# Intensity Recession Forecasts: A Retrospective

*At the beginning of April 2020, Intensity's recession forecast model predicted that the United States had entered a recession. Thus, the model has fulfilled its intended purpose, which is to answer the question: "When will the next recession start?" In this retrospective, we look back at the model's monthly predictions beginning in 2018, highlight notable periods, and provide context on the economic events and drivers of forecast changes over time.*

## About the model...

Intensity's recession forecast model predicted the likelihood of a recession starting in each month over a 5-year horizon. The model's predictions can be interpreted as providing the probability of a recession starting by a certain date based upon key economic factors and machine learning algorithms. The model was updated at the beginning of each month with the latest economic data to deliver new predictions.

## 2018

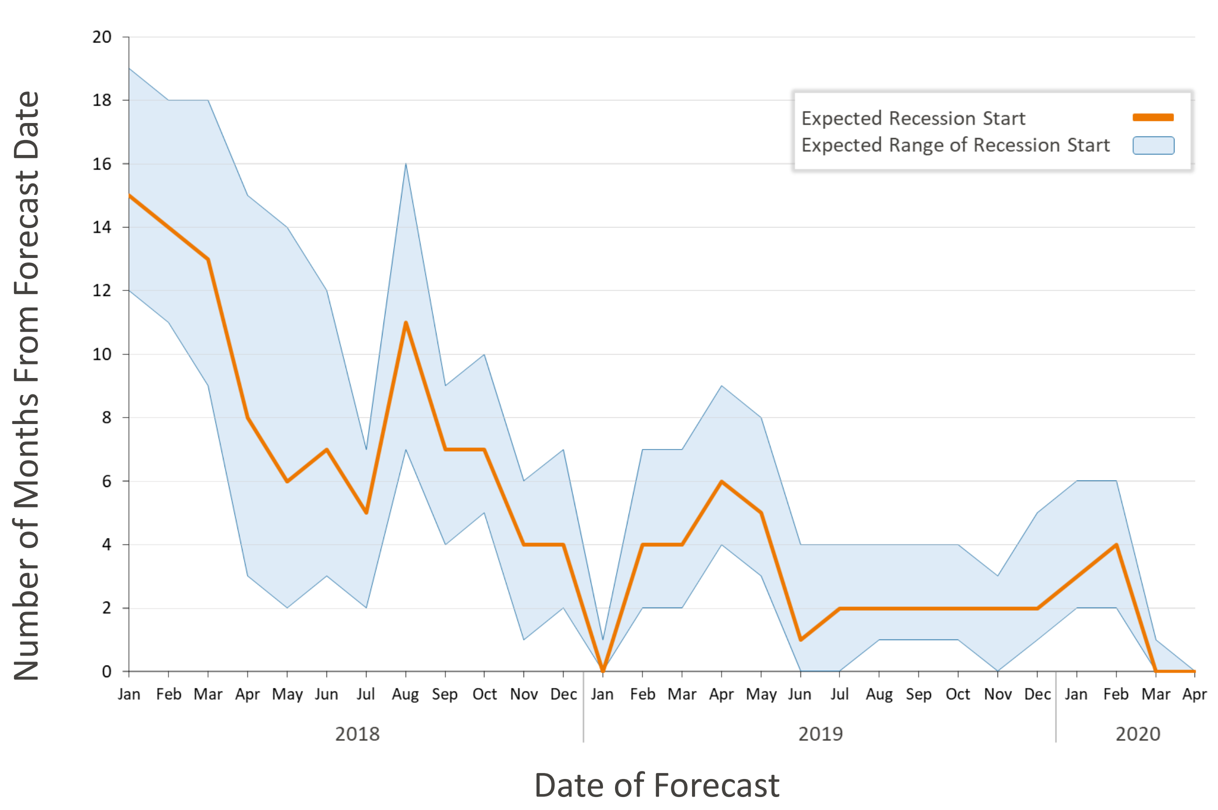
Intensity's forecasts trended towards more immediacy and a narrower range for the expected recession timing, reflecting general concerns about a softening U.S. and global economy, an escalating U.S. trade war with China, the Fed's interest rate hikes, and the general flattening of the yield curve throughout the year. The year ended in dramatic political and economic fashion with December experiencing a partial inversion of the yield curve, another Fed rate increase, the beginning of a government shutdown, and the worst monthly stock market performance since the Great Depression (making 2018 the worst performing year since the financial crisis of 2008). The forecast from the beginning of January 2019 reflected the deteriorating economic outlook by signaling a likely start to the next recession within the first few months of 2019 unless conditions improved.

## 2019

Business conditions did indeed improve throughout the first few months of 2019. The stock market had its strongest annual start since 1987 amid a better-than-expected U.S. jobs report and reassurance from the Fed that it would be patient with interest rate hikes. The stock market and business conditions continued to improve throughout April 2019. Accordingly, Intensity's expected recession date followed suit, shifting out to a 2019 peak of 6 months away. May 2019 brought a slide in stock market performance, increased stock market volatility, and an inverted yield curve, fueled by U.S. trade tensions with China and Mexico. Intensity's June 2019 forecast reflected these worsening conditions, shifting the expected recession date forward substantially.

## 2020

The year started strongly, with improvements in trade relations between the United States and China, better-than-expected payroll numbers for January, and strong earnings pushing stock indices to historic highs by mid-February. The ensuing crash was swift as COVID-19's rapid spread caused a global pandemic, leading to significant Fed rate cuts and a massive stimulus package. The dramatic reversal of economic conditions was reflected in Intensity's March and April recession forecasts, the latter of which indicated that the United States had entered a recession with certainty. Prior to the recession start, the forecast remained relatively stable for approximately one year, demonstrating the accuracy of the model and its ability to indicate significant near-term recession risk.




## About the chart...

- Orange line: expected recession start date; month for which there is a 50% probability of the recession starting before it and a 50% probability of the recession starting after
- Blue region: expected range of recession start; group of months such that there is a 25% probability of the recession starting before and a 25% probability of the recession starting after

*Example: January 2018 forecast indicates a 25% probability of a recession starting within next 12 months, 50% probability of recession starting within next 15 months, and 75% probability of a recession starting within the next 19 months*