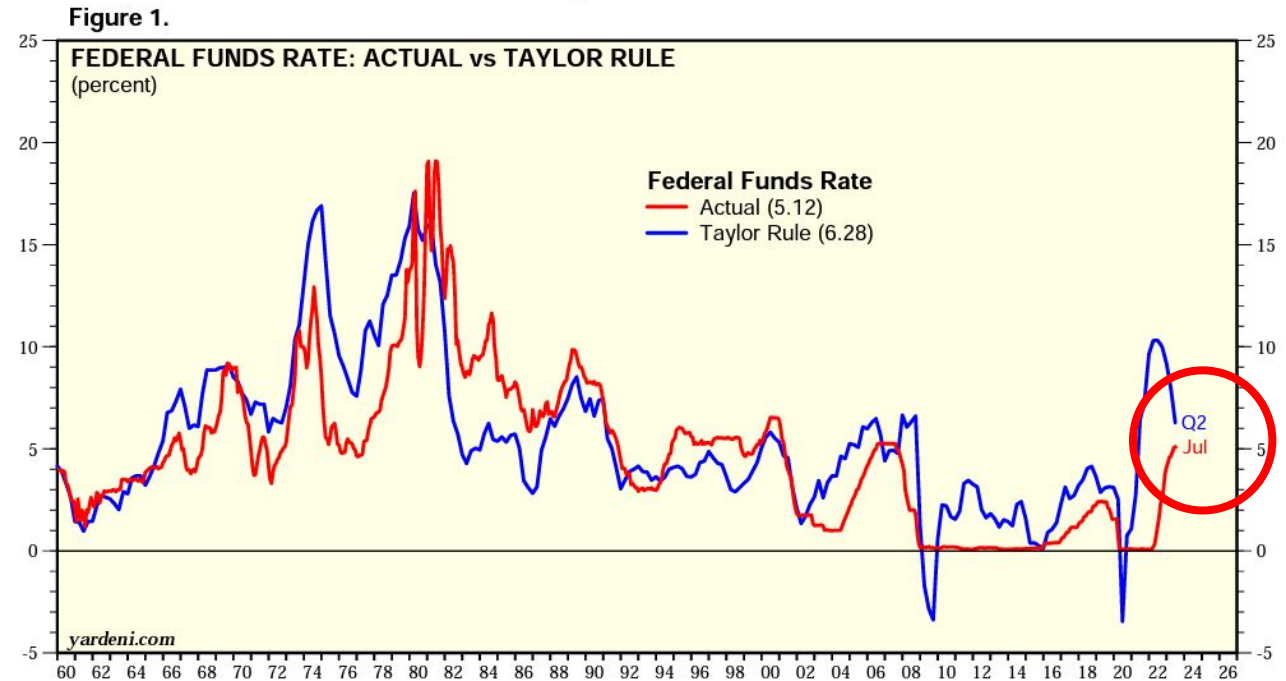
Share



Federal Reserve Chair Jerome Powell says inflation fight may cause a recession

Economy Sep 22, 2022 5:20 PM EDT

Taylor Rule



$$i = r_n + \pi_e + 0.5 (Y_e - Y_t) + 0.5 (\pi_e - \pi_t)$$

i = Fed Funds Policy Rate

r_n = Real Neutral Rates

π_e = Expected Inflation

Y_e = Expected rGDP

Y_t = Trend rGDP

π_t = Target Inflation

Next Move?

FEDERAL RESERVE

Fed's Bowman says more U.S. rate hikes likely will be needed

PUBLISHED SAT, AUG 5 2023-12:23 PM EDT

REUTERS

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Federal Reserve Bank Governor Michelle Bowman gives her first public remarks as a Federal policymaker at an American Bankers Association conference in San Diego, California, February 11 2019.

Ann Saphir / Reuters

The U.S. Federal Reserve will likely need to raise interest rates further to bring down inflation, Governor Michelle Bowman said on Saturday.

“I will also be watching for signs of slowing in consumer spending and signs that labor market conditions are loosening.”

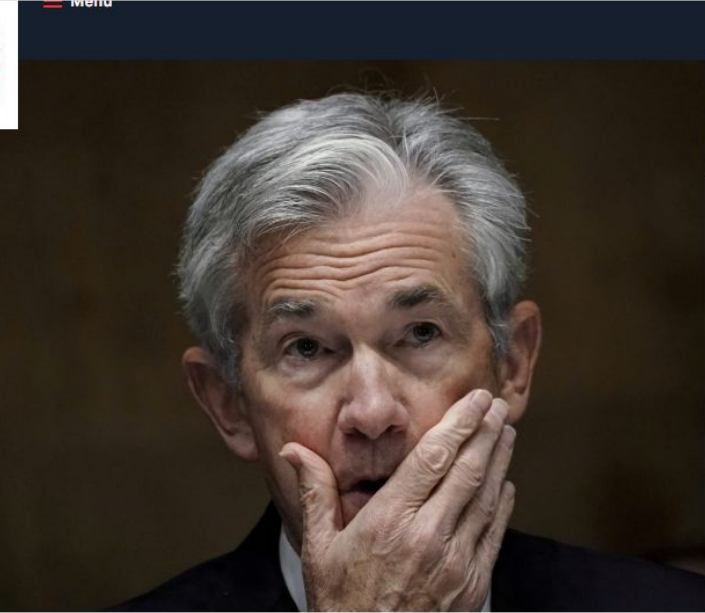
“I also expect that additional rate increases will likely be needed to get inflation on a path down to the FOMC’s 2 percent target,” she said in remarks prepared for delivery to the Kansas Bankers Association, referring to the Fed’s rate-setting panel, the Federal Open Market Committee.

Monetary policy is not on a “preset course,” she also said, and data will drive future decisions.



