

U.S. Recession Risk - Monthly Monitor

Economics and Strategy



**NATIONAL BANK
OF CANADA**
FINANCIAL MARKETS

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Given the uncertain U.S. economic outlook, we provide on a monthly basis 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. We also provide an update of the likelihood of a recession based on the slope of the yield curve, as well as the most recent probability of recession over the next four quarters according to the survey of professional forecasters.

Recession dashboard

This month, the signal of our dashboard monitoring the risk of a recession in the U.S. deteriorated for financial/commodity indicators, remained similar for soft data, while it was slightly improving for hard data. Overall, our monthly U.S. recession dashboard continues to signal a precarious situation, consistent with our prudent economic scenario.

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

As of May 5th, 2025

		Value 3 months before U.S. Recessions										Median
		Last reading	Prior reading*	2020	2007-09	2001	1990-91	1981-82	1980	1973-75	1970	
Financial/commodity	S&P 500 (% drawdown from past year max)	-8.0%	-7.3%	-1.3%	-0.4%	-13.6%	-7.7%	-5.6%	-7.8%	-13.3%	-14.6%	-7.7%
	BBB spread (increase from past year min, bps)**	56.3	30.3	2.0	46.2	133.8	6.0	0.0	41.0	43.0	23.0	32.0
	Copper price (% drawdown from past year max)	-13.1%	-9.3%	-10.6%	-2.2%	-9.5%	-12.0%	-16.2%	-1.2%	0.0%	-1.6%	-5.9%
	Oil price (% drawdown from past year max)	-31.9%	-19.5%	-16.0%	-4.0%	-31.0%	-21.0%	-4.0%	0.0%	0.0%	0.0%	-4.0%
	U.S. Dollar (% increase from past year min)	1.2%	4.5%	3.1%	0.0%	5.3%	8.3%	12.5%	4.5%	1.4%	NA	4.5%
	Yield curve (10-year minus 3-month, bps)	2	6	26	77	-76	98	-62	-127	-157	35	-18
Soft data	Consumer sentiment (Michigan)	52.2	57.0	99.3	80.9	94.7	90.6	76.3	63.3	72.0	86.4	83.7
	SME optimism	97.4	100.7	102.7	96.1	96.4	99.4	97.4	93.3	NA	NA	96.9
	CEO confidence (quarterly data)	60.0	51.0	43.0	44.0	31.0	48.0	61.0	32.0	NA	NA	43.5
	ISM manufacturing	48.7	49.0	47.9	52.8	42.3	49.5	53.5	48.0	63.5	54.6	51.2
	ISM services	51.6	50.8	55.7	53.5	52	NA	NA	NA	NA	NA	53.5
Hard data	UI Claims 4-week ave. (% increase from past year min)	7%	6%	6%	8%	26%	6%	2%	20%	12%	10%	9%
	Temp. help services jobs (% drawdown from past year max)	-3.9%	-4.8%	0.0%	-3.2%	-4.3%	NA	NA	NA	NA	NA	-3.2%
	Average hours worked (% drawdown from past year max)	0.0%	0.0%	-0.9%	-0.3%	-0.6%	-0.9%	-0.3%	-0.6%	-0.5%	-0.8%	-0.6%
	Building permits (% drawdown from past year max)	-2%	-7%	-5%	-27%	-2%	-39%	-21%	-30%	-30%	-19%	-24%
	Real consumption (3-month, % ann)	1.7%	1.1%	1.3%	2.4%	2.3%	1.8%	-0.1%	0.7%	4.1%	6.4%	2.1%

*Previous month (quarter for CEO confidence)

** As of Thursdays

NBC Economics and Strategy (data via Refinitiv, Bloomberg)

The overall signal from **financial/commodity indicators** was worse than the previous month. The S&P500 regressed further from its peak but was above the intra-month slump. The latter dropped below its median pre-recession level and changed signal. Corporate spreads worsened and the deterioration is now more severe compared to its typical pre-recession behaviour. Copper prices were significantly down on fears of a global slowdown and the signal deteriorated. Lower oil prices reflected both an OPEC production output increase and fears for slower global growth. The U.S. dollar improved, with the risk-off appreciation correlation being undermined and the dollar was still in its historical pre-recession bracket. Meanwhile, the slope of the yield curve narrowed in the month, but it made no change to the signal.

The signal of the **soft data** section remained the same in the month but there were some signs of stress. Consumer sentiment, SME optimism and ISM manufacturing deteriorated in the month. For its part, ISM services improved but remained with a signal in the red as it was below its historical range prior to a recession. CEO confidence, published only on a quarterly basis, improved somewhat but the upcoming print will surely reflect the current uncertainty.

The signal of the **hard data** section improved slightly in the month as temporary help services improved and the signal changed. That said, they remained below their median value. Building permits improved in the month with no change in the signal. UI claims deteriorated slightly but remained at the lower end of their bracket. Average hours worked were unchanged from the prior value showing no concern at all. The rise in real consumption, meanwhile, accelerated, but was still in the lower portion of its historical pre-recession range.

