

## Daily Dose of Macro & Markets 13<sup>th</sup> August 2025: “NFIB Recession Warning Signal”

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The ‘Daily Dose of Macro & Markets’ is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday, Thursday and Friday morning (early London time).

### Key quotes:

“BlackRock’s Rick Rieder says CPI gives Fed justification for a half-point cut in September”

**Source:** CNBC, 12th August 2025, <https://www.cnbc.com/2025/08/12/blackrocks-rick-rieder-says-cpi-gives-fed-justification-for-a-half-point-cut-in-september.html>

“The real thing now to think about is should we get a 50 basis-point rate cut in September”  
Bessent said in an interview on Fox Business Tuesday’

**Source:** Bloomberg article, 12<sup>th</sup> August 2025, <https://www.bloomberg.com/news/articles/2025-08-12/bessent-hints-fed-should-be-open-to-half-point-interest-rate-cut>

### NFIB Recession Warning Signal

The market was heavily focussed on consumer price inflation yesterday. Both core and headline inflation (m-o-m %), though, came in as expected. Core inflation was 0.3%\* m-o-m (vs. consensus of 0.3%). Headline inflation came in at 0.2% (vs. consensus of 0.2%). The annual core inflation rate was a touch above expectations (3.1% vs. 3.0% consensus), while the annual rate of headline inflation was better than expected (2.7% vs. consensus of 2.8%).

Within the detail, our monthly median inflation rate fell from its multi month high June level (to 0.278%, see FIG 2), thereby illustrating a lower than expected tariffs impact. More troublingly, some of the service sector prices picked up sharply (e.g. medical care services +0.8% m-o-m; & transportation services +0.8% m-o-m). Core inflation (on a 6 month rate of change basis) however, which gives a better sense of the near term (post Trump inauguration) trend eased to 1.21% from 1.33% (i.e. 2.42% annualised from 2.66% - FIG 3). Like last month, therefore, there was ‘something for everyone’ in the data. As such, the debate remains unresolved, although the market was relieved that the data was in line and showed limited ‘tariffs’ effect.

As a result, the **probabilities for rate cuts** at forthcoming meetings increased: The probability of a 25bp cut at the September meeting increased to 94.2% (from 85.9% the prior day); the probability of two cuts by the October meeting increased to 62.4% (from 55.1% the prior day); while the probability of three cuts by the December meeting (or 75bps in total, i.e. maybe with a 50bps cut in between) increased to 50.9% (from 45.0% the prior day).