Data Dependent

PBS NEWS HOUR



By —
Christopher Rugaber,
Associated Press

Leave your feedback

Federal Reserve Chair Jerome Powell says inflation fight may cause a recession

Economy Sep 22, 2022 5:20 PM EDT

2023 FOMC Meetings				
Jan/Feb	31-1	Statement: PDF HTML Implementation Note	Press Conference Statement on Longer-Run Goals and Monetary Policy Strategy	Minutes: PDF HTML (Released February 22, 2023)
March	21-22*	Statement: PDF HTML Implementation Note	Press Conference Projection Materials PDF HTML	Minutes: PDF HTML (Released April 12, 2023)
May	2-3	Statement: PDF HTML Implementation Note	Press Conference	Minutes: PDF HTML (Released May 24, 2023)
June	13-14*	Statement: PDF HTML Implementation Note	Press Conference Projection Materials PDF HTML	Minutes: PDF HTML (Released July 05, 2023)
July	25-26	Statement: PDF HTML Implementation Note	Press Conference	
September	19-20*			
Oct/Nov	31-1			
December	12-13*			

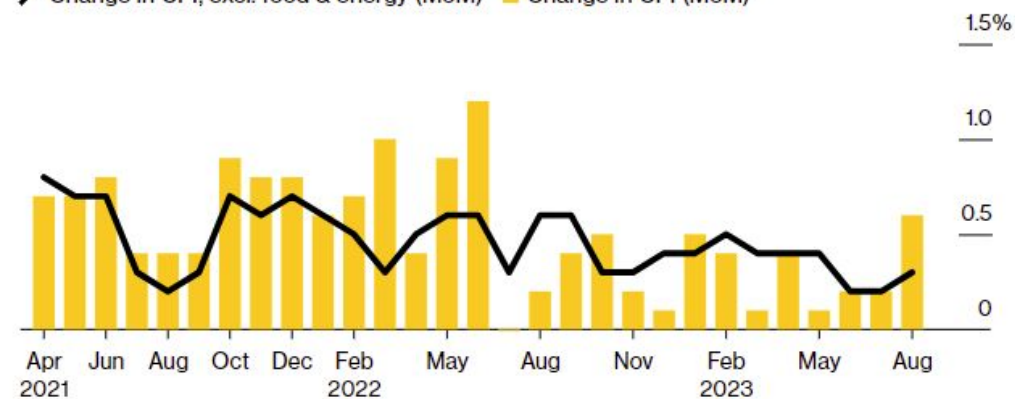
Latest Data



Core Inflation Accelerates for First Time in Six Months

Jump in energy prices -- namely gasoline -- boosted overall measure

Change in CPI, excl. food & energy (MoM) Change in CPI (MoM)



Source: Bureau of Labor Statistics

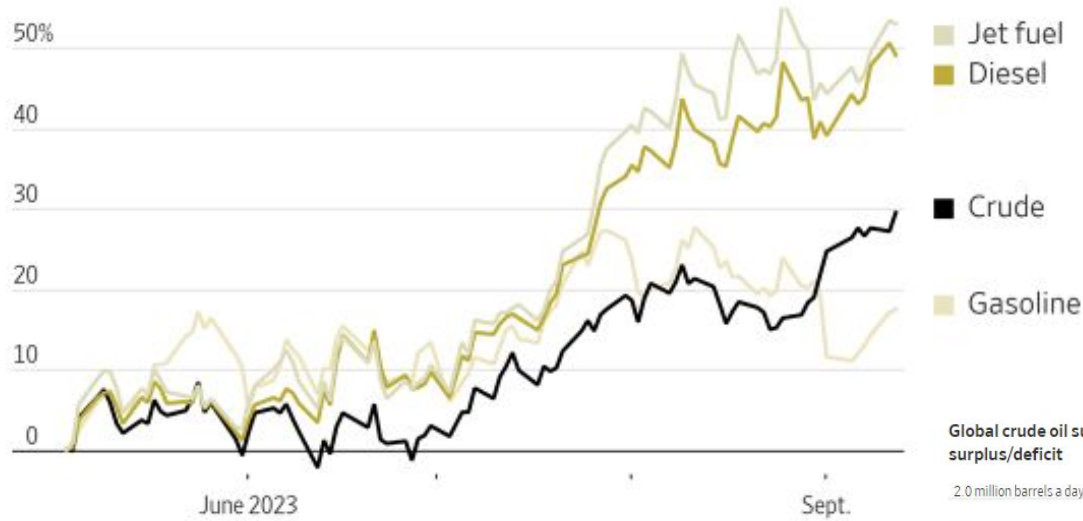
+4.3% excluding food and energy

+3.7% in Aug.



