

Macro Roundup Article

Headline: [Why No Recession \(Yet\)?](#)

Article Link: <https://blog.rangvid.com/2023/10/08/why-no-recession-yet/>

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Tweet: Jesper Rangvid argues the hiking cycle hasn't catalyzed a recession yet due to the accumulation of savings, but notes that "surplus savings will soon be used up."

Summary: Real interest rates have risen even more than nominal. Real interest rates have risen by almost 10pp. In comparison, real interest rates rose by "only" 4pp during the 2004-2006 episode. The main reason that economic activity has held up so well is that households entered this tightening episode with large savings that they had accumulated during the pandemic. Therefore, the pandemic caused both inflation and the flare-up in interest rates and led to this amazingly resilient economy. However, surplus savings will soon be used up, and at some point people will have to take out new mortgages at higher interest rates. Moreover, central banks have continued to raise interest rates in 2023 and will keep them high for longer. All this means that the full impact of this tightening episode has not yet been felt. Related: Soft Landing Summer and Excess No More? Dwindling Pandemic Savings and The Trickling Up of Excess Savings

Primary Topic: Business Cycle

Topics: Business Cycle, Financial Markets, GDP, Op-Ed/Blog Post

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