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What Is a 'Vibecession' and Are We in One?

Consumer confidence has been slow to recover since the pandemic. Experts weigh in on why and how it may impact the economy.

By Jessica Walrack | Edited by Barri Segal | Reviewed by Liisa Rajala | June 25, 2024, at 9:06 a.m.

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The lingering sticker shock from the recent spike in inflation has Americans expressing concerns about the state of the economy.

Key Takeaways

- A "vibecession" refers to a country's general population holding a pessimistic perception of its economy.
- The U.S. has been in a vibecession since the start of 2022, but "vibes" seem to be improving.
- Consumer confidence may be slow to recover due to the housing market and lingering sticker shock, amongst other factors.

The National Bureau of Economic Research (NBER) has yet to declare a post-pandemic recession, but many say we're in a "vibecession."

Coined by Kyla Scanlon, the author of a Substack newsletter on economics, a vibecession refers to a disconnect between the economy of a country and the public's pessimistic perception of it. Or, as Scanlon put it, "The vibes of a recession, but maybe not the economic reality of one (yet)."

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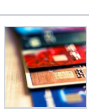

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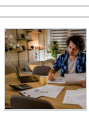

A Closer Look at the Vibecession

Scanlon introduced the idea of a vibecession in June 2022. At the time, inflation was at a record-breaking high of 9.1%, consumer confidence was at an all-time low and the Federal Open Market Committee (FOMC) had just increased the Fed rate by 75 basis points.

The general public was understandably concerned – coming out of the pandemic with the 2008 financial crisis fresh in their memory. Unprecedented events had become the norm, so many were preparing for the worst.

News of a recession, however, never came.

The GDP decreased for two consecutive quarters at the start of 2022, which is typically the rule of thumb for defining a recession, but then resumed an upward trend.

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The Federal Reserve's take is that the U.S. likely didn't slip into a recession due to strong evidence from other indicators, namely those measuring the labor market.

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Reasons the Vibecession is Lingering

Consumer confidence has been trending upward since 2022 but hasn't yet returned to pre-pandemic levels, according to the University of Michigan's Consumer Sentiment Index.

"The recent vibecession, or trend of poor consumer confidence, has been quite puzzling, considering historically low unemployment levels and easing inflation," Sonu Varghese, Ph.D., vice president and global macro strategist at Carson Group, said in an email.

Here are four factors financial experts say could underlie the trend.

1. Housing Market Trends

One potential cause is the state of the housing market.

"Mortgage rates have reached their highest level in 20 years, at 7%; due to rate hikes, home inventory levels have dropped dramatically and home prices have risen to record levels," Varghese said.

He explained that these factors leave many Americans feeling stuck because they can't move into new homes or get into their first homes.

"Once inflation comes down further and the Fed finally cuts rates, mortgage rates will go down

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and activity in the housing market will hopefully become reinvigorated, which could restore consumer confidence," Varghese said.

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2. Lingering Sticker Shock

Another potential cause of shaky consumer confidence is the lingering sticker shock from the recent spike in inflation.

"The inflation rate is down from the highs of two years ago, but prices are not. Food prices are still 20% higher than they were three years ago – and gas prices are almost double. When inflation ticks up or down 0.1%, the average consumer doesn't care, because the damage was done when inflation was at 8% or more," Tom Schneider, certified market technician and analyst at futures trading brokerage NinjaTrader, said in an email.

3. Minimal Growth in Full-Time Employment

Schneider added that the job market may not be as good as it seems.

"The latest report beat estimates by 90,000 jobs added," said Schneider, who noted it was 50% higher than expected.

"However, part-time jobs were responsible for the gain – full-time jobs added were minimal. Translated to the average consumer, if I have to take on a second job to maintain my standard of living, I might not feel so bullish about the economy," he said.

See: The 25 Best Places to Find a Job in the U.S. in 2024-2025

4. Negative Media

Multiple experts also cite the media as playing a role in setting a negative vibe.

"Elections are becoming increasingly ugly affairs, with economic issues (amongst others) portrayed in truly apocalyptic terms. Regardless of economic reality, if Americans are being fed doomsday scenarios by our political leaders, negative views will inevitably take hold," Aaron D. Sherman, a certified financial professional and president of Odyssey Group Wealth Advisors, said in an email.

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Having 24/7 immediate access to news stories, each vying for your attention, can also be an issue.

"It's not shocking that people have this view. Almost everything you watch on the news or online is negative. Politics, war, inflation – the list goes on and on. We're bombarded daily with negative news and a gloomy outlook from the media because that's what sells and gets clicks," Joe Camberato, CEO of National Business Capital, a financial institution based in Hauppauge, New York, said in an email.

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"If too many people believe inaccurate, negative information, it almost becomes a self-fulfilling prophecy. When everyone believes the economy is bad, and stops spending out of fear, it absolutely stunts economic growth," Camberato said.

That said, consumer confidence has steadily improved since bottoming out in 2022, and Americans are still spending money.

"Thankfully, we really haven't seen a negative economic impact of the pessimistic sentiment. As long as consumers have jobs and money in their pockets (which they do, broadly speaking), they continue to spend and move the economy forward," Sherman said.

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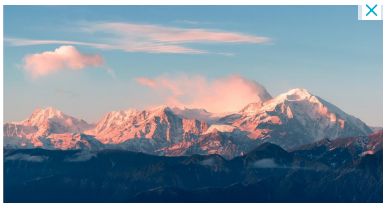

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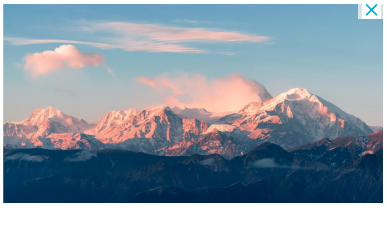

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