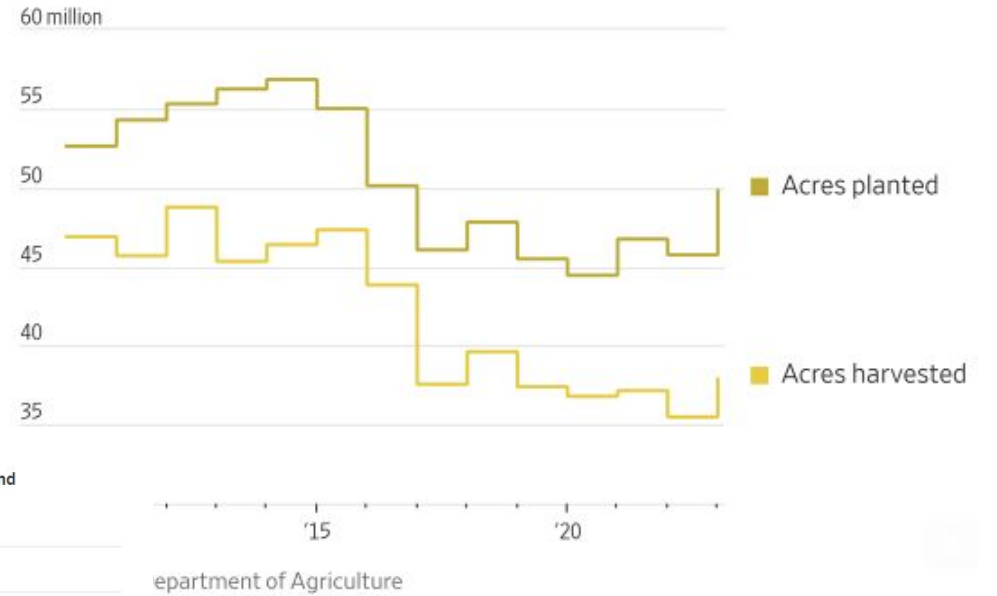
Latest Data

Wholesale price performance

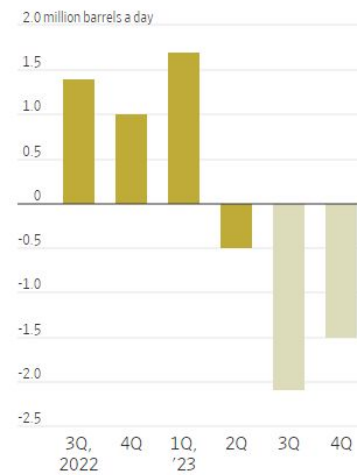


Note: Note: Crude oil, diesel and gasoline figures are Nymex futures prices. Jet fuel is physical transactions on the Gulf Coast.
Source: OPIS

U.S. wheat...



Global crude oil supply-demand surplus/deficit



Note: Third and fourth quarters of 2023 are forecasts.
Source: Rystad Energy



Sept 20

Fed Is Likely to Shy Away From Calling Interest-Rate Peak Next Week

- US central bank message to differ from tack taken by ECB
- 'No way' Fed will signal it's done, JPMorgan's Kasman says



Jerome Powell. Photographer: Al Drago/Bloomberg

By [Rich Miller](#) and [Steve Matthews](#)
September 14, 2023 at 1:16 PM EDT

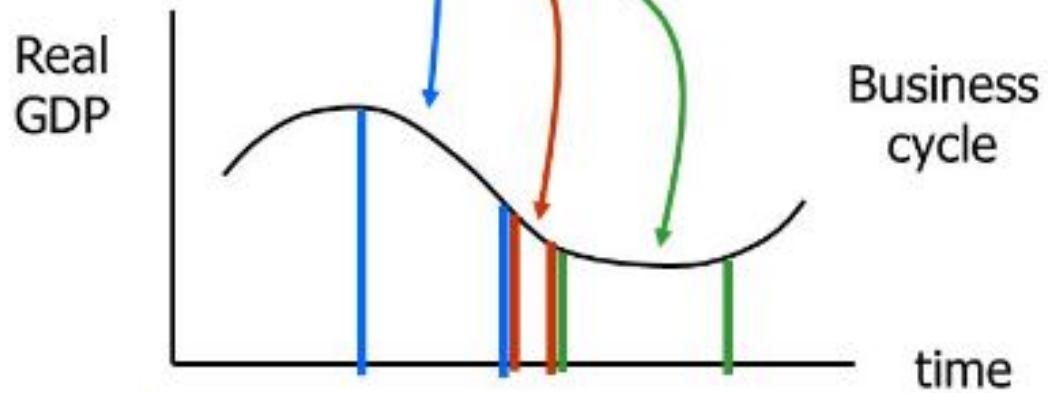
 Listen 3:10



Meanwhile...

Policy time lags

- Recognition lag
- Response lag
- Transmission lag



Canaries



Savings

FRED  — Personal Saving



Shaded areas indicate U.S. recessions.

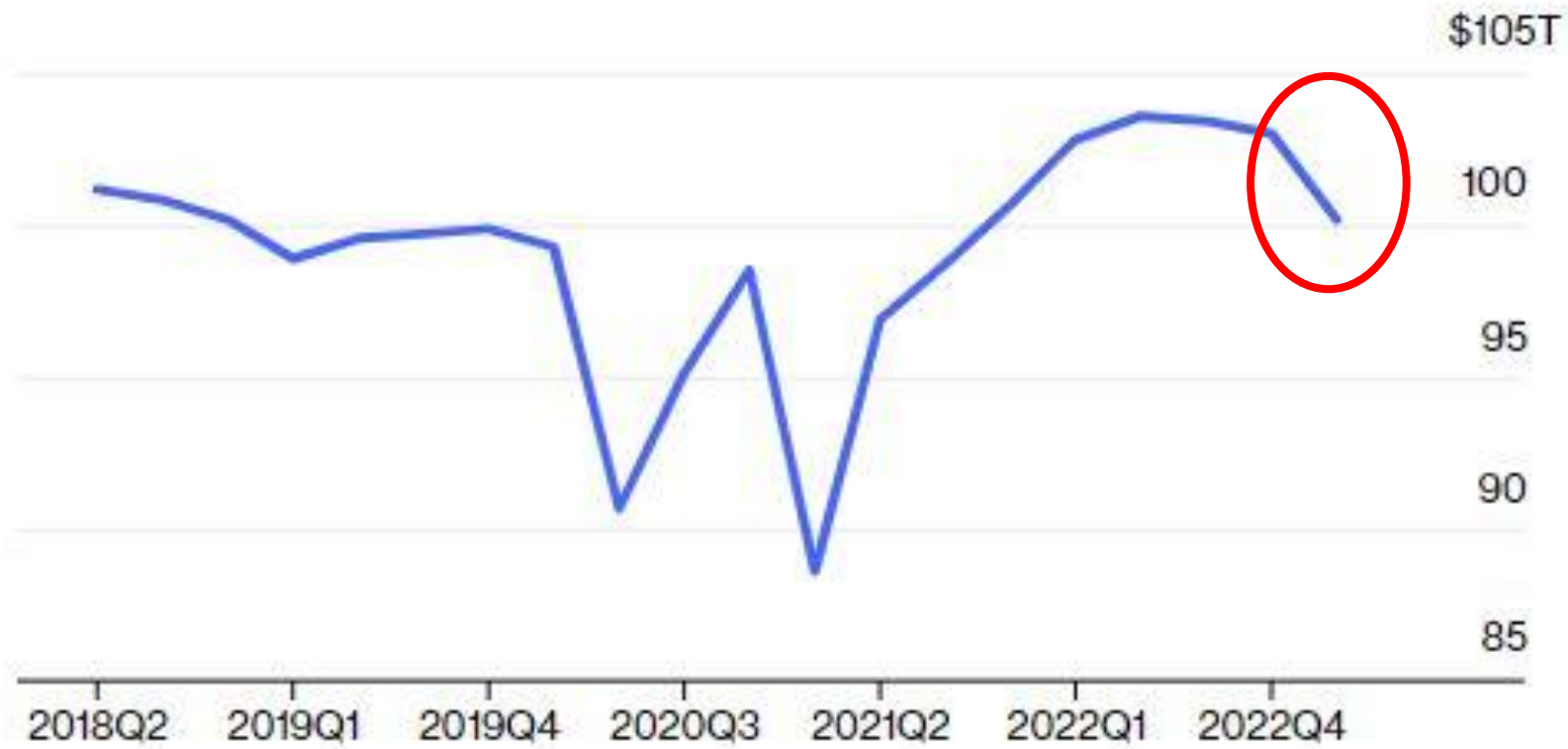
Source: U.S. Bureau of Economic Analysis

