

# U.S. economy: mood or metrics?

As 2023 draws to a close, inflation risks remains—specifically housing, services and energy. It's these data points keeping misery real. Does this signal recession ahead?



**69%**

of Americans say the country is heading in the wrong direction



**+6.5%**

last year's inflation—2023 is expected to reach 3.2 percent for the year



## Chaos to order

Basic humanity would suggest that chaos can't be good for fiscal growth. Except that for over a century—following a pattern of human behavior—uncertainty, tragedy and worry has spurred focus, innovation and prosperity.



Post WWII annual U.S. growth—far above the 1.7 percent average in the following 4 decades



U.S. annualized GDP post 9/11

## Economic cycles

Since 1960 the average recession has lasted 11 months compared to 71 months for the average expansion

### expansion **matures**

- Wages accelerate
- Profit margins peak
- Strong employment, consumer spending, economic output
- Inflation sits at a comfortable rate
- Market gains

### expansion **ages**

- Job growth slows
- Inflation accelerates
- Spending slows
- Inventories build, production slows
- Profits decline
- Markets become more volatile

### expansion **begins**

- Lost jobs return
- Consumer spending, economic output pick up
- Markets rebound

### **recession**

- Economic output shrinks
- Jobs are lost
- Consumer spending falls
- Profits decline



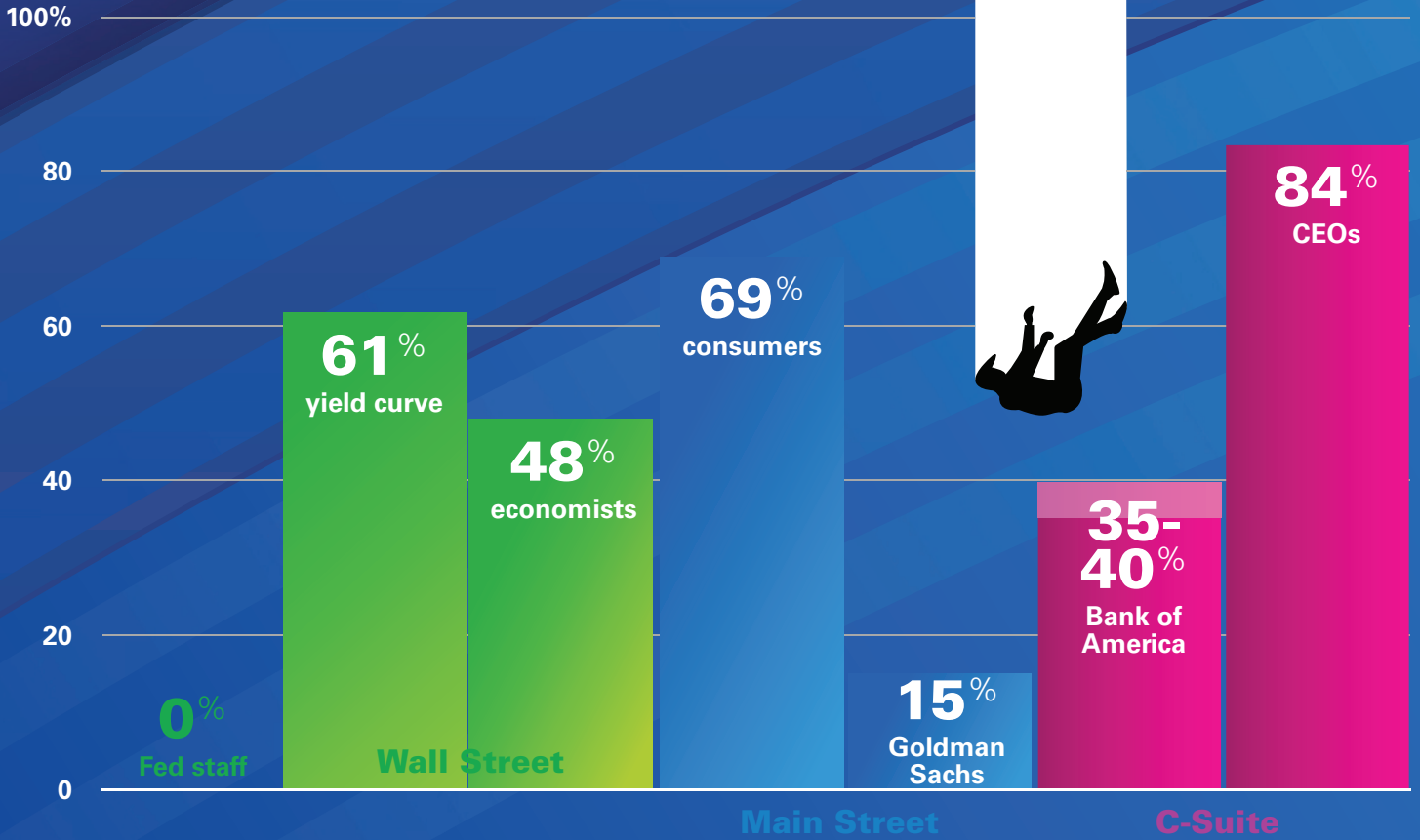
SOURCE: FEDERAL RESERVE BANK OF NEW YORK; WOLTERS KLUWER; THE CONFERENCE BOARD; GOLDMAN SACHS INVESTMENT RESEARCH; BANK OF AMERICA; DATA BASED ON SURVEYS AND PROJECTIONS CONDUCTED AUGUST-SEPTEMBER; \*YIELD CURVE: BASED ON A NEW YORK FED MODEL ESTIMATING RECESSION PROBABILITIES USING 10-YEAR MINUS 3-MONTH TREASURY YIELD SPREADS; BASED ON DATA FROM 1959-2009; CONFERENCE BOARD Q3 CEO SURVEY PROBABILITY OF A RECESSION OVER THE NEXT 12-18 MONTHS; BLOOMBERG FINANCE LP VIA JP MORGAN; DATA AS OF AUGUST 24, 2024; ECONOMIC CYCLES ILLUSTRATION IS A HYPOTHETICAL ILLUSTRATION OF THE BUSINESS CYCLE. THE PATTERN OF CYCLICAL FLUCTUATIONS IN AN ECONOMY OVER A FEW YEARS THAT CAN INFLUENCE ASSET RETURNS OVER AN INTERMEDIATE-TERM HORIZON. THERE IS NOT ALWAYS A CHRONOLOGICAL, LINEAR PROGRESSION AMONG THE PHASES OF THE BUSINESS CYCLE, AND THERE HAVE BEEN CYCLES WHEN THE ECONOMY HAS SKIPPED A PHASE OR RETRACED AN EARLIER ONE (FIDELITY)

