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Economists Don't See a Recession Unless Oil Hits \$138—and Stays There for Weeks

In survey, an average of economists projects the Iran war boosting inflation but probably not hurting growth

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The war on Iran has caused a record disruption to oil supply and sent prices of crude and other commodities sharply higher. Economists still doubt the U.S. is at much risk of a recession.

The consensus of economists surveyed this week by The Wall Street Journal is that inflation will be temporarily higher and growth and unemployment largely the same, assuming the oil shock is temporary.

“Given the ongoing war in the Middle East, surging oil prices, high tariffs, AI and the severe constraints on immigration, it is worthwhile noting how resilient the U.S. economy has been so far,” said **Bernard Baumohl** of the Economic Outlook Group. “But we must not take this resilience for granted.”

The survey collected responses from 50 economists at organizations ranging from Wall Street banks and universities to small consulting firms and was conducted March 16-18. Not all forecasters responded to every question.

Economists put the probability of a recession in the next 12 months at 32%, up modestly from 27% in January. Asked how high crude oil would need to climb to tip the recession probability above 50%, economists gave a range of responses: from \$90 a barrel to \$200, with an average of \$138. Asked how long oil prices would need to be at an elevated level, they said from four weeks to 55 weeks, with an average duration of 14 weeks. U.S. oil futures closed at \$96.32 a barrel Wednesday, compared with a February average of about \$65.

Robert Fry, of Robert Fry Economics, who currently puts the probability of a downturn at 40%, said \$125 oil for eight weeks is his make-or-break point.

“My forecast is contingent on the assumption that the Strait of Hormuz will be fully open to tanker traffic by mid-April,” he said. “If it isn’t, oil prices will go much higher, and I will put a recession in my forecast.”

On average, economists forecast gross domestic product adjusted for inflation to grow 2.1% in the fourth quarter this year from a year earlier. That was down incrementally from 2.2% in January. They expect the unemployment rate will be 4.5% in December, matching their forecast in January, before the war. Last month the unemployment rate was 4.4%.

In contrast to growth, economists have turned more pessimistic on inflation. They expect the consumer-price index will be up by 2.9% in December 2026 from a year earlier. In January, they expected a more modest 2.6%.

The upward revision didn’t simply reflect higher gasoline prices: Economists now forecast the core price index of personal-consumption expenditures, which excludes volatile food and energy components, will be up 2.8% in the fourth quarter from a year earlier, compared with the 2.6% they expected in January. The Federal Reserve targets the overall PCE measure.

With higher inflation came reduced expectations for rate cuts. On Wednesday, the Fed left its interest-rate target at 3.5% to 3.75%. On average, economists see the midpoint of that range closing out the year at 3.26%, which implies between one and two quarter-point cuts. In January, they forecast 3.08%, implying two cuts.

That brings economists more in line with Fed officials. Projections released after the central bank’s rate-setting meeting Wednesday showed that policymakers, on net, expect one quarter-point cut this year. Their GDP and unemployment forecasts are little changed from their projections issued in December, but they expect higher inflation.

Fed Chair Jerome Powell told reporters Wednesday those projections were less meaningful given uncertainty about the war’s outcome.

“We just don’t know,” he said. “So people are writing down something that seems to make sense to them but have no conviction.”

Many economists voiced similar uncertainty. Beth Ann Bovino of U.S. Bank said that her forecast was completed as the war started and that “conditions change hourly.”

Roughly 20 million barrels of petroleum, 20% of the world’s supply, usually travels through the Strait of Hormuz each day. That is down to a trickle. As a result, oil traded above \$100 a barrel recently. Retail gasoline averaged \$3.84 nationally Wednesday, compared with \$2.92 a month earlier, according to AAA. Wholesale gasoline futures suggest the price will go well north of \$4 in the weeks ahead.

Economists expect oil to finish June at \$86.70 and the year at \$73.54. Economists at California Lutheran University said, “The U.S. has been the world’s largest oil producer since 2018.... From an overall economic point of view, \$80 to \$100 oil prices are not all negative. In 2008, WTI prices hit \$200 per barrel in today’s dollars.”