fred.stlouisfed.org



US Household Balance Sheets Are Getting Weaker

Years of high inflation and falling wages, as well as credit card debt, have taken their toll



Source: Federal Reserve



Consumption

The Mighty American Consumer Is About to Hit a Wall, Investors Say

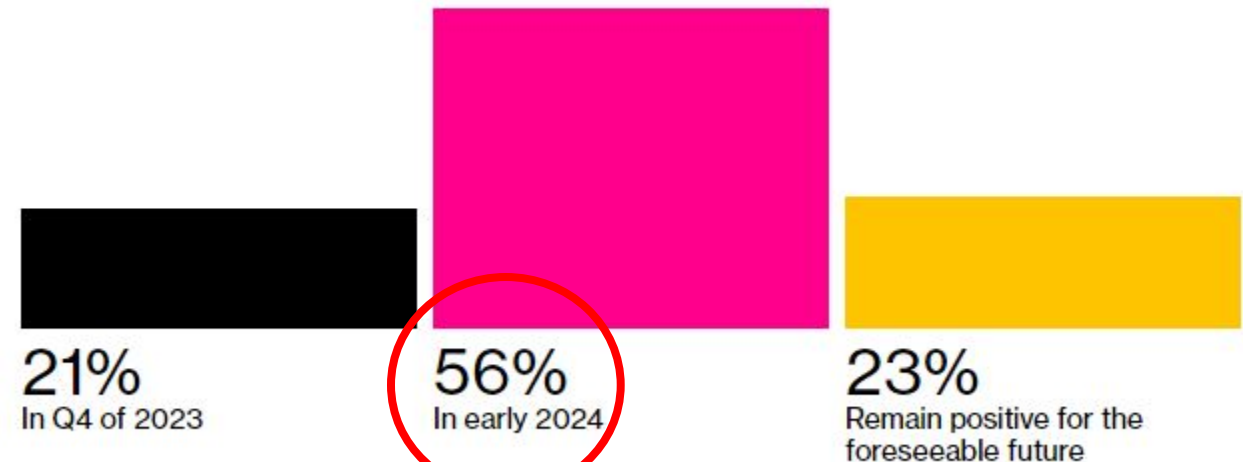
Key engine of US growth is poised to sputter in early 2024, according to survey respondents.



Shoppers in the Magnificent Mile shopping district in Chicago, Illinois, US, on Tuesday, Aug. 2023. Photographer: Jamie Kelter Davis/Bloomberg

American Consumer Is Approaching a Tipping Point

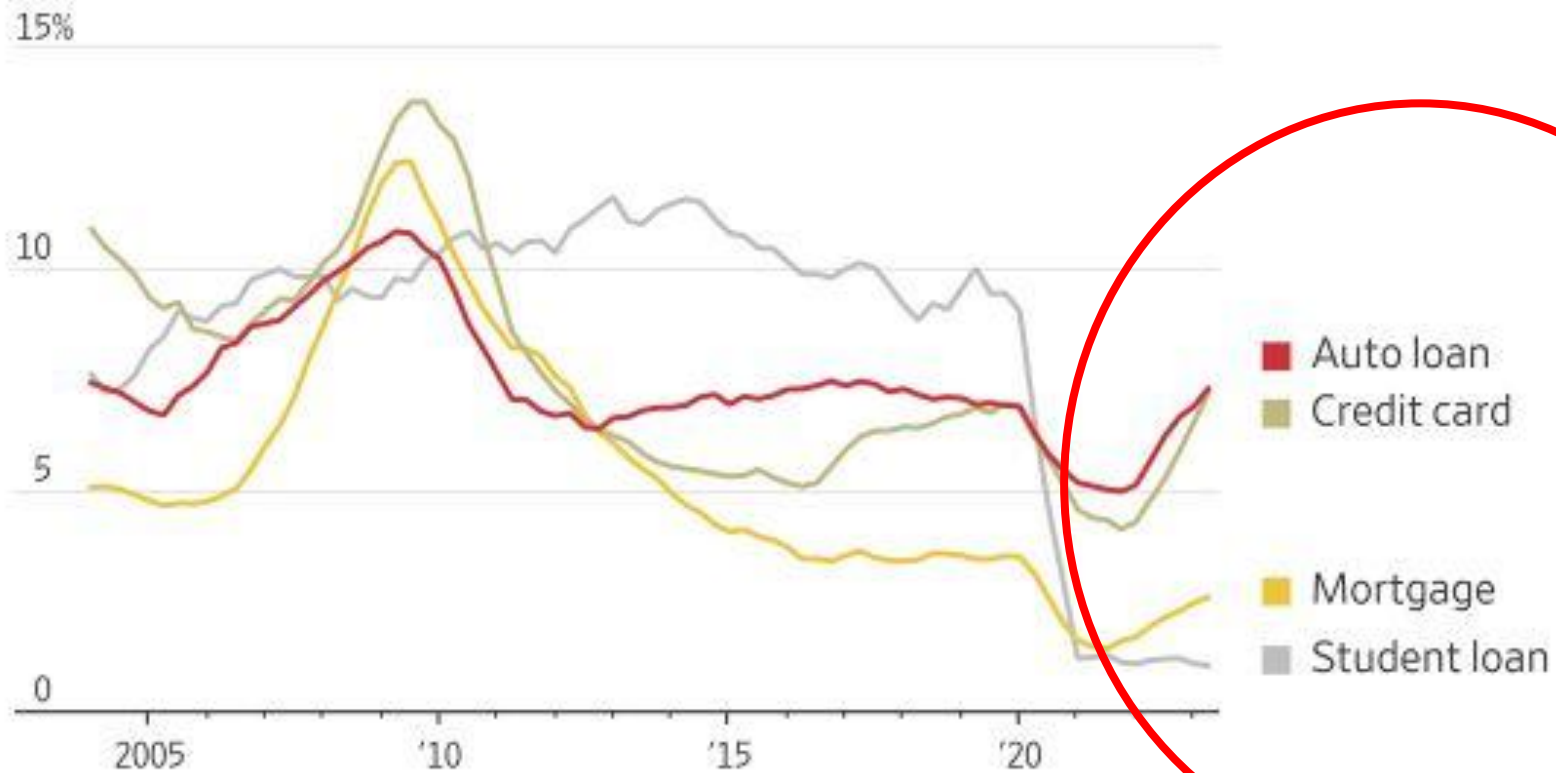
We asked when US consumption will turn negative on quarterly basis



