



CIO suggests that monetary policy has not been restrictive enough for long enough to tip the economy into recession, while fiscal policy has been expansionary. (UBS)

10 reasons why there hasn't been a recession

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For a year, the consensus view has been that the US would soon enter a recession, but it hasn't yet. We review 10 reasons why that's been the case.

Since publishing this report "[Why hasn't there been a recession?](#)" on 29 June, the economic data released has further highlighted the ongoing resiliency of the US economy.

At a high level, the 10 reasons boil down to monetary policy only recently becoming moderately restrictive, the private sector being in fundamentally good shape, and the economy having evolved to become less cyclical.

Why hasn't there been a recession? 10 factors:

1. Monetary policy is not restrictive enough to cause a recession
2. Fiscal policy is marginally expansionary and fueling investment
3. Strong household balance sheets are supporting spending
4. The economy lacks clear excesses that makes it vulnerable to a recession
5. Credit conditions have tightened, but they are not overly tight
6. Labor demand and supply dynamics are keeping the market tight
7. The pandemic has distorted cycle analysis and made data noisy
8. Sector-specific rolling recessions may preclude full recession
9. Services dominate the US Economy, and they're still growing solidly
10. The US economy has evolved over time to be less cyclical and recession-prone.

The first set of factors suggests that monetary policy has not been restrictive enough for long enough to tip the economy into recession, while fiscal policy has been expansionary.

The next set pertains to economic fundamentals, including household finances, corporate balance sheets, and labor demand that are all stronger than is typical leading up to a recession, thereby providing a cushion against growth headwinds.

The third set highlights the unique characteristics of this pandemic-distorted economic cycle that have resulted in non-synchronous boom-and-bust patterns across different segments of the economy. This has made the data especially noisy and overstated the extent to which the economy is deteriorating versus just normalizing after pandemic-related shocks.

The final set of factors points to structural changes to the US economy over the past five decades that have made it less prone to recessions, which also reduces the usefulness of lessons from historical business cycle patterns.

In addition to the recent report "[Why hasn't there been a recession?](#)", we have published a presentation version, available [here](#). We expect to revisit these factors in future reports as we continuously monitor the likelihood of the economy falling into a recession.

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See the presentation: [Why hasn't there been a recession?](#) and read [full report](#)

Original blog - [Why hasn't there been a recession?, 12 July 2023.](#)

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