

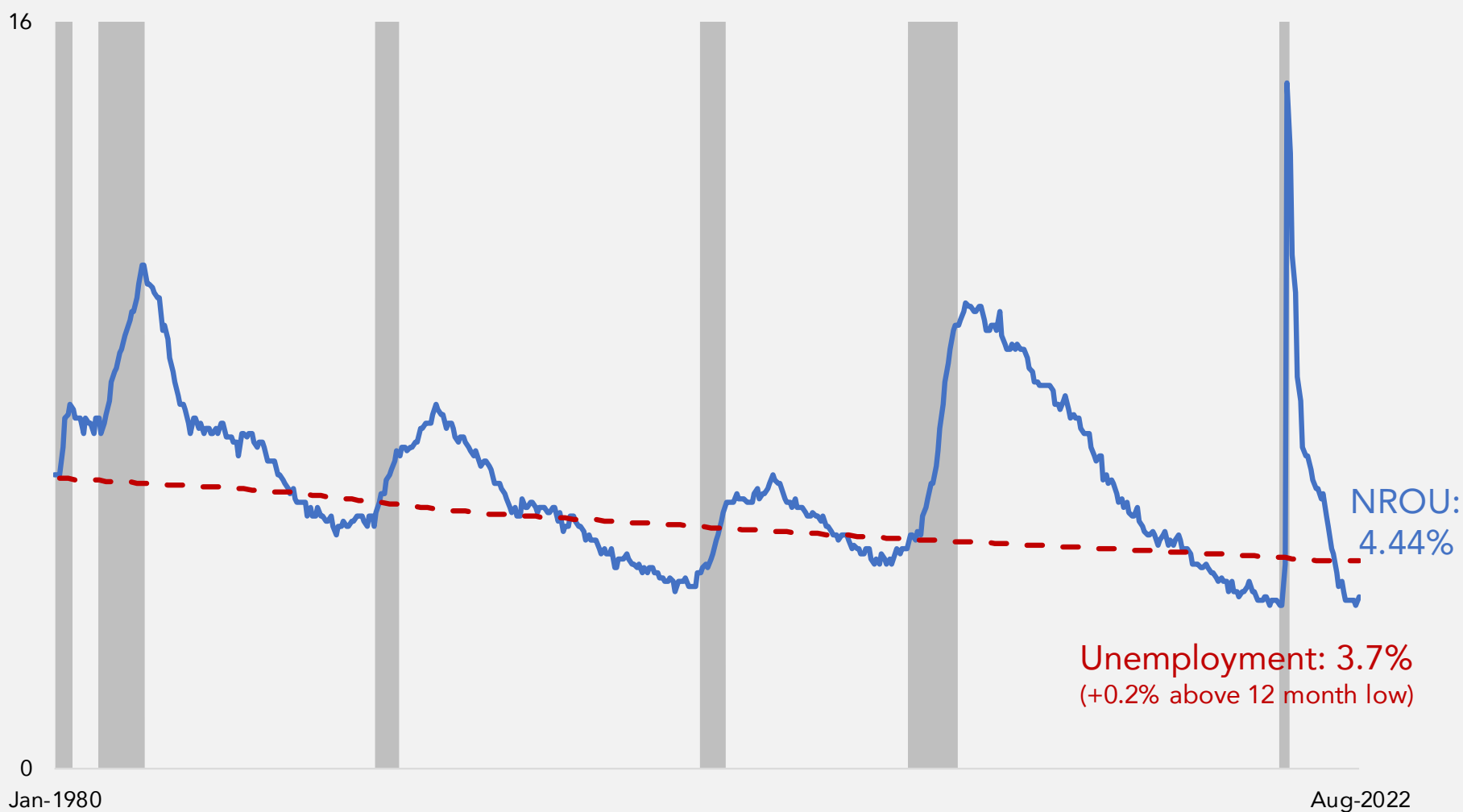
Chart of the Day

The unemployment rate has risen during each of the 12 US recessions since WW2. While Friday's job report highlights the strength of US labor markets, unemployment data has historically been a **lagging** indicator of US recession risk.

The Sahm Rule, published in October 2019 and named after former Federal Reserve and Council of Economic Advisors economist Claudia Sahm, indicates that US recessions have historically "begun" when the 3-month moving average of the national unemployment rate rises by 0.5 percentage points or more relative to its low during the prior 12 months. While the unemployment rate typically increases 0.5% by the start of a recession, it has historically averaged an increase of 3.5% from trough "to peak" during and after the recession. In addition, the unemployment rate has risen above 6.1% in every in every US recession since WW2.

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US unemployment rate and NROU



Source: (1) Bloomberg. Data as of September 7, 2022. In July 2021, NAIRU was renamed to NROU, the noncyclical rate of unemployment.

Global Corporate & Investment Banking Capital Markets Strategy Team



Tom Joyce
Managing Director
Tom.Joyce@mufgsecurities.com
(212) 405-7472



Hailey Orr
Director
Hailey.Orr@mufgsecurities.com
(212) 405-7429



Stephanie Kendal
Associate
Stephanie.Kendal@mufgsecurities.com
(212) 405-7443

"Macro stability isn't everything, but without it, you have nothing."