Source: MLIV Pulse survey Sept 4-8 with 526 respondents

Delinquency

Percentage of U.S. consumer balances moving from current to 30-days-plus delinquent during the quarter, by loan type



Note: Annualized by four-quarter sum.

Source: Federal Reserve Bank of New York's Quarterly Report on Household Debt and Credit



Temp Jobs

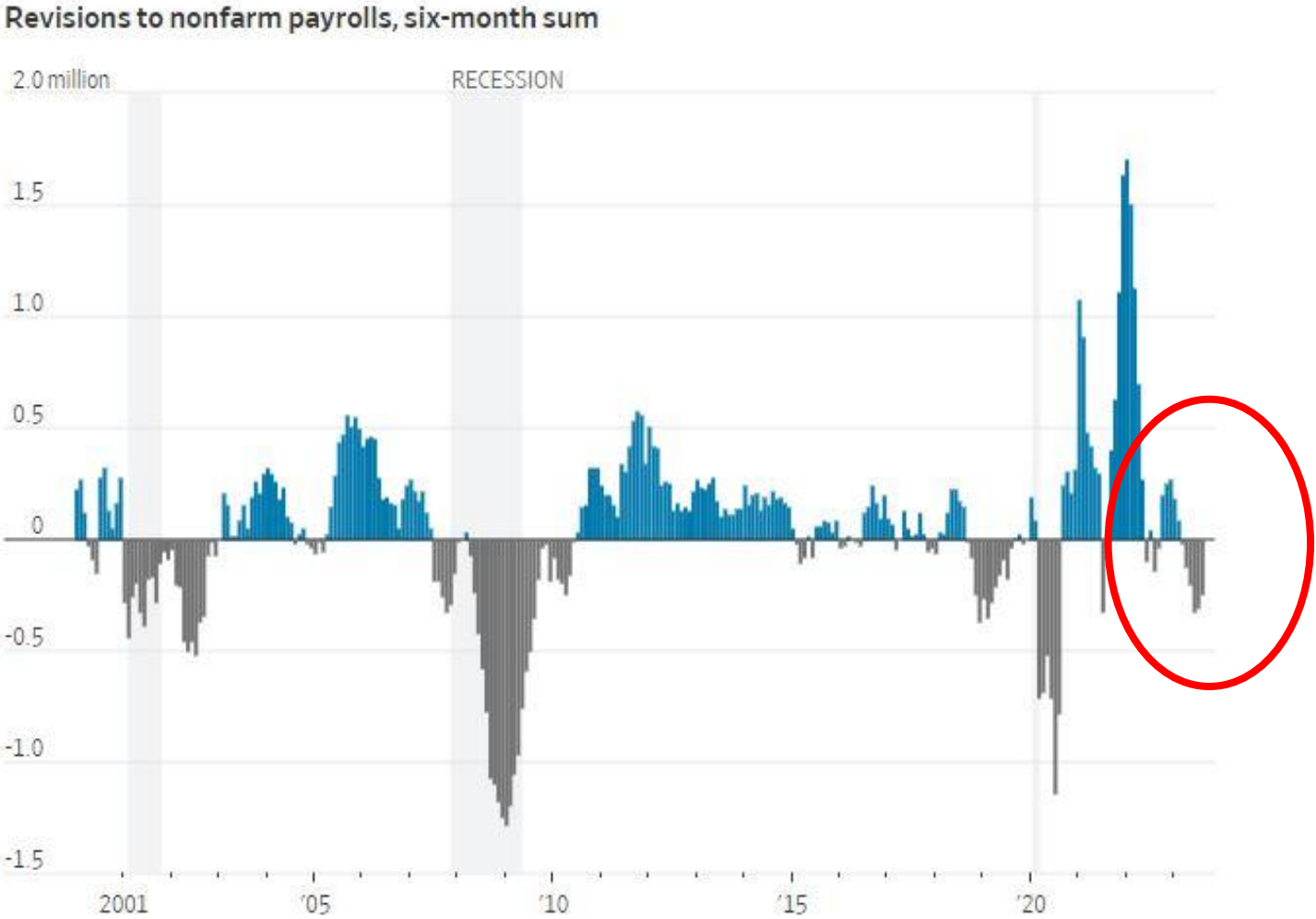
Temp help jobs, change from prior month



Source: Labor Department via St. Louis Fed



Job Revision



Source: Refinitiv



Manufacturing



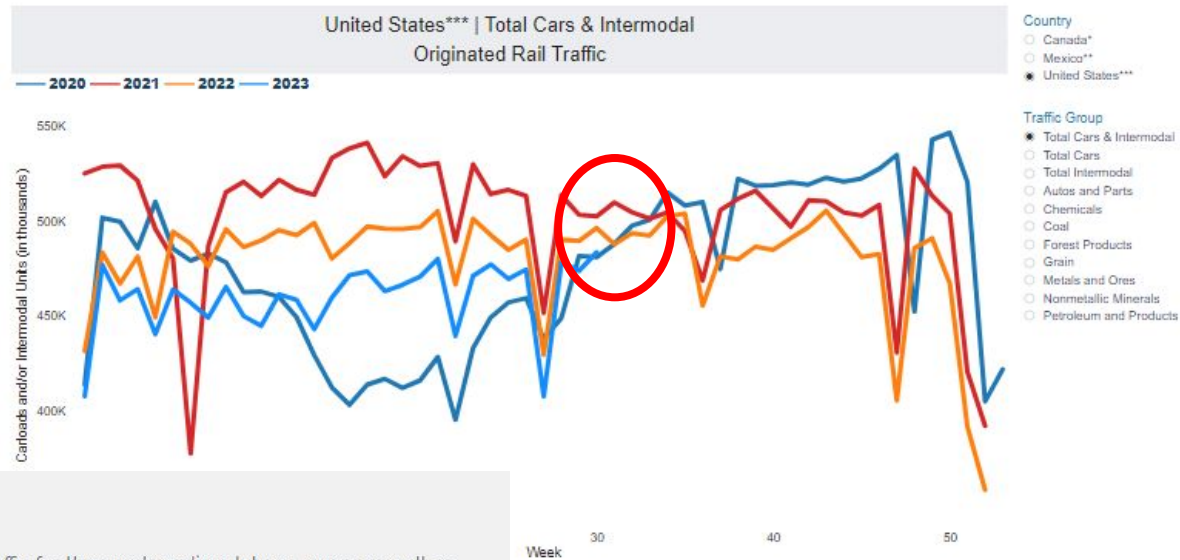
US Manufacturing Activity Falls Deeper into Contraction Factory production and new orders fall to lowest since May 2020



Rail Traffic

