



We May Be Talking Ourselves Into a Recession

In the first Harry Potter book, fearful magical folk say "you know who" instead of "Voldemort" years after the dark wizard vanished. It is dismissed as superstition, but late in the series a taboo is placed on the name. Anyone who utters it risks a visit from the Death Eaters.

Investors' least-favorite word, "recession," shares some of those qualities. As more pundits, economists and journalists say or write it, its frequent use might be cursed. The Economist magazine was early to point this out, tracking media mentions as far back as the 1980s.

On Apr. 5, 2001, it wrote that there had again been a spike in instances of recession and, sure enough, it nailed the start of the economic downturn. It took the professional economists at the National Bureau of Economic Research who officially declare such things seven more months to say one had begun.

It wasn't until late September, following the 9/11 terror attacks, that a consensus of economists polled by The Wall Street Journal even said one was likely in the coming 12 months.

"Its big advantage is that it is instantly available, unlike official statistics, which are always out of date," wrote The Economist about its "R-Word" indicator.

It might be happening again. The past three weeks have seen a threefold spike in press mentions compared with January, according to media-monitoring service Factiva. Searches for "recession" also hit a multiyear high on Google Trends.

And that doesn't count euphemisms: The White House press secretary, for example, spoke of "a period of economic transition" this month. Last week, bond investor Jeffrey Gundlach said we are getting closer to a recession and that Wall Street isn't placing high enough odds on one.

Both talking heads and the public have been wrong before: An even higher level of Google searches for "recession" happened in late 2022. And back then 63% of economists polled by The Wall Street Journal said a U.S. recession was likely in the coming year. For context, just 38% were predicting a downturn on the eve of the greatest postwar slump in December 2007.

There certainly were fundamental reasons to fret in 2022. A rapid series of Federal Reserve rate increases and an accompanying bear market in stocks provided plenty of nightmare fuel. As we now know, that recession never happened.

There also are things to worry about today, with tariffs being at the top of the list, followed by a recent plunge in consumer confidence.

Throw in that catchall word, "uncertainty," which we are suddenly hearing more often, too.

Only 22% of professional economists surveyed by the Journal back in January expected a recession in the coming year. Just Monday morning, though, Deutsche Bank said 43% of fund managers it recently surveyed expect one.



Scary—but then Wall Street's forecasting ability has hardly been magical.

—*Spencer Jakab*

21