The Recession is Coming; the Recession is Coming! **November 12, 2018**

The stock market is now off its highs by more than 5%, down 1,000 points and lower than where we started the year. With rising interest rates and a softening housing market, I am often asked about the "looming" recession. After all, it has been almost ten years since the Great Recession, which ended in 2009, and we have never gone longer than ten years without a recession. So, we are overdue. Fortunately, this eventual recession will not impact our region like recessions have in the past, and a little slowdown may be a good thing for us, as we digest our considerable economic success from the past several years.

Is a recession really imminent? If you listen to the media, you have to feel like the bottom is about to drop out of this market. However, according to what economists' call "leading economic indicators" (because they measure the early influencers on growth) the national economy is doing quite well. We have steady growth, low unemployment, and little inflation. These indicators describe a healthy economy as one that creates at least 150,000 jobs on average a month, last month we added 250,000. Companies only add workers when they have enough demand to keep them busy. The indicators also identify core inflations as a leading indicator, and we just hit 2.2% with the target year-over-year at around 2%. This level of core inflation is healthy because when consumers expect prices to rise, they are more likely to buy now, rather than wait. The increased demand spurs economic growth.

What about the fear of the Fed rate hikes killing the economy? The Fed has been raising the federal funds rate for almost three years now, but does that mean the recession is near? Let's put those current "high" numbers in perspective. Our federal funds rate is at 2.25, still extraordinarily low from a historical standpoint and less than half of where it was before the last recession. Since the 1960's, it is unusual for the federal funds rate **to be *below* 5%.** Unfortunately, increasing federal funds rates drive up our mortgage rates, now around 5%, but historically, mortgage rates have averaged over 6% and even hit a high of over 18% in the 80's. By the way, while the stock market may be down lately, it is still triple where it was just ten years ago. These doomsday predictions can be a bit like a broken clock; if you call for the impending recession often enough, you will eventually be correct.

So, what happens when the recession does hit? Thankfully, our local economy is very different than it was ten years ago. The more than 200 new advanced manufacturing, technology, logistics, and e-commerce companies have significantly diversified our economy. This diversification augments our visitor industry demand while protecting us from excessive job loss, minimizing the impact on housing and the rest of our economy. In short, our local economy will not "crash" as it has in the past.

There is no doubt that we will eventually experience a national recession but that may actually be a blessing for us locally. Given our record growth over the past six years and our inability to adequately meet some of the demands of this growth, a slowdown would give us a chance to catch up. When it happens, it would be essential for us to use the time wisely, with continued investments in our housing construction and infrastructure upgrades. So, the coming recession is nothing to fear. While we may experience a lull in our growth rate, the fantastic growth we have experienced over the past six years will continue for the many years to come.