Weekly Rail Traffic Data

SUBSCRIBE TO WEEKLY RAIL TRAFFIC 



WASHINGTON, D.C. – August 2, 2023

The Association of American Railroads (AAR) today reported U.S. rail traffic for the week ending July 29, 2023, as well as volumes for July 2023.

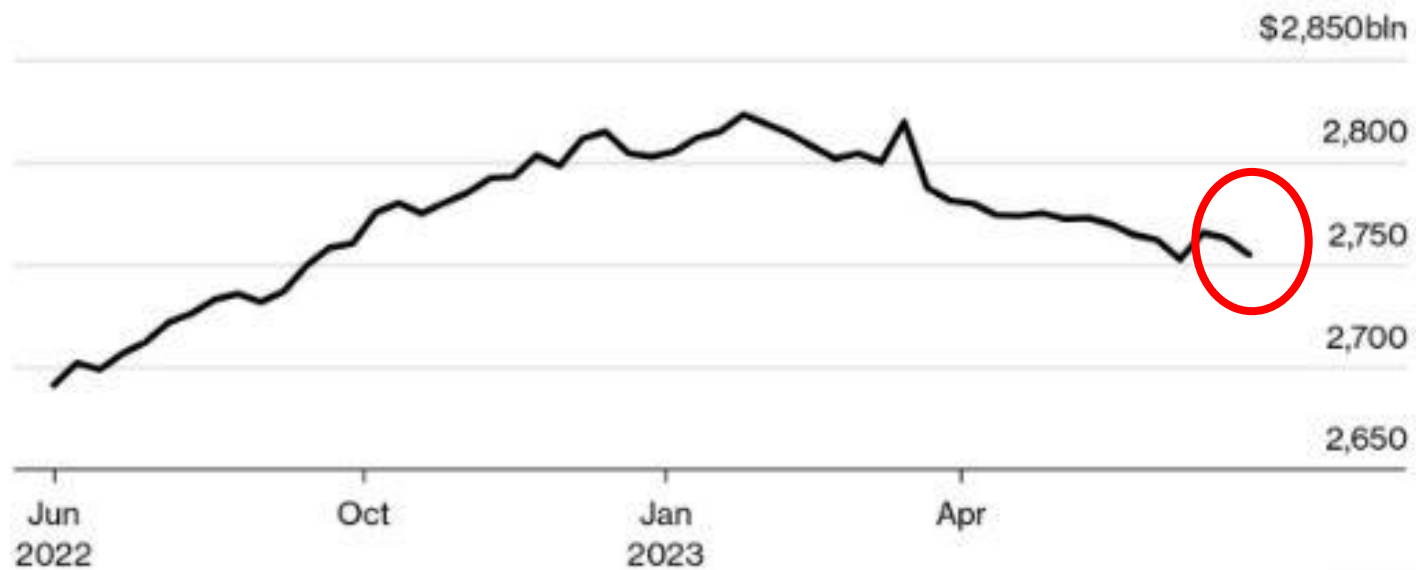
U.S. railroads originated 875,660 carloads in July 2023, down 0.6 percent, or 5,599 carloads, from July 2022. U.S. railroads also originated 967,553 containers and trailers in July 2023, down 5.5 percent, or 56,737 units, from the same month last year. Combined U.S. carload and intermodal originations in July 2023 were 1,843,213, down 3.3 percent, or 62,336 carloads and intermodal units from July 2022.



