

Macro Roundup Article

Headline: [A US Recession Is Still Possible](#)

Article Link: <https://www.project-syndicate.org/commentary/us-recession-risk-remains-soft-landing-not-yet-here-by-michael-r-strain-2023-07?barrier=accesspaylog>

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Summary: According to my calculations, the real (inflation-adjusted) interest rate is around 1.5%, which is one percentage point higher than the Fed's estimate of the neutral real policy rate (which neither stimulates nor reduces economic activity). Prior to previous recessions, the real rate has been higher. While current market pricing suggests that the Fed will increase the federal funds rate once more this cycle, I think that is optimistic. Between stubborn and high underlying inflation, financial conditions that aren't tightening, and real interest rates that are lower than is typical before a significant economic slowdown, there are ample reasons for the Fed to raise rates more than economists and investors currently seem to expect. If that happens, the risk of recession will increase. Related: [Furman On CPI Report](#) and [A Default Cycle Has Started](#)

Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Monetary Policy, Op-Ed/Blog Post

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