SUMMARY & OVERVIEW

This note looks at a historical and hypothetical but ultimately still important question: did we have a recession in 2023?

You're likely asking why we'd take the time to go back and investigate this now, just as we're now entered 2026. The answer is mostly self-serving, as it is unlikely to affect policy in 2026 and probably not in 2027 or 2028 either. Instead, we're doing an investigation into this question because we think it helps distinguish *The Curb Economist's* research from other firms, specifically because of our belief that the "hard data" we use from publicly traded firms is more trustworthy than the more "traditional" economic data coming from the government.

As we argue here, and here, government economic data is becoming increasingly problematic, whether because of decreasing response rates, repeated government shutdowns affecting data collection, or because of the data collecting agencies themselves becoming compromised by politics. While we are in no way advocating for any of this, as investors and economists, we owe it to ourselves and our clients to get to the right answers. Good policy and good investing depends on it. Continuing to blindly trust the government economic statistics simply because we want to, or because we otherwise wish they were better, is not a good reason to not use other data, especially when it's "hard data."

This question of government data legitimacy comes front and center in this question of a recession in 2023, simply because the government data generally indicates that we didn't have a recession, while our data from publicly traded firms does.

DID WE HAVE A RECESSION IN 2023?

We argue three things in this note:

1) First, multiple of our datasets from publicly traded companies indicate that we likely had a "job-loss-less" recession in 2023, where real economic output declined, but job losses did not. This includes our U.S. revenue data (which we use as a proxy for growth in Gross National Income / Gross Domestic Product), investment (where we use company capex growth as a proxy), and retail sales (where we use same-store sales growth as a proxy), all of which either went negative on a real, year-over-year growth basis, or got so close to it that we have to debate which inflation benchmark to use to keep them positive.
2) Second, the dynamics around the labor market with COVID likely prevented job losses the way they otherwise would have in a "normal" economic contraction of output.
3) Third, given the government data painted a rosier picture, and because of the lack of job losses, this made it difficult for the NBER and many economists to actually call a recession in 2023.

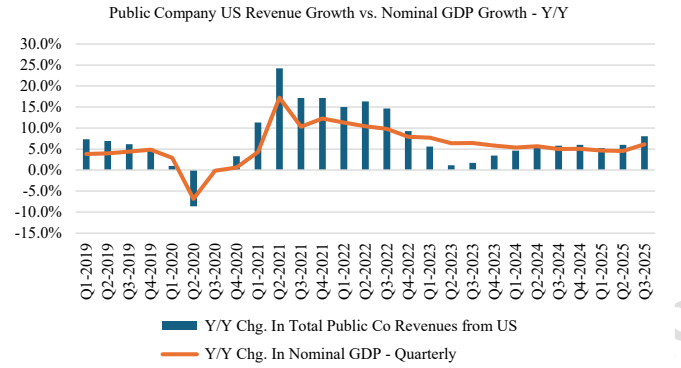
THE EVIDENCE

As noted above, we think three key datasets indicate that the U.S. economy slipped into recession in 2023:

- First, our U.S. public company revenue data (currently based on about 900 companies), which serves as a barometer for Gross Domestic Income (GNI) and Gross Domestic Product (GDP). As a reminder, it's the *growth* in these figures that we use as a proxy for GNI / GDP growth.
- Investment in the U.S. economy, which we assess by looking at capex growth from our database of 2,300 publicly traded companies
- Retailers' U.S. same-store sales growth

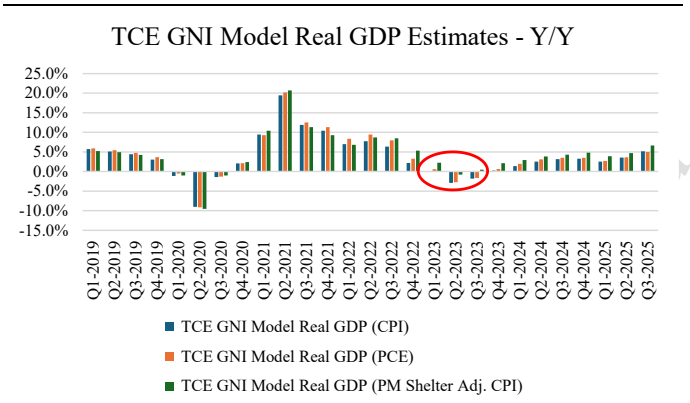
All three of these datasets, when adjusting their growth for inflation, went negative (or very close to it) in 2023.

Let's start with the charts of our Gross Domestic Income / Gross Domestic Product model. As a reminder, this dataset consists of the U.S. revenues of roughly 900 companies. We then take the aggregate year-over-year growth rate for all companies for which we have data for both this year and last year. If a company has gone bankrupt, been bought out, is no longer public, or for whatever other reason we don't have the data, it won't be counted in the calculation.



Source: SEC Filings, BEA, *The Curb Economist*