Commercial Loans

US Commercial Loans Contract

Volume of commercial and industrial loans has dropped amid Fed tightening



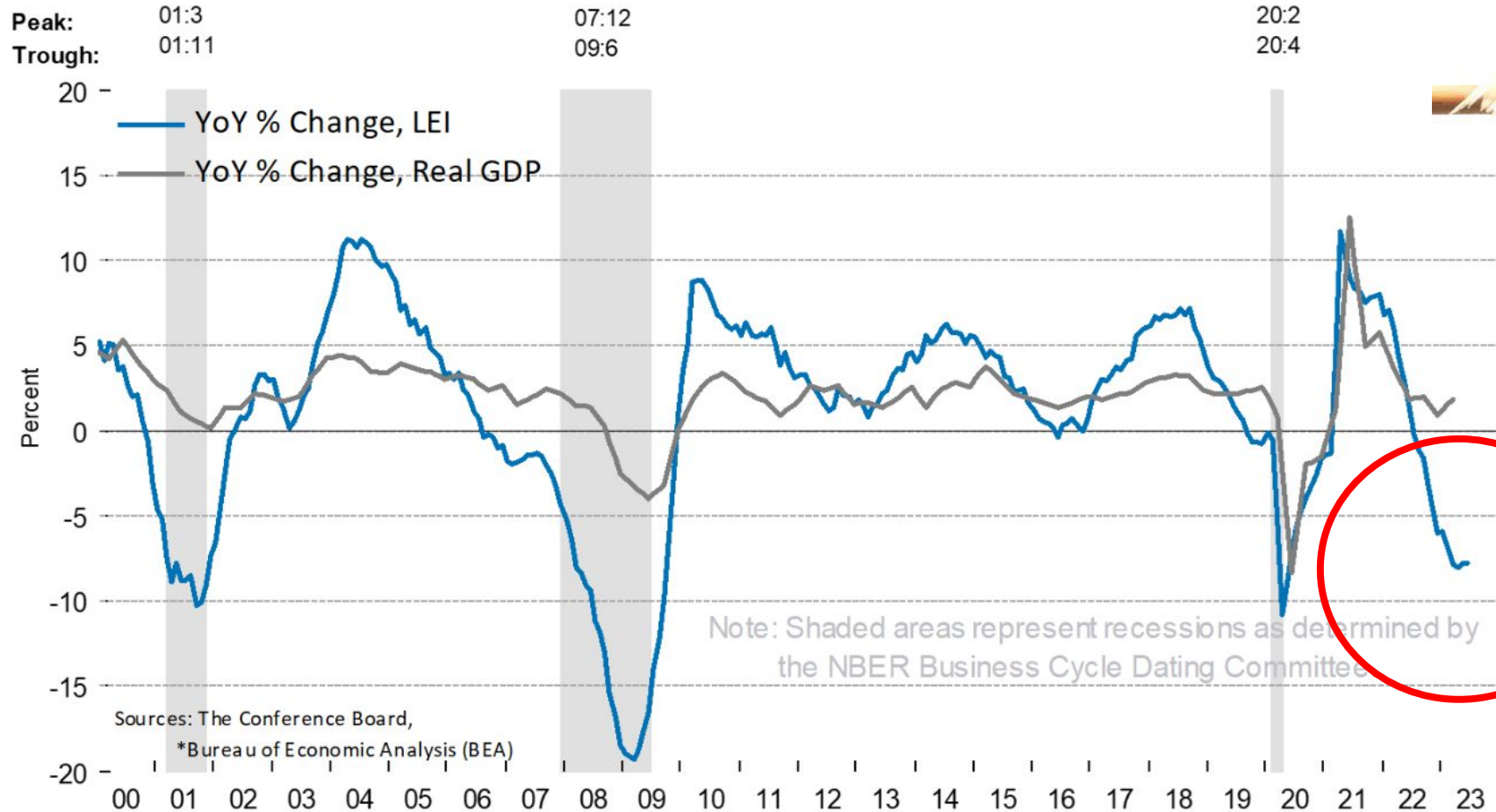
Source: Federal Reserve

Bloomberg



Leading Index

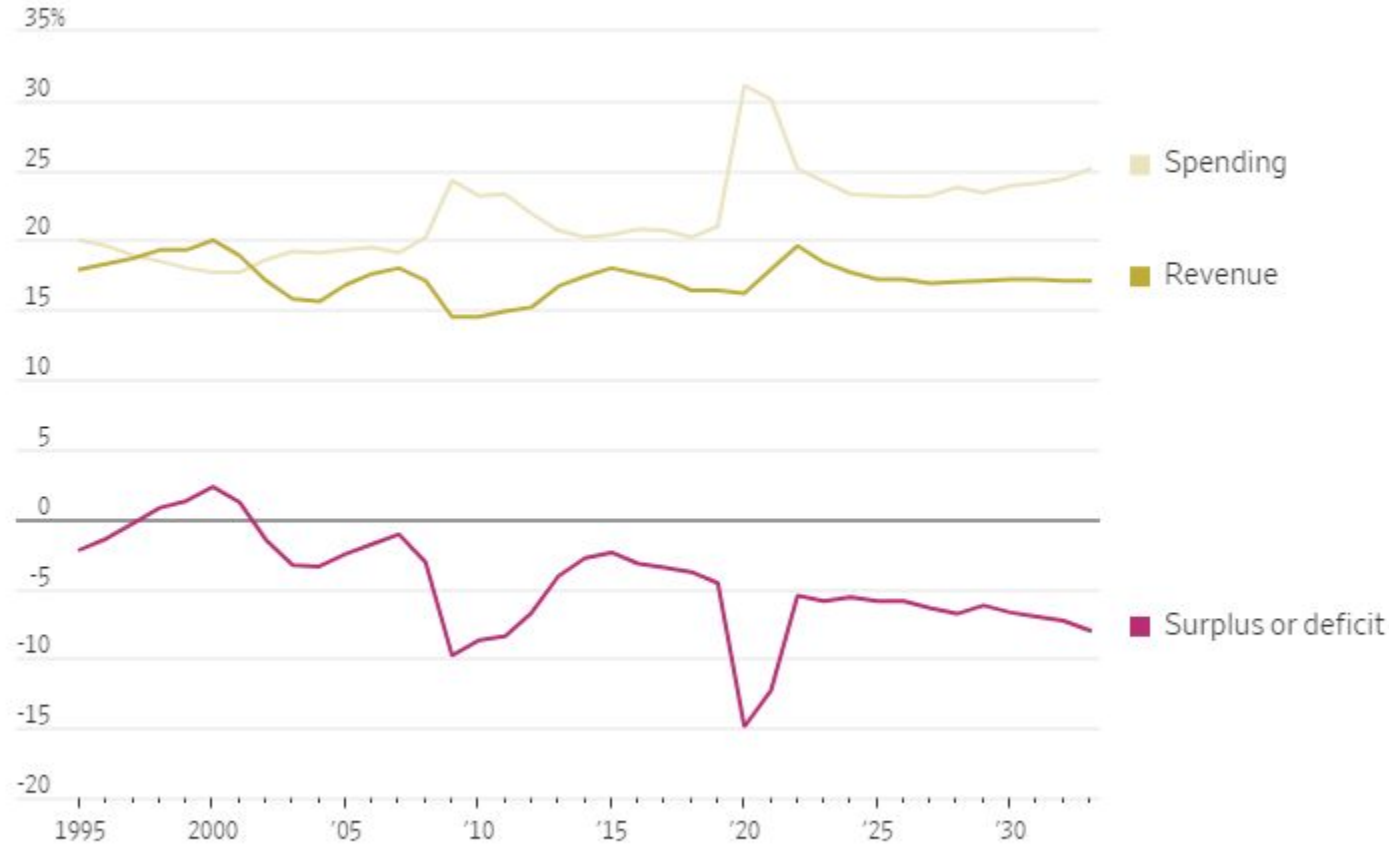
The annual growth rate of the LEI remained negative, signaling continued slowing in economic activity



