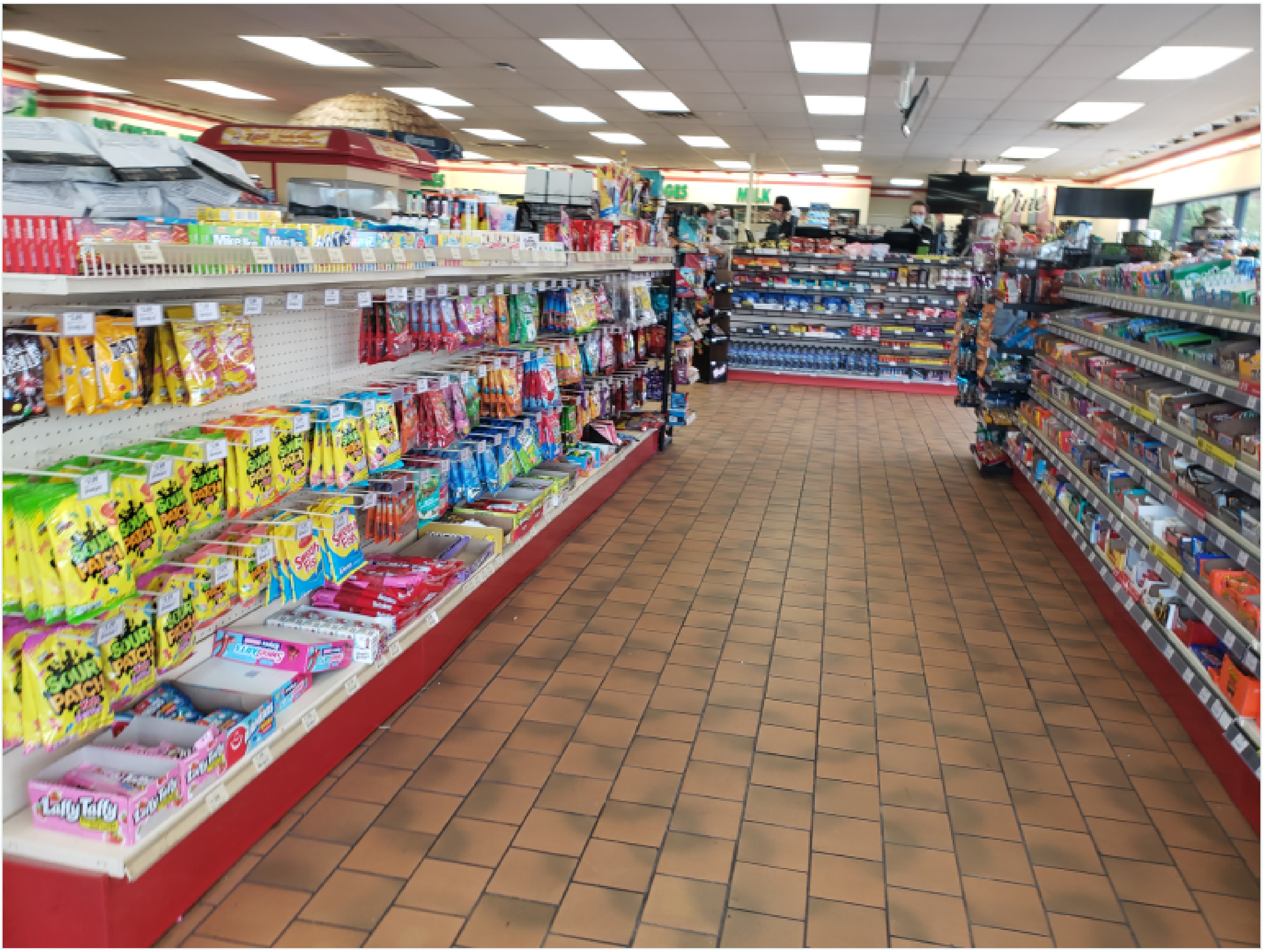
CPA
Practice Advisor

announce layoffs, but small businesses are continuing to hire and the December unemployment rate was at a 50-year low of 3.5%.

Isaac M. O'Bannon • Feb. 06, 2023



A recession is unlikely and the economy is expected to see slight growth in 2023 as consumers continue to cope with inflation and high interest rates, National Retail Federation Chief Economist Jack Kleinhenz said today.

"A month into 2023, the economy is facing stiff headwinds and – with the exception

straddle a zero-growth path during 2023."

Kleinhenz's remarks came in the February issue of NRF's Monthly Economic Review, which said the economy is "more resilient than expected" but nonetheless showing a mild slowdown as Federal Reserve interest rate hikes adopted to bring inflation under control "are having their desired effect."

Following two consecutive quarters of negative numbers in the first half of the year – a common but unofficial definition of a recession – gross domestic product grew 3.2% year-over-year in the third quarter. Growth slowed to 2.9% in the fourth quarter, but the year still came in at 2.1% above 2021. The National Bureau of Economic Research declined to declare an official recession because the decline in the first half of the year affected only certain sectors of the economy rather than meeting its definition of a recession being a significant decline seen across the economy.

While consumer spending grew 2.8% for the year, it was slowing in late 2022, dropping 0.2% month over month in November and another 0.3% in December. Overall retail sales dropped 1.1% monthly in December as gasoline prices and automobile sales fell sharply and holiday sales turned out to be choppy. Retail sales as defined by NRF – excluding auto dealers, gas stations and restaurants to focus on core retail – were down 0.5% month over month in December. Combined November-December holiday sales were up 5.3% over 2021 but were slower than expected.

With spending slowing, the Personal Consumption Expenditure Index – the Fed's preferred measure of inflation – eased to 5% in December, its slowest annual pace in over a year. That was down from 5.5% in November and the core PCE index, which excludes volatile food and energy prices, was at 4.4%. Following those results, the Fed increased interest rates by only a quarter of a percentage point at its February meeting today rather than repeating the half-point increase imposed in December.

The labor market is cooling as some major companies, particularly in technology,

As the leading authority and voice for the retail industry, NRF analyzes economic conditions affecting the industry through reports such as the Monthly Economic Review.

Accounting • Small Business