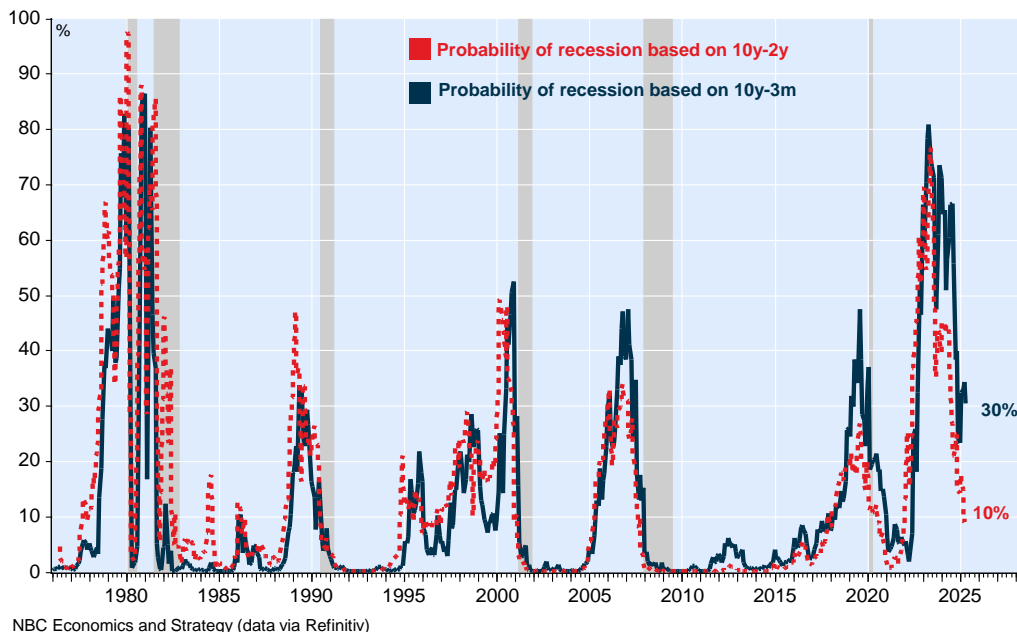


Likelihood of a recession based on the slope of the yield curve

According to our probit model, the probability of a recession currently stands at 30% according to the 10y-3m curve, and at 10% according to the 10y-2y curve. Already down from their peak, both levels have recently moderated.

U.S.: Perspective on probability of recession in twelve months

Likelihood of a recession based on the slope of the yield curve (1976-2025)

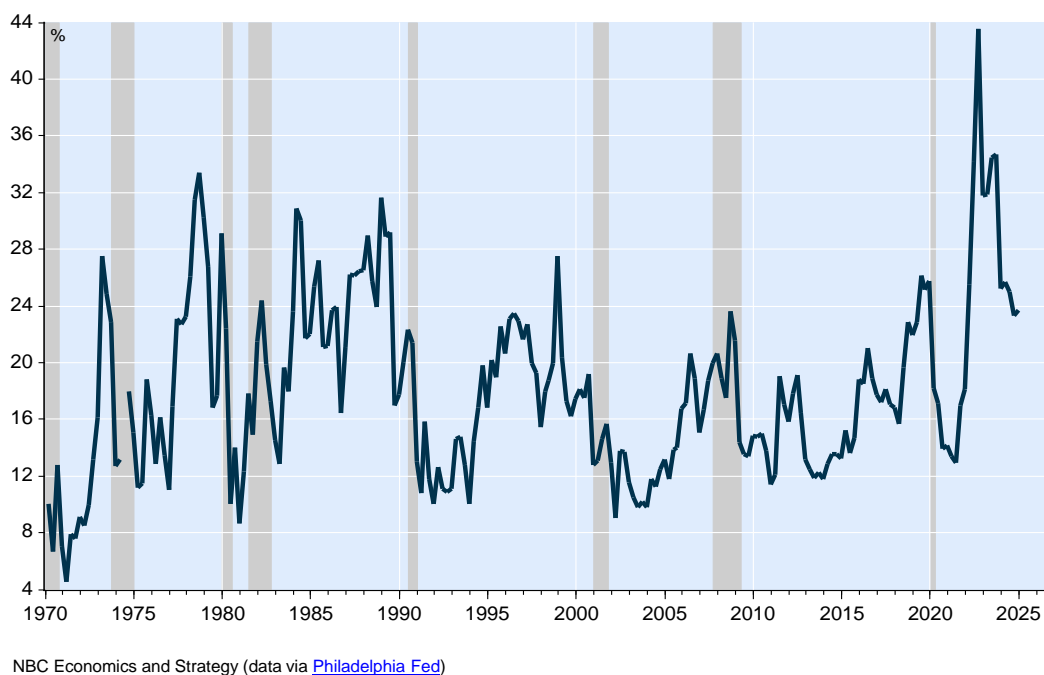


Probability of recession over the next four quarters as per survey of professional forecasters

Professional forecasters currently see a 24% chance of a recession over the next four quarters. While this is a decline from the peak of 44% reached in 2022Q4, anticipations have stagnated near the currently above-average level for several quarters now.

U.S.: Anticipations of a recession remain elevated

Probability of recession over the next four quarters as per survey of professional forecasters (as of Q1 2025)





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