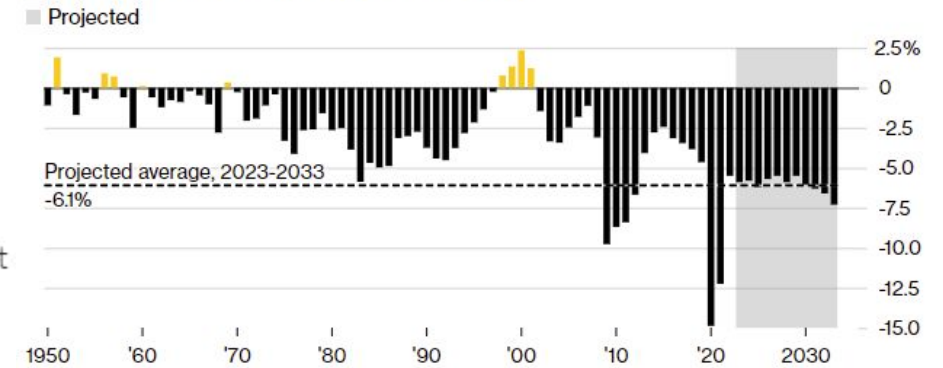
Most components contributed negatively to the LEI in June

Deficits

Revenue, spending and surplus or deficits as percentages of GDP



US Budget Balance as Share of GDP



Sources: Congressional Budget Office, Office of Management and Budget

Note: Projections for 2023 and beyond include this year's debt-limit agreement and assume tax cuts are extended.
Sources: WSJ analysis; Office of Management and Budget; Congressional Budget Office

Fiscal Drag

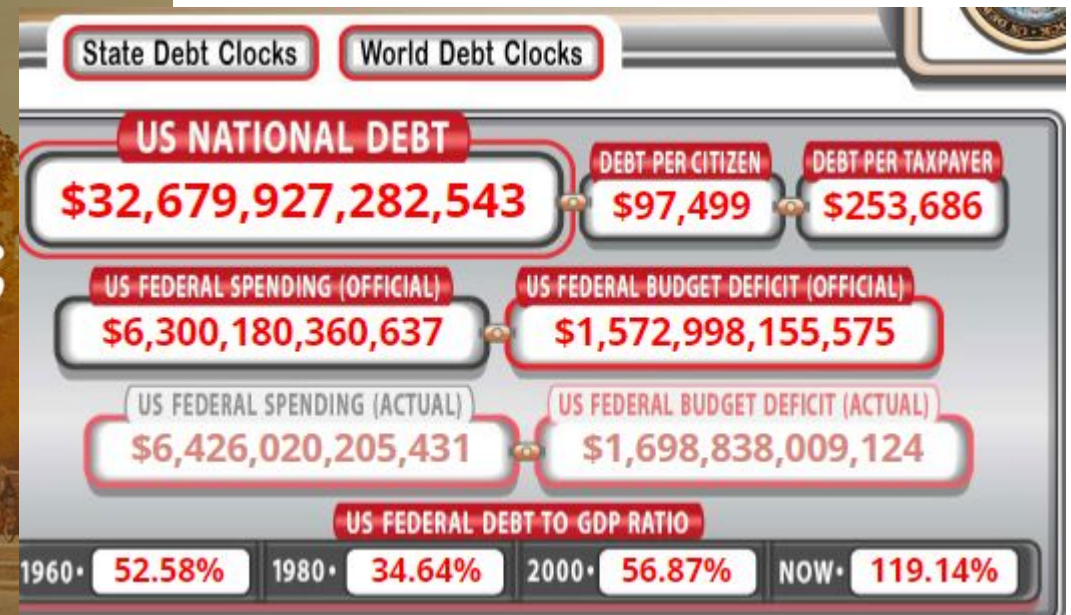
FitchRatings

PEOPLE PRODUCT INSIGHTS

LATEST COMMENTARY

Fitch Downgrades the U.S. Long-Term Rating to 'AA+'; Outlook Stable

[LEARN MORE](#) [MORE ON U.S. RATING](#)





Recession Is Coming!
Get Ready

Good Luck!

