Given the growing fears of a recession in the U.S., we have decided to resurrect our tracking table for recession indicators. The table below shows the current reading and recent momentum of several indicators compared to the ones observed three months before the eight previous recessions. Red indicates that the current reading is worse than any historical episodes while green is better. Both yellow and orange are in the historical range, the former indicating a better situation compared to the median while the latter shows the opposite.

In terms of the economic indicators tracked in this dashboard, the main events were August’s employment situation and a host of both soft and hard data indicators. Data released over the past week did not send a more alarming signal than their previous reading, but financial markets showed signs of weakening.

### U.S. Economic and financial indicators 3 months before recessions

**As of September 2, 2022**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500 (% drawdown from past year max)</td>
<td>-18.2%</td>
<td>-15.4%</td>
<td>-1%</td>
<td>0%</td>
<td>-14%</td>
<td>8%</td>
<td>-6%</td>
<td>-8%</td>
<td>-13%</td>
<td>-15%</td>
<td>8%</td>
</tr>
<tr>
<td>BBB spread (increase from past year min, bps)</td>
<td>62.7</td>
<td>53.3</td>
<td>2</td>
<td>46</td>
<td>134</td>
<td>6</td>
<td>0</td>
<td>41</td>
<td>43</td>
<td>23</td>
<td>32</td>
</tr>
<tr>
<td>Copper price (% drawdown from past year max)</td>
<td>-32%</td>
<td>-28%</td>
<td>-11%</td>
<td>-2%</td>
<td>-10%</td>
<td>-12%</td>
<td>-16%</td>
<td>-1%</td>
<td>0%</td>
<td>-2%</td>
<td>-6%</td>
</tr>
<tr>
<td>Oil price (% drawdown from past year max)</td>
<td>-30%</td>
<td>-25%</td>
<td>-16%</td>
<td>-4%</td>
<td>-31%</td>
<td>-21%</td>
<td>-4%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>U.S. Dollar ( % increase from past year min)</td>
<td>9.5%</td>
<td>9.2%</td>
<td>3%</td>
<td>0%</td>
<td>7%</td>
<td>11%</td>
<td>12%</td>
<td>6%</td>
<td>NA</td>
<td>NA</td>
<td>7%</td>
</tr>
<tr>
<td>Yield curve (10-year minus 3-month, bps)</td>
<td>28</td>
<td>20</td>
<td>26</td>
<td>77</td>
<td>-76</td>
<td>98</td>
<td>-62</td>
<td>-127</td>
<td>-157</td>
<td>35</td>
<td>-18</td>
</tr>
<tr>
<td>3-month treasury - core PCE (percentage points)</td>
<td>-1.7</td>
<td>-1.8</td>
<td>0.0</td>
<td>1.6</td>
<td>3.9</td>
<td>4.2</td>
<td>5.6</td>
<td>4.5</td>
<td>4.5</td>
<td>2.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Consumer sentiment (Michigan)</td>
<td>58.2</td>
<td>51.5</td>
<td>99.3</td>
<td>80.9</td>
<td>94.7</td>
<td>90.6</td>
<td>76.3</td>
<td>63.3</td>
<td>72.0</td>
<td>86.4</td>
<td>83.7</td>
</tr>
<tr>
<td>SME optimism</td>
<td>99.9</td>
<td>89.0</td>
<td>102.7</td>
<td>96.1</td>
<td>96.4</td>
<td>99.4</td>
<td>97.4</td>
<td>93.3</td>
<td>NA</td>
<td>NA</td>
<td>96.9</td>
</tr>
<tr>
<td>CEO confidence (quarterly data)</td>
<td>34.0</td>
<td>42.0</td>
<td>43.0</td>
<td>44.0</td>
<td>31.0</td>
<td>48.0</td>
<td>61.0</td>
<td>32.0</td>
<td>NA</td>
<td>NA</td>
<td>43.5</td>
</tr>
<tr>
<td>ISM manufacturing</td>
<td>52.8</td>
<td>52.8</td>
<td>47.9</td>
<td>52.8</td>
<td>42.3</td>
<td>49.5</td>
<td>53.5</td>
<td>48.0</td>
<td>63.5</td>
<td>54.6</td>
<td>51.2</td>
</tr>
<tr>
<td>ISM services</td>
<td>56.7</td>
<td>55.3</td>
<td>55.7</td>
<td>53.5</td>
<td>52</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>53.5</td>
</tr>
<tr>
<td>UI Claims 4-week ave. (% increase from past year max)</td>
<td>41.6%</td>
<td>44.0%</td>
<td>6%</td>
<td>8%</td>
<td>26%</td>
<td>6%</td>
<td>2%</td>
<td>20%</td>
<td>12%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Temp. help services jobs (% drawdown from past year max)</td>
<td>0.0%</td>
<td>0.00%</td>
<td>0.0%</td>
<td>-3.2%</td>
<td>-4.3%</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Average hours worked (% drawdown from past year max)</td>
<td>-1.2%</td>
<td>-0.9%</td>
<td>-0.9%</td>
<td>-0.3%</td>
<td>-0.6%</td>
<td>-0.9%</td>
<td>-0.3%</td>
<td>-0.6%</td>
<td>-0.5%</td>
<td>-0.8%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Building permits (% drawdown from past year max)</td>
<td>-11.3%</td>
<td>-10.5%</td>
<td>-5%</td>
<td>-27%</td>
<td>-2%</td>
<td>-39%</td>
<td>-21%</td>
<td>-30%</td>
<td>-30%</td>
<td>-19%</td>
<td>-24%</td>
</tr>
<tr>
<td>Real consumption (3-month, % ann)</td>
<td>0.7%</td>
<td>0.7%</td>
<td>1.3%</td>
<td>2.4%</td>
<td>2.3%</td>
<td>1.8%</td>
<td>-0.1%</td>
<td>0.7%</td>
<td>4.1%</td>
<td>6.4%</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

