

Finance &amp; economics | Danger signs

# Is America already in recession?

Some rules of thumb suggest so

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**A**N EARLY-WARNING SYSTEM for recessions would be worth trillions of dollars. Governments could dole out stimulus at just the right time; investors could turn a nice profit. Unfortunately, the process for calling a recession is too slow to be useful. America's arbiter, the National Bureau of Economic Research, can take months to decide. Other countries simply look at GDP data, which emerge with a lag.

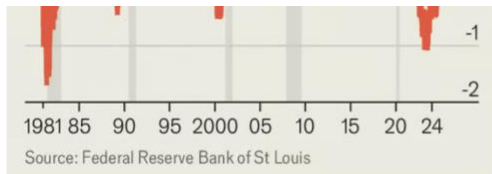


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Recession rules are based on the premise that once news gets bad enough, it will worsen further. Historically, that has been a decent bet: unemployment shoots up quickly and then falls slowly; central banks tend to raise interest rates until something breaks. Yet today the Federal

Reserve has room to ease and, given the unusual labour-market recovery, some bumpiness does not spell disaster. Although America's gangbusters expansion is calming, a gradual slowdown is not a crash—no matter what the rules say. ■