



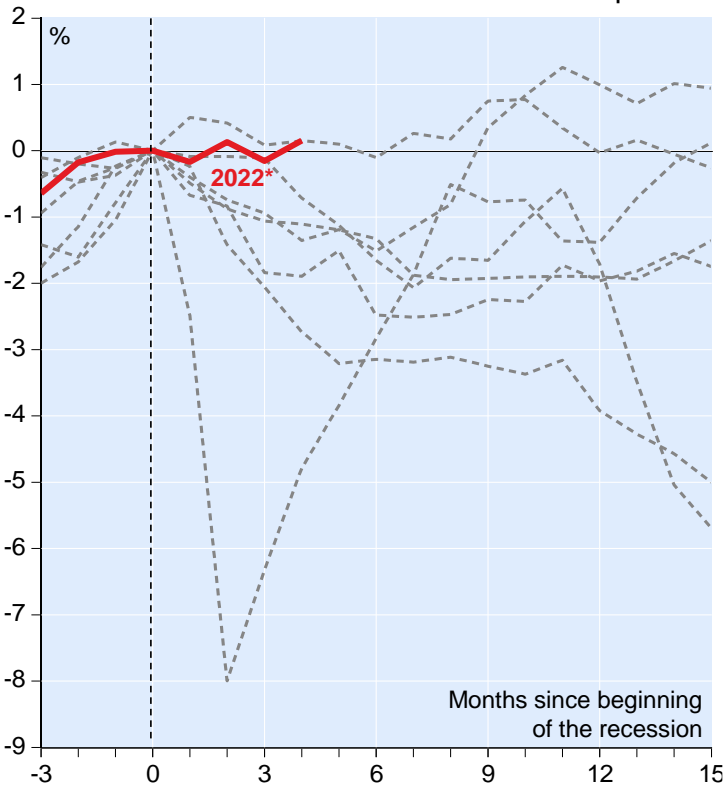
U.S. Watch

By Jocelyn Paquet & Matthieu Arseneau

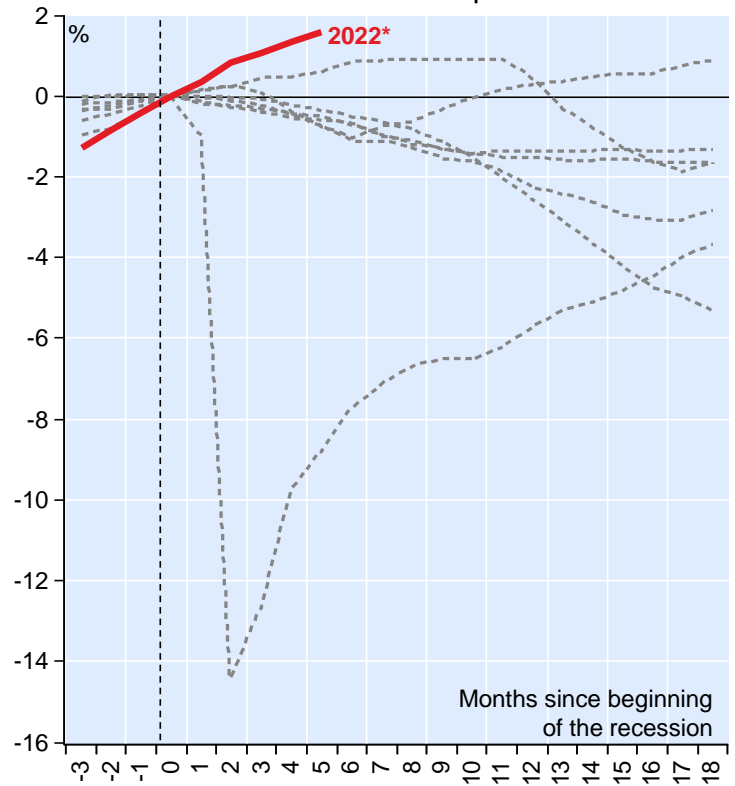
Economic output shrank for the second quarter running in Q2, dropping 0.9% annualized following a 1.6% drop in Q1. This is fueling discussions about whether the U.S. economy is in recession. Let us start by saying that there is a difference between what is referred to as a “technical” recession – two consecutive quarters of negative growth – and what is regarded as an “official” recession determined by the National Bureau of Economic Research (NBER). The NBER defines recession as a “significant decline in economic activity that is spread across the economy and that lasts more than a few months.” According to its website, the NBER pays attention to “a range of monthly measures of aggregate real economic activity” when observing the vagaries of the business cycle but has given particular importance in recent decades to real personal income excluding transfers and nonfarm payroll employment. As today’s Hot charts shows, these two indicators suggest that the Q1-Q2 period does not constitute a recession. Instead of declining as in most previous episodes, real personal income excluding transfer receipts has stayed more or less flat since January given the healthy labour market. In this respect, non-farm payrolls have continued to advance at a steep clip, a trend contrary to historical precedents. Since the 1950’s, there has been at least one month of negative employment every time GDP contracted for at least two consecutive quarters except during the current episode. Judging by these findings, we’d say the odds that the NBER qualify the first half of 2022 as a recession are pretty low.

U.S.: Is the economy officially in recession?

Real personal income excluding transfer receipts, change during episodes recognized by the NBER as recessions since the 1970’s vs. current episode



Nonfarm payrolls, change during episodes recognized by the NBER as recessions since the 1970’s vs. current episode



*For 2022, we assume that the recession would have started in January
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General

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