

June 12, 2023 – Economic Commentary

As is fairly typical at economic inflection points, the top-line economic numbers for GDP and employment continue to hold up while notable regional and sectoral differences are increasingly apparent. Chief among these differences at the moment is commercial real estate, where properties in coastal downtown cores are increasingly being put back to lenders who may or may not be prepared to handle the financial burden. Small businesses and start-ups dependent upon bank lending are also experiencing rising stress from tightening credit conditions and slowing growth. These developments -- and the likelihood that financial strains in the economy are likely to get worse before they get better-- may be sufficient to encourage the Federal Reserve to pause its interest hikes later this week, the first such pause in one-and-one-half years. However, inflation numbers for May that will be released on Tuesday and Wednesday will be critical in determining whether the Fed Funds rate has really hit its peak for this economic cycle and whether this pause will be extended beyond June.

Data to Watch:

1. US consumer inflation for May, released Tuesday, June 13
2. US Producer Price Index for May, released Wednesday, June 14
3. Federal Open Market Committee (FOMC) announcement on interest rates, released Wednesday, June 14

Suggested Reading:

[Jerome Powell's Big Problem Just Got Even More Complicated](#)

[The scarcity of water is emerging as a global economic threat. With China and India looking the most at risk](#)

[The Global Zeitenwende: How to Avoid a New Cold War in a Multipolar Era \(Increasingly seminal statement being cited in Europe as the basis for policy decisions\)](#)

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