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Economists Tell Us Their Forecasts for Recession Risk, Growth and Inflation

Our survey shows economists expect slower growth and see a recession as more likely. They were pessimistic a year ago, too, and were wrong.

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In the past three months, economists have changed their outlook for the U.S. to slower growth, higher inflation and greater risk of recession. The changed consensus in The Wall Street Journal's quarterly survey reflects President Trump's trade war. Several economists noted frequent shifts in tariff policy have made their forecasts unusually uncertain.

The following charts unpack economists' forecasts in four key indicators—and report on how well the panel's 2024 consensus fared against reality.

(Answers for the April survey, which was conducted April 4 to 8, are based on average forecasts for 64 economists. Not every economist answered every question.)

Economists raised the probability of a recession in the next 12 months to 45%. That's still lower than in 2022 and 2023, when the Federal Reserve was battling high inflation by raising interest rates. Although economists' recession expectations topped 60% in three surveys at the time, no recession materialized.

Underlying the greater likelihood of a recession is a sharp drop in economists' growth forecasts. On average, they now expect U.S. gross domestic product after inflation to increase in the first quarter of this year by 0.4% on an annualized basis. They forecast quarterly readings below 1% through the third quarter before a rebound. For the year, they forecast GDP to expand 0.8% in the fourth quarter from a year earlier.

Coupled with expectations for slower growth are forecasts for higher inflation.
The Federal Reserve's preferred inflation measure, the core personal-consumption expenditures price index, was 2.8% higher over the 12 months through February.

Economists on average expect that measure—which excludes more volatile food and energy prices—to rise to 3.5% in December before moderating to 2.6% at the end of 2026. They see a similar trend for prices overall, with inflation as measured by the consumer-price index rising to 3.6% in December, then dropping to 2.6% at the end of 2026.

Economists see a weakening job market as well, with monthly job growth averaging 55,000 over the next year. That's down from a forecast of 134,000 in our January survey.

The unemployment rate is expected to reach 4.7% by December and remain around there into 2026.

How Our Panel Fared in 2024

In January 2024, economists thought the economy would feel like it was in a recession even if technically it wasn't. They were way too pessimistic.

The consensus of 71 economists expected slower growth, climbing unemployment and tamer inflation as cyclical sectors such as retailing and leisure activities struggled.

Instead, GDP after inflation grew 2.5% in the fourth quarter of 2024 compared with the same period the year prior. Our panel had forecast 1%.

Meanwhile, the unemployment rate ended 2024 at 4.1%, slightly lower than the 4.3% economists forecast. The core personal-consumption expenditures price index increased 2.8% in the fourth quarter of 2024 from a year prior, more than our panel's consensus of 2.3%.

One indicator where the consensus ended up close: the midpoint of the range of the federal-funds rate, which ended 2024 at 4.375%. The panel's consensus was less than an eighth of a percentage point too low.

Congratulations to Sung Won Sohn of SS Economics, Joel Naroff of Naroff Economics, Bernard Baumohl of the Economic Outlook Group, Lawrence Yun of the National Association of Realtors and Ellen Zentner of Morgan Stanley. Their combined forecasts in January 2024 for December of that year came closest to the actual numbers, based on all four of those indicators.

To produce a ranking, the Journal found the absolute difference between each economist's forecasts and the actual value for each indicator. Then, for each indicator, those differences were standardized to produce z-scores, which measure how far a value is above or below the average of the values relative to how widely dispersed the values are.

This allows us to reflect how each economist's forecasts performed for each indicator against the competition, factoring in how widely dispersed those forecasts are. Finally, each economist's four z-scores were averaged to produce a composite score for the overall rankings.

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