

Economics

Economists Boost US Recession Odds on Higher Rates and Banking Woes

- Bloomberg monthly survey shows 65% odds, up from 60%
- Forecasters also raise inflation estimates through 3Q 2024

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The probability of a downturn in the next 12 months stands at 65%, up from 60% odds in February, according to the latest Bloomberg monthly survey of economists. The poll was conducted March 20-27, in the aftermath of several bank closures that included Silicon Valley Bank, with 48 economists responding about the odds of a recession.

After the Fed last week raised rates a quarter percentage point to the highest since 2007, economists worry not only about the impact on demand but the effect on the banking system. The collapse of SVB was precipitated by higher interest rates that reduced the value of the firm's holdings of Treasuries.

Financial institutions risk becoming more guarded in their lending approach, restricting access to capital needed by businesses to expand and consumers to buy homes, cars and other big-ticket items.