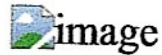


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Here Are Indicators to Follow for Early Signs of a Recession

BY JUSTIN LAHART AND PAUL KIERNAN

Tariffs, government layoffs, funding cuts, immigration restrictions— recession talk is in the air. Any one of these would at least temporarily exert some drag on the economy. Together, they could hurt it badly.

White House officials have cautioned that the economy might need, as Treasury Secretary Scott Bessent put it, “a detox period.” At the same time, some of President Trump’s promised changes, such as less regulation and a big tax cut, could stir businesses to invest and hire more.

Major economic data hasn’t yet begun to fully capture Trump’s time in office. The Wall Street Journal is looking at a host of other indicators. Here are some to watch.

“Soft landing” talk. The term, which refers to the process of cooling an overheated economy without sending it into recession, was mentioned in 61 U.S. company conference calls in the last three months of 2024, according to financial- research engine Alpha-Sense. But since the start of this year, that number has dropped to seven.

A poll of 220 CEOs by Chief Executive magazine, fielded March 4-5, found that the outlook for business conditions in 12 months fell to the lowest level since November 2012.

The National Federation of Independent Business said Tuesday that its small-business optimism index fell in February but remained above average. Uncertainty, however, was the second-highest on record. The data was based on a survey of 509 small businesses.

Even for businesses enthusiastic about the deregulatory agenda, the whiplash of uncertainty could be a problem. As one chemical factory responding to the Federal Reserve Bank of Dallas’s manufacturing survey in February put it: “Tariff threats and uncertainty are extremely disruptive.”

Consumer spirits. The University of Michigan on Friday reported that in a preliminary reading, its index of consumer sentiment fell to its lowest level since November 2022 this month, with declines across all groups.

People are spending less on extras when they stop for gas. Walmart customers are buying smaller pack sizes at the end of the month because their money is running out. Whiskey and tequila makers said sales are up for miniature 50-milliliter bottles, as well as for 375-milliliter bottles, half the standard size.

“It’s a consumer that is pinched,” said Lawson Whiting, chief executive officer of the Jack Daniel’s maker, Brown-Forman.