# What are the odds?

Despite slowing growth, Federal Reserve staff are no longer forecasting a recession due to certain economic indicators. Others beg to differ.

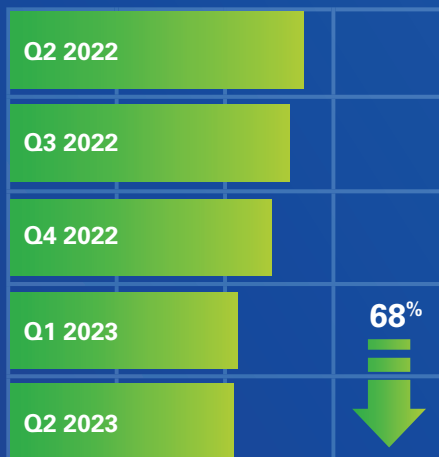
## Whose betting on a recession?

estimated U.S. recession probability in the next 12 months.

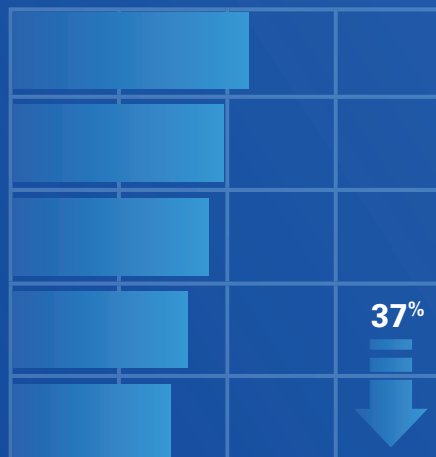


## Percent of S&P 500 companies key words occurring in earnings calls

### Inflation



### Material costs



### Economic slowdown