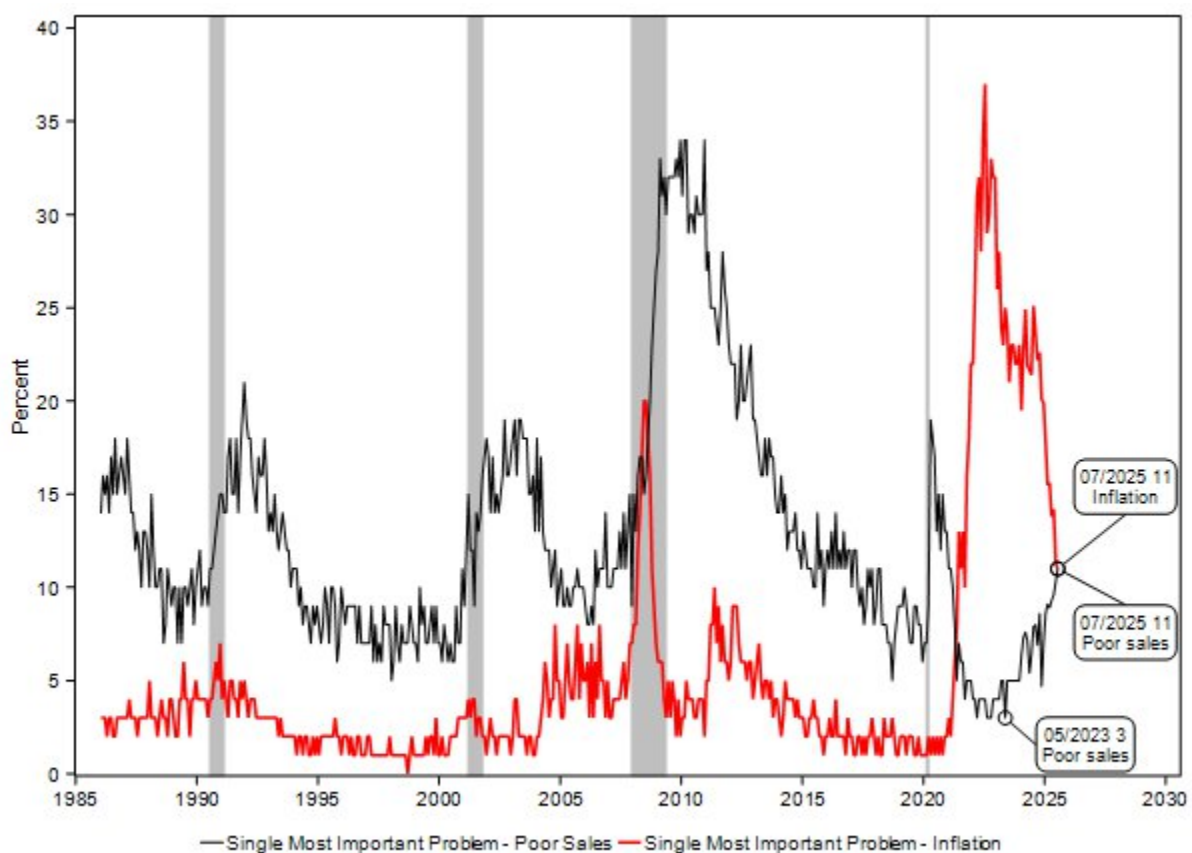
Perhaps more importantly, given that inconclusive inflation data, the NFIB small business survey **flashed a recession warning signal** yesterday. Given small businesses in the US generate most of the new jobs and therefore growth, this survey should be watched closely.

**At a headline level**, business optimism picked up (100.3 vs. 98.6 consensus).

**Under the surface**, though, things have become more troubling. The percentage of businesses that are reporting that ‘poor sales’ is the ‘single most important problem’ picked up again this month. The index is now at +11 (up sharply from +3 in mid-2023) and behaving as it has in the build-up to, and start of, prior recessions.

Maybe, like many macro indicators, this one has been behaving differently post COVID. In which case it should be dismissed. In the round, though, it’s another piece of evidence that the US economy is slowing\*\* and another reason why the Fed should shift its mandate onto the ‘growth side’ of its dual mandate (and perhaps as Reider, and now Bessent, suggest cut rates by 50bps in September – see quotes above).

