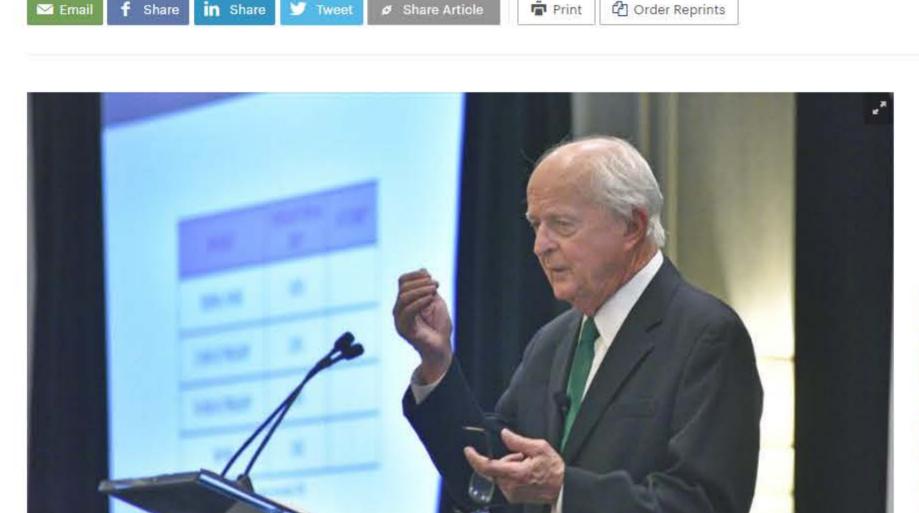


Banking & Financial Services

Hugh Johnson sees a recession coming; here's when he thinks it could turnaround



Hugh Johnson, shown here in 2019, has made a name for himself as one of the best-known economic analysts in the United States.

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By Chelsea Diana - Reporter, Albany Business Review

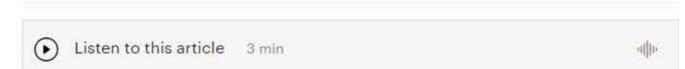


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Hugh Johnson Person



Hugh Johnson said it is more likely the U.S. economy will enter a recession in the first and second quarters of 2023, based on the latest performance of financial markets and other economic indicators.

"The message of the financial markets is that we may be headed toward an economic hard landing or a recession," Johnson said, because there is not enough liquidity to drive both the financial markets and the economy. That's mostly driven by a shift in public policy from "mega stimulus" during the pandemic to "mega restraint" as the Federal Reserve has aggressively increased interest rates.

The economy, he said, could start to turn around in the third quarter of 2023.

Around that time, Johnson said the rate of inflation is likely to come down and the Federal Reserve will start to lower short-term interest rates.

Johnson spoke about where he and other economists see the markets headed at a private event on Wednesday for some of Pioneer's biggest personal and business banking clients.

Johnson has made a name for himself as one of the best-known analysts in the United States, with his commentary featured in The Wall Street Journal, Bloomberg and other media outlets. He retired from his role as chief economist for Graypoint LLC and Hugh Johnson Advisors at the end of last year.

Here are three things Johnson is watching to see where the economy can go from here:

The growth rate of the US population and employment has slowed.

The rate of population growth in the U.S. has slowed to its lowest level in decades, adding fewer than one million people in all last year. While job growth in September was strong as employers added 263,000 jobs, the growth rate of employment has slowed.

"If you superimpose on that with an increase in interest rates as we move towards fiscal restraint, it is hard to make the case that the economy's going do anything but have a hard landing or recession," Johnson said.

Productivity is slowing too.

It's hard for the economy to expand if there's fewer people working and fewer people overall unless there's a significant increase in the productivity of these people that are working, Johnson said.

But that's not happening. Labor productivity decreased 4.1% in the second quarter of 2022, according to U.S. Bureau of Labor Statistics data. It's the largest decline the country has seen in decades.

"If you got a slowdown in your labor force, a slowdown in the growth rate of employment and we have come down in the productivity of people who are working, you're not gonna get much growth from the U.S. and that certainly is the problem," Johnson said.

Ane the housing market is continuing to slow.

The average rate on 30-year mortgages, which is the most common for U.S. homebuyers, rose to the highest level since 2002 this week with rates over 7%. The Federal Reserve is expected to raise interest rates by another 0.75 percentage points next month.

Higher rates have already started to slow down the once-hot housing market. Johnson said home sales and activity will continue to drop. Home prices will continue to rise but at a much slower rate than they have in the last two years. As activity declines, supply in turn will go up.

The year-over-year increase in home prices in the Albany area has already started to slow, though the median price in September was still up 7% over last year, at \$289,777.

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