

Opinion **Global economic growth**

Recessions have become rarer and more scary

A hard to predict financial crisis is the most probable source of the next downturn

ROBIN HARDING

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This is where many recession predictions go wrong. When the threat is obvious, the policy response arrives in advance. A bet that the current global slowdown will turn into global recession is in part a bet that these current stimulus efforts will fail.

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It is easy to follow this argument into a fallacy: policymakers will act to prevent a recession, so no serious recession is possible. In the early 2000s there was plenty of hubris along these lines — but 2008-09 was a brutal corrective. That recession began in the financial sector, with subprime loans and housing, just as the recession of 2001 began with the bursting of the dotcom bubble.

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If real economic fluctuations are hard to predict, timing a financial crisis is next to impossible. Analysts may spot imbalances in markets but they can only guess at when and how they will unwind. There are some signs we are late in the current cycle. Asset valuations are high by historic standards. Private debt has risen a lot in China and some peripheral economies. The Trump administration is rolling back financial regulation. It all increases risk. But the signs of stress that often precede a crisis — wild ebullience or rising defaults — are not obvious.