*Previous Friday for financial data, previous month for hard and soft data (quarter for CEO confidence)

NBF Economics and Strategy (data via Refinitiv, Bloomberg)

The signal sent by financial market slightly worsened compared to a week ago. The S&P 500 declined 2.8% further from its 12-month peak and remains the worst drawdown observed a quarter prior to a recession. Meanwhile, the yield curve steepened 8 bps, and remains steeper than the median reading 3 months ahead of a recession. The price of oil fell by 5% and BBB spreads widened 9.4 bps, but their signal as defined by the colours of the dashboard remained unchanged. The price of copper declined a bit further while the U.S. dollar and real policy rates, for their part, were essentially unchanged. In short, equities, corporate bond market, commodities and the U.S. dollar are still at risk-off levels, while the still accommodative real rates suggest a pro-growth environment.

On the soft data side, consumer sentiment improved in August but was still at its worst level 3 months before a recession. SME sentiment improved slightly but still stood at its worst level 3 months ahead of a recession. ISM manufacturing PMI for August remained in expansion (i.e., above 50) matching the July print and above the median. ISM services, meanwhile, showed an even more upbeat picture and reached its highest level three months ahead of a recession. There were no other updates as of last Friday. CEO confidence for the third quarter was much lower than the prior reading, but its signal as defined by the colours of the dashboard remained unchanged.

For hard data, average UI claims remained at their worst deterioration 3 months ahead of a recession. The latest employment numbers painted a picture of a decent labour market, albeit average hours worked declined somewhat. Temporary help services jobs remained the same. There were no other updates as of last Friday. The growth of real consumption remained unchanged at a level close to its worst reading a quarter before a recession. Building permits, for their part, declined further from their 12-month peak but remained above the median drawdown observed a quarter before a recession.
U.S. Recession Risk – Weekly Monitor

Economics and Strategy

Montreal Office
514–879–2529

Stéfane Marion
Chief Economist and Strategist
stefane.marion@nbc.ca

Matthieu Arseneau
Deputy Chief Economist
matthieu.arseneau@nbc.ca

Kyle Dahms
Economist
kyle.dahms@nbc.ca

Daren King
Economist
daren.king@nbc.ca

Alexandra Ducharme
Economist
alexandra.ducharme@nbc.ca

Angelo Katsoras
Economist and Strategist
angelo.katsoras@nbc.ca

Jocelyn Paquet
Economist
jocelyn.paquet@nbc.ca

Toronto Office
416–869–8598

Warren Lovely
Chief Rates and Public Sector Strategist
warren.lovely@nbc.ca

Taylor Schleich
Rates Strategist
taylor.schleich@nbc.ca

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