RCF Economic & Financial Consulting, Inc.

Recession Scorecard

Peter Bernstein, Vice President

	Economic Variable	Recent Data	Sept. 2019	Nov. 2019
1.	Real GDP	+1.9% (Q3)	Slowing	Slowing
2.	Real Personal Income	+3.5% (Sept)	Rising	Rising
3.	Industrial Production	-1.1% (Oct)	Slowing	Falling
4.	Labor Productivity	-0.3% (Q3)	Steady	Falling
5.	Unemployment Rate	3.5% (Nov)	Steady	Steady
6.	New Unemployment Claims	217,750 (Nov)	Steady	Steady
7.	Payroll Employment Change	+128,000 (Nov)	Slowing	Rebounding
8.	Average Hourly Earnings (nominal)	+3.1% (Nov)	Steady	Steady
9.	Real Consumer Spending	+2.9% (Q3)	Rising	Slowing
10.	Real Non-Residential Investment	-3.0% (Q3)	Falling	Falling
11.	Durable Goods Orders	-5.5% (Sept)	Stagnant	Falling
12.	Real Exports	+0.7% (Q3)	Falling	Flat
13.	Housing Starts	+8.5% (Oct)	Recovering	Recovering
14.	New Building Permits	+14.1% (Oct)	Mixed	Strong
15.	Existing Home Sales	+2.9% (Sept)	Modest	Modest
16.	New Home Sales	+15.5% (Sept)	Recovering	Recovering
17.	Oil Price per Barrel	$56.33 (Sept)	Volatile	Steady
18.	Inflation	2.0% (Nov)	Steady	Steady
19.	Core Inflation (ex Food & Energy)	2.3% (Nov)	Rising	Rising
20.	10-Year Treasury Rate	1.77% (Nov)	Falling	Recovering
21.	10-Year vs 2-Year Treasury Spread	0.22% (Nov)	Falling	Recovering
22.	Baa Bond vs. 10-Year Treasury Spread	2.11% (Nov)	Rising	Rising
23	Delinquency Rate on Consumer Loans	4.4% (Q2)	Falling	Falling
24.	Corporate Profits	+2.7% (Q2)	Flat	Flat
25.	S&P 500 Index Change	+11.2% (Nov)	Volatile	Rising
26.	Budget Deficit (FY 2019)	$990 billion	Rising	Rising
27.	Fed Funds Rate	1.625% (Nov)	Declining	Declining

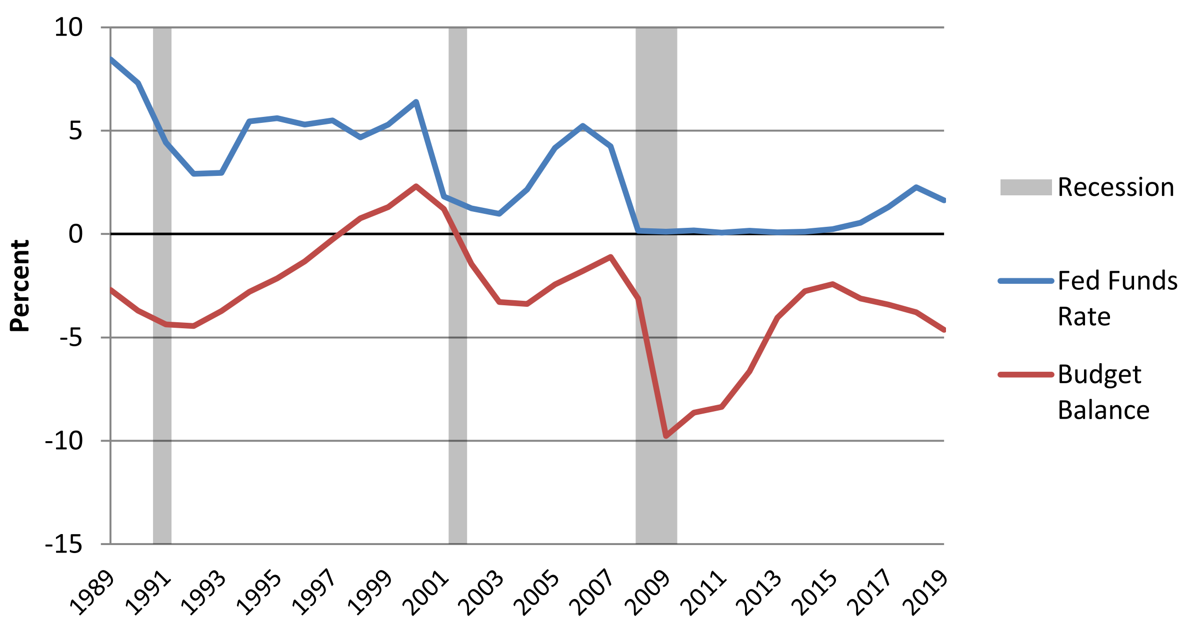
Color Key:	Recession Indicator	Mixed	Continued Growth

