

## Two Important Views on the US Economy

Recently, Jamie Dimon, CEO of JPMorgan Chase, and Brian Moynihan, CEO of Bank of America shared their views on the US economy and the probability of a recession. Both interviews follows a weak jobs report and no rate cut in July by the US Federal Reserve.

### Jamie Dimon, CEO of JPMorgan Chase

During a CNBC interview on August 7, Jamie Dimon, CEO of JPMorgan Chase, shared his views on the U.S. economy and the likelihood of a recession

Here's a breakdown of the key points:

**Soft Landing Probability:** Dimon estimates the chances of a "soft landing" for the U.S. economy to be around 35% to 40%. A "soft landing" refers to a scenario where the economy slows down just enough to reduce inflation without triggering a full-blown recession. In Dimon's view, this means that he sees a recession as a more probable outcome than a soft landing.

**Unchanged Outlook on Recession Risks:** Dimon indicates that his view on the risk of a recession has remained consistent since February. He believes that the markets are overly optimistic about avoiding a recession, and his position is that the risks are still significant.

**Sources of Uncertainty:** Dimon cites various factors contributing to economic uncertainty, including geopolitical tensions, issues in the housing market, government deficits, fiscal spending, quantitative tightening (the reduction of the Federal Reserve's balance sheet), and upcoming elections. These elements create volatility and unpredictability in the markets, making it challenging to forecast economic outcomes.

**Economic Performance and Concerns:** Despite his warnings of an economic "hurricane" since 2022, the economy has been more resilient than Dimon anticipated. While there are signs of strain, such as rising defaults among credit card borrowers, he acknowledges that the U.S. is not currently in a recession. This suggests that while Dimon is cautious, he also recognizes the strength of the current economic conditions.

**Skepticism about the Fed's Inflation Target:** Dimon expresses doubt about the Federal Reserve's ability to reduce inflation to its 2% target, particularly due to anticipated future spending on the green economy and military. This skepticism points to concerns that external factors, such as government spending on specific sectors, could keep inflation higher than desired, complicating the Fed's efforts to manage economic growth and price stability.

**Optimism with Caution:** While Dimon is prepared for a possible recession, he remains optimistic that even in the case of a mild or severe recession, the U.S. economy could endure it. However, he also expresses concern for those who would be most affected, particularly individuals who might lose their jobs in a more severe economic downturn. This reflects a balanced perspective—acknowledging potential risks while also recognizing the underlying resilience of the economy.

In summary, Jamie Dimon maintains a cautious stance on the U.S. economy, with a belief that a recession is more likely than a soft landing. His views are shaped by a variety of economic and geopolitical factors, and while he acknowledges the current resilience of the economy, he remains skeptical about the Fed's ability to fully achieve its inflation goals without encountering significant challenges.

### **Brian Moynihan, CEO of Bank of America**

During a CBS interview on August 12, Brian Moynihan, CEO of Bank of America, shared his perspectives on the current state of the American economy and the future outlook for Federal Reserve (Fed) interest rate policies.

Here's a breakdown of the key points:

**Recession Outlook:** Moynihan noted that Bank of America no longer predicts a recession for the U.S. economy. This marks a shift from the previous year when a recession was anticipated. The change in outlook suggests confidence in the stability of the economy, despite earlier challenges related to inflation.

**Soft Landing:** Moynihan implies that the actions taken by the Biden administration and the Federal Reserve have successfully guided the economy towards a soft landing, avoiding a hard recession.

**Consumer Spending:** Although the economy is slowing, Moynihan pointed out that consumer spending remains close to levels seen before the COVID-19 pandemic. However, the rate of growth in consumer spending has decreased significantly, down to 3 percent from much higher levels the previous year. This indicates that while consumers are still spending, they are doing so more cautiously, partly due to the pressure of high interest rates.

**Interest Rates and the Fed's Role:** Moynihan highlighted that the Fed has been cautious about raising interest rates too much, which could further slow the economy. He mentioned that Bank of America predicts the Fed will cut interest rates twice this year, which would help ease economic conditions. Additionally, four more rate cuts are expected in 2025. These anticipated cuts suggest that while the economy is stabilizing, it will require continued adjustments by the Fed to maintain balance.

In summary, Moynihan's comments reflect a cautiously optimistic view of the U.S. economy. While challenges remain, particularly with consumer spending and high interest rates, there is a sense that the worst has been avoided, and the economy is gradually returning to normal, with the expectation of further Fed rate cuts to support this transition.

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