**Fig 1:** US NFIB ‘single most important problem’ (‘poor sales’ vs. ‘inflation’)

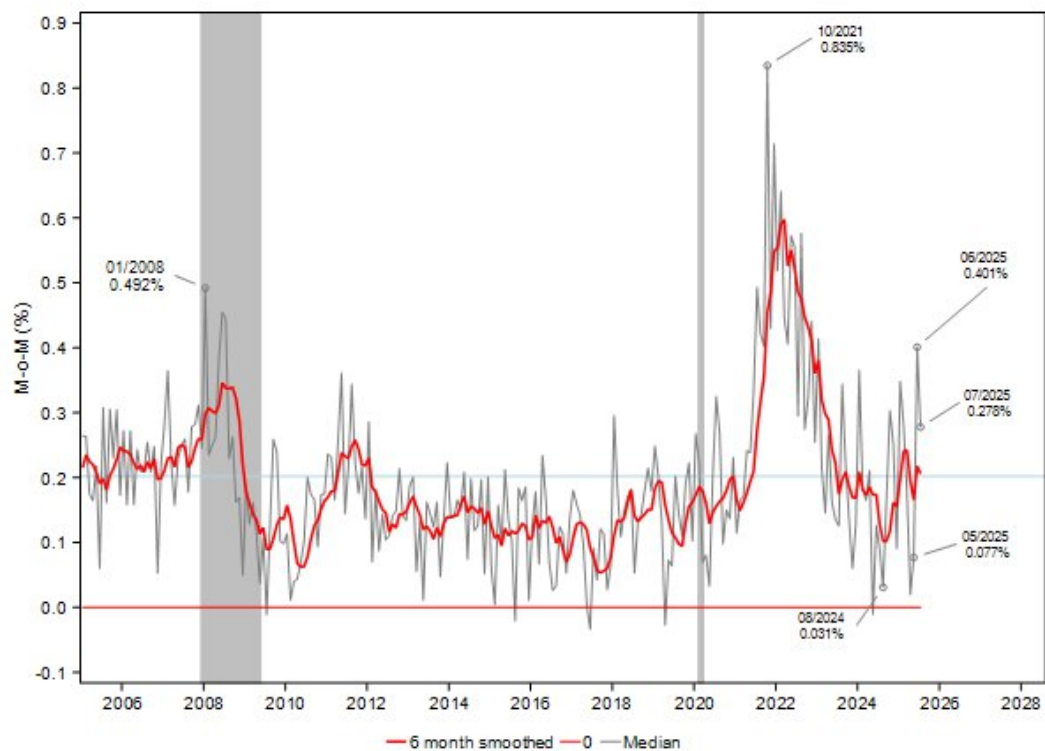


Source: Longview Economics, Macrobond

\*Or more precisely 0.32%, i.e. marginally above the 0.31% Wall Street median forecast (see yesterday’s ‘Daily Dose of Macro’ for detail).

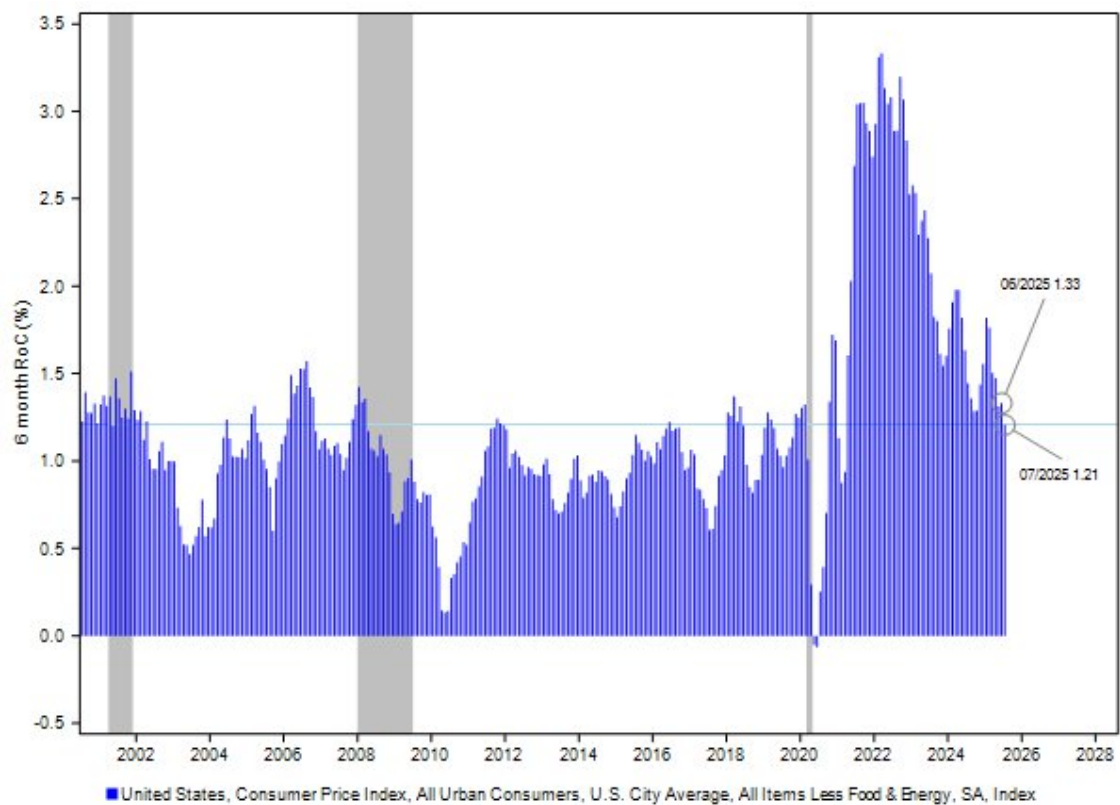
\*\*NB our view is that the US economy is in a mid-cycle slowdown and not entering into a recession. Recession risks (and evidence), though, is picking up and, in that sense, this is another contributory factor (piece of evidence).

