

Can US avoid a recession? As inflation eases, optimism rises

WASHINGTON (AP) — For months, the outlook for the U.S. economy has been a mostly bleak one: Inflation hitting a four-decade high, consumer spending weakening, interest rates surging. Most economists penciled in a recession for 2023.

An economic downturn is still

possible. Yet in recent weeks, with inflation showing widespread signs of easing, a more cheerful view has gained traction: Maybe a recession isn't inevitable after all.

One reason for the tentative optimism is evidence that an acceleration in U.S. wages, which has benefited workers but also heightened inflation, is slowing. Federal Reserve Chair Jerome Powell has frequently pointed to fast-rising

worker pay to explain why the Fed has had to raise interest rates so aggressively. Fed rate hikes, if carried out far enough and long enough, can weaken the economy so much as to trigger a recession.

Today, the government is expected to issue another mild report on inflation, which would boost hopes that the Fed might decide to pause its rate hikes sooner than has been expected.