At this time, 12 of our 27 measures are suggesting continued growth, while 6 are pointing to a recession and 9 are providing mixed signals. This represents an improvement from our September scorecard when 10 measures were pointing to growth and 8 were pointing toward a recession. The improvements have mostly come from the financial sector. 10-year Treasury rates have recently been rising, causing the yield curve to steepen somewhat. The stock and housing markets have also done well of late. However, new weaknesses were found in the third-quarter slowdown in consumer spending and the surprising drop in labor productivity, the first such decline since 2015.

Nevertheless, the job market continues to be free of recession indicators. Payroll employment continues to rise and unemployment claims remain low, as does the unemployment rate. Of some concern is that real GDP growth has slowed to about a 2.0% annual rate over the past two quarters despite boosts from fiscal policy (near $1 trillion deficit) and monetary policy (3 quarter-point rate cuts in the past 4 months).

And here is an interesting statistic. In 2019, we saw a widening budget deficit and cuts to the Fed funds rate. This combination has occurred three other times in the past 30 years (1990 - 1992, 2001 - 2003, and 2008 - 2009). Each of those three previous periods occurred during recessions. So while the economy continues to avert a downtown, fiscal and monetary policies are in recessionary modes.

Fed Funds Rate and Budget Balance (as % of GDP)



Data Source: FRED, https://fred.stlouisfed.org

For more information, contact Peter Bernstein, RCF Vice President, at 312-431-1540 ext. 1515, pbernstein@rcfecon.com.

Recession Scorecard Notes:

Real GDP, Real Consumer Spending, Real Non-Residential Investment and Real Exports are measured as quarterly changes (2019Q3 vs 2019Q2) expressed at annual rates.

Real Personal Income, Industrial Production, Labor Productivity, Payroll Employment. Average Hourly Earnings, Durable Goods Orders, Housing Starts, New Building Permits, Existing Home Sales, New Home Sales, Inflation, Core Inflation, Corporate Profits and the S&P 500 Index are measured as percent changes from the date stated versus one year earlier.

Unemployment Rate, Initial Claims, Oil Price, 10-Year Treasury Rate, 10-Year vs 2-Year Spread, Baa Bond vs 10-Year Spread, Delinquency Rate on Consumer Loans, Budget Deficit, and Fed Funds Rate are most recent levels.

References:

1. Real GDP (Bureau of Economic Analysis); 2. Real Personal Income (Bureau of Economic Analysis); 3. Industrial Production (Federal Reserve); 4. Labor Productivity (Bureau of Labor Statistics); 5. Unemployment (Bureau of Labor Statistics); 6. New Unemployment Claims (U.S. Training and Employment Commission); 7. Payroll Employment Change (Bureau of Labor Statistics); 8. Average Hourly Earnings (nominal) (Bureau of Labor Statistics); 9. Real Consumer Spending (Bureau of Economic Analysis); 10. Real Non-Residential Investment (Bureau of Economic Analysis); 11. Durable Goods Orders (Department of the Census); 12. Real Exports (Bureau of Economic Analysis); 13. Housing Starts (Department of the Census); 14. New Building Permits (Department of the Census); 15. Existing Home Sales (National Association of Realtors); 16. New Home Sales (Department of the Census); 17. Oil Price per Barrel (U.S. Energy Information Administration); 18. Inflation (Bureau of Labor Statistics); 19. Core Inflation (ex Food & Energy) (Bureau of Labor Statistics); 20. 10-Year Treasury Rate (Federal Reserve); 22. 10-Year vs 2-Year Treasury Spread (Federal Reserve); 21. Baa Bond vs. 10-Year Treasury Spread (Moody's and Federal Reserve); 23. Delinquency Rate on Consumer Loans (Federal Reserve); 24. Corporate Profits (Bureau of Economic Analysis); 25. S&P 500 Index Change (S&P Dow Jones Indices LLC); 26. Budget Deficit (projected) (Congressional Budget Office); 27. Fed Funds Rate (Federal Reserve).