

Recession Fears Mount as Inflation Rates Climb

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Just a few months ago, many major financial institutions said the chances of a recession were low, and if one were to happen it would not be for several years. But with each month comes higher predictions of the U.S. economy tipping into a financial crisis.

“After flying well above cruising altitude last year, the inevitable descent in economic growth is clearly underway. ... We believe it is more likely than not that the U.S. economy will enter into a recession next year,” reads the [Wells Fargo July 2022 Economic Outlook](#). “Recent data suggest the slump is likely to occur somewhat earlier, and we now expect a mild downturn to begin in the first quarter of 2023.”

Stubborn inflation is perhaps the most concerning signal that a recession is lurking around the corner. The Consumer Price Index rose 1.3% in June, a stronger pace than many economists anticipated, to a new year-over-year high of 9.1%. “Following yesterday’s U.S. inflation report, the market is now pricing a full U.S. recession by the end of this year,” George Saravelos, global head of currency research at Deutsche Bank, said in a [note](#).

The Federal Reserve has raised interest rates three times this year, but it will likely raise rates again given the new inflation data. “The high inflation figure could spur the Fed to seek a more aggressive approach to raising interest rates,” reads an article from [ABC News](#). “The new inflation data comes days after employment data showed stronger than expected hiring last month, suggesting that employers remain undeterred by borrowing cost increases from the Fed.”

NACM Economist Amy Crews Cutts, Ph.D., CBE, puts the chance of a recession in the next year at roughly 70%, but the way a financial crisis could manifest will likely look different than in the past. “There’s a lot of discussion right now in economic circles about what this recession will look like when it comes,” she said. “I know there is going to be a recession, and I think it will hit sooner rather than later. But the question of what it will look like is an important one. There is skepticism among economists about whether this will look like the typical labor market recession where we see big layoff because companies have had such a hard time getting workers that the

thought of them turning around and firing them all seems a bit shortsighted. Instead, I think we will see more flexible staff management and hiring freezes rather than outright layoffs.”