

JULY 31, 2023

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Wherefore art thou, Recession?

The more the Federal Reserve shouts, the less the U.S. economy seems to listen. Last Wednesday, the Federal Open Market Committee (FOMC) resumed its march upward as it raised the fed funds target range by 25 basis points to a 22-year high of 5.25-5.00%. Yet the very next day, the Commerce Department reported that U.S. gross domestic product grew 2.4% in the second quarter (annualized and adjusted for inflation). That's even higher than the surprisingly strong 2% growth rate of the first quarter. This is the opposite of what normally happens when a central bank hikes rates. But we shouldn't be surprised anymore; the pandemic has altered the economic landscape in ways that have been hard to predict. This time, it appears businesses were emboldened by the persistent strength of consumer spending to make capital expenditures and restock inventories.

Will we ever get that much-predicted recession? Time will tell, and there will be plenty of that before the next Fed meeting in September. Chair Jerome Powell mentioned this several times in his post-meeting press conference, specifically referencing the pair of jobs reports. See you in September.

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