

Chart of the Day



Since the peak inflation of mid-2022, markets have grappled with whether or not the US economy is heading toward a “soft” or “hard” landing.

Much of the ambiguity on this critical question extends from the difficulty of measuring the impact of generational inflation and policy tightening on a large (\$30 trillion), complex and services-based US economy. In addition, the US economy has behaved differently in the post COVID period compared to both: (1) its own performance in prior tightening cycles; and (2) other advanced economies globally.

Using a small selection of data, we present two views of the US economy - glass half empty and half full. We recognize that one’s lens of analysis will vary depending on income segment and geographical location where inflation, labor and housing market dynamics at a micro level may vary.

Glass Half Empty View of US Economy

	Metric	Latest	Description
The “Big 3”	US GDP	2.8%	Decelerating toward historical trend (~2% area)
	Inflation (core CPI)	3.3%	Many price categories 20-30% higher than pre-COVID, sticky services and core inflation
	Productivity	2.5%	Improvement due partly to tight labor market conditions
Labor markets	Unemployment rate	4.1%	Steady increase from 54-year low (3.4%), triggered “Sahm Rule”
	Nonfarm payrolls	+12k	Slowest pace since 2020; downward revisions to Sep & Aug
	Continued Jobless Claims	1.86 mn	Highest level since November 2021, elevated due to ongoing labor strikes
Consumer	Revolving credit	\$1.4 tn	Nearly \$400bn increase from post-COVID lows
	Consumer loan delinquency rates	2.7%	Sharp increase from post-COVID low
	Credit card delinquency rates	3.2%	Sharp increase from post-COVID low, growth in credit card debt is outpacing overall consumer spending
Other	ISM manufacturing	46.5	7 consecutive months of contractionary readings
	Durable goods	(-2.9% y/y)	Negative durable goods spending on annual basis, uncertainty surrounding Fed interest rate path, US election policy risk
	Leading Economic Index	(-0.5% m/m)	Remains close to recessionary levels, though pace of decline is slowing



Glass Half Full View of US Economy

	Metric	Latest	Description
The “Big 3”	US GDP	2.8%	Well above trend growth, recent revisions higher in consumer drivers
	Inflation (headline CPI)	2.4%	Down from 9.1% June 2022 peak, slowest rate since early 2021
	Productivity	2.5%	Well above other advanced economies and US pre-COVID avg (AI, digitization, automation, robotics)
Labor markets	Unemployment rate	4.1%	Still low by historic standards
	Nonfarm payrolls	+12k	Temporary disruptions due to hurricanes and labor strikes
	JOLTS	7.4mn	Job openings lower and hiring rate higher
	Initial Jobless Claims	216k	Steady improvement in October
Consumer	Real wage growth	1.5% y/y	Turned positive in May 2023
	Headline PCE	2.1%	Price pressures fading, on track to hit Fed’s 2% target
	Retail Sales	+1.7% y/y	Continued resilience across sectors
	UofM Consumer Sentiment	70.5	Lower sentiment on softer labor markets, higher gas prices and high rates; consumer spending still resilient
	Personal savings rate	4.6%	Recently revised sharply higher
Other	Real disp. income	3.2%	Revised higher, strong household balance sheets
	ISM Services	54.9	US economy 80% services, well into expansion territory, steady 3-month improvement
	Durable goods	(-0.8% m/m)	Core orders rose at solid pace; lower rates will support durable goods spending



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“Macro stability isn’t everything, but without it, you have nothing.”