**Fig 2:** US median inflation (m-o-m %, 1 & 6 month smoothed)



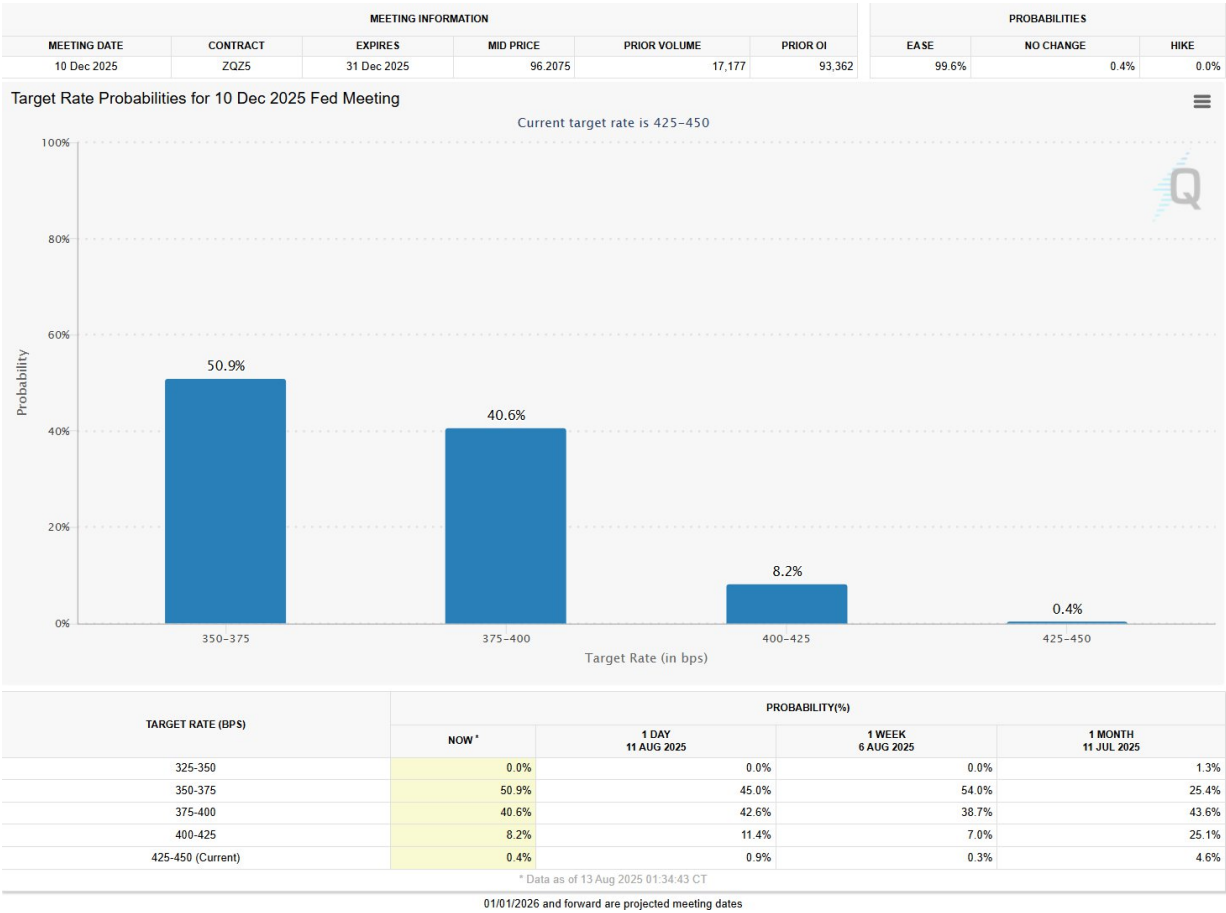
Source: Longview Economics, Macrobond

**Fig 3:** US core inflation (6 month rate of change %)



Source: Longview Economics, Macrobond

**Fig 4:** Rate cut probabilities -> December 2025 Fed meeting (CME FedWatch)



Source: CME FedWatch