



## The Daily Dish

# Recessionitis

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### **Eakinomics: Recessionitis**

The talking-head set seems to have a bad case of recessionitis, defined as the obsession with - and in some cases, longing for - an imminent recession. Experts in these cases of social psychoses can explain it to me later, but the numbers simply don't support this notion.

Measured as growth from the same quarter one year ago, the last four quarterly growth rates of gross domestic product (GDP) have been 3.1 percent (Q3 of 2018), 2.5 percent, 2.7 percent, and 2.3 percent (Q2 of 2019). That's a slowdown, for sure, but not the bottom falling out. Moreover, the Atlanta Fed's GDPNow current estimate of the 3rd quarter growth rate translates to year-over-year growth of 2.1 percent, while the New York Fed's Nowcast implies 2.0 percent year-over-year growth for the same period. The data for the real, brick & mortar, personal services, Main Street economy simply does not imply imminent recession.

To drive this point home, personal consumption expenditures (PCE, or household spending) is 70 percent of economic activity. Over the past 2 years it has averaged annual growth of 2.8 percent with a high of 3.4 percent and a low of 2.4 percent. That is a rock-solid foundation for GDP growth that is a long way from negative territory.

There is a good chance that anyone pointing out these facts will be accused of being a Trump apologist who is unwilling to acknowledge the actual state of the economy. Not so. There are, in fact, three weak parts of the economic outlook: housing, farming, and manufacturing. Housing has struggled for the duration of the Trump Administration. The farm economy was in bad shape and the retaliation to Trump's trade policies have turned bad to dreadful. And the recent weakness in manufacturing is simply an unforced error by the White House. Tax and, especially, regulatory policy had given manufacturing a big boost from the Obama era, but the incoherent trade tactics and Fed bashing have stifled

investment and ground manufacturing growth to a near-halt.

So, clearly, the president's policies are currently the major obstacle to growth. But beneath those headwinds there remains a largely healthy economy with rising productivity (1.8 percent year-over-year in the 2nd quarter), rapid growth in real compensation (2.5 percent), and a healthy household sector. That economy may grow more slowly, but that is far from a recession.

At least to my eye, the rising obsession with a U.S. recession stems from too much attention being paid to daily volatility in financial markets. The stock market is not the economy, the yield curve is not our economic destiny, and the U.S. economy is not run from this — or any other — White House. To improve your outlook, stop binge-watching CNBC, uninstall Twitter, and take a walk down Main Street.