

Macro Roundup Article

Headline: [This Is Not a Soft Landing](#)

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Tweet: Torsten Sløk @apolloglobal argues that the cyclical components of the economy have been rebounding as financial conditions eased in the aftermath of SVB, and expects a reacceleration of GDP growth which may require further rate hikes.

Summary: Why did the economy not slow down more, and why did Fed hikes not result in a rise in unemployment? There are two reasons. First, the post-Covid economy saw surprising strength in the non-cyclical components of the economy, such as eating at restaurants, staying at hotels, and flying on airplanes, etc. Consumers wanted to travel and go to concerts and sporting events after Covid, and this has kept consumer spending strong. Second, financial conditions eased significantly following SVB, and this boosted GDP growth to 4.9% in the third quarter of 2023. Similarly, the rally in the stock market, credit markets, and Treasury markets since October and after the Fed pivot in December have also eased financial conditions significantly, likely boosting the cyclical components of GDP over the coming months. The bottom line is that the non-cyclical components continue to grow steadily because of post-Covid strong demand for consumer services, and the cyclical components are rebounding because of easier financial conditions. The likely scenario is that the economy will reaccelerate over the coming months, which will put renewed upward pressure on inflation and, hence, bring back a more hawkish Fed.

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Primary Topic: Business Cycle

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

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