

October 17, 2022 – Economic Commentary

Three weeks into the fourth quarter of 2022, questions are mounting as to whether the US economy can continue to grow at the estimated 2% annual pace likely to be reported for the third quarter, on October 27. Employment trends seem to be turning, ever so slightly, into a labor market characterized by greater uncertainty and possibly reduced wage pressures. Industrial production also seems to be weakening, counterbalanced at present by ongoing strength in the service sectors (health care, air transport, business and personal services), although it is fair to speculate how long consumer demand for increasingly expensive services will be maintained. However, forecasts for an eventual turn of US economic growth into negative territory — accompanied by the kind of downturn in employment that, would be conclusively associated with a recession (unlike earlier in 2022— are currently couched in “sometime in the next 12 months” language; that is, the outlook for key economic sectors is not yet sufficiently negative to support the notion that the US economy is slipping into recession this quarter. The one exception to this outlook continues to be housing, where fundamentals are all clearly pointing to a significant downturn in activity.

As yet, inflation has not responded to the changing economic environment. It is widely assumed to be only a matter of time before it does, however another 75 bps point increase in the Fed Funds rate in November will help speed that adjustment, which nevertheless will be concentrated in the first half of 2023.

Data to Watch:

1. Federal Reserve “Beige Book” Survey of Regional Economic Conditions, released Wednesday, October 19
2. US Existing Home Sales for September, released Thursday, October 20
3. US Initial Claims for Unemployment for October 15, released Thursday, October 20

Suggested Reading:

[Meet the Army of Robots Coming to Fill In for Scarce Workers](#)

[Economists Now Expect a Recession, Job Losses by Next Year](#)

[Goldman Sachs expects worse UK recession in 2023](#)

[Rampant dollar blows a hole in Liz Truss's defence plans](#)

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