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Economists See U.S. Recession Risk Rising

Survey finds more than half of economists see downturn by 2020, a presidential election year

By Harriet Torry January 10, 2019

Economists surveyed by The Wall Street Journal see a growing risk of recession in the U.S.

Though few could identify a specific trigger—such as the business investment crunch that drove the economy down in 2001 or the housing crisis that caused a recession in 2007—economists pointed to a number of worries, including trade tensions with China, rising interest rates and a sharp stock market selloff last year.

On average, economists surveyed in the past week as part of The Wall Street Journal's monthly poll said there was a 25% chance of a recession in the next yea the highest level since October 2011. The probability was just 13% a year ago.

"Trade talks, China, and global growth are formidable risks," said Lynn Reaser of Point Loma Nazarene University, a former chief economist at Bank of America Corp.

Just over two-thirds of the economists said U.S. growth is somewhat or very exposed to a slowdown in other major economies such as China, Europe and Japan.

Forecasters are even more concerned about the outlook for 2020. More than half of the economists, 56.6%, said they expected a recession to start in 2020, a presidential election year, while another 26.4% of those surveyed expect a recession in 2021.

The majority of forecasters are gloomy about the economy's prospects. Nearly 84% saw risks to the outlook as tilted to the downside in the latest survey. That was roughly the same level as in December, but sharply higher than just under 53% in October.

Economists worried that some shock—like a worsening trade dispute with China—could trip up stock markets, prompt businesses and consumers to shy from spending and cause financial conditions to tighten, driving the economy down.

They pointed to other risks to business and household sentiment.

"A further deterioration in the trade dispute with China, combined with a deeply divided U.S. government and a conclusion to [special counsel Robert] Mueller's investigation could sap all the energy out of the economy," said **Bernard Baumohl, chief global economist at the Economic Outlook Group.**

Some economists cited the risk that rising inflation could lead to a faster pace of interest-rate increases by the Federal Reserve. Some also noted that the impetus to the economy from fiscal stimulus—tax cuts and more spending—could wane in the months ahead, sapping output growth.

Even if the U.S. avoids recession in the next two years, most economists still expect a slowdown in growth.

Their average projection for growth in gross domestic product was 2.2% in 2019, down from near 3% in 2018. In October, they projected 2.4% growth for 2019. Economists said they saw growth slowing further to 1.7% in 2020.

Those estimates are below the Fed's estimate of 2.3% growth in 2019 and 2.0% growth in 2020, and below the White House's view that the economy can sustain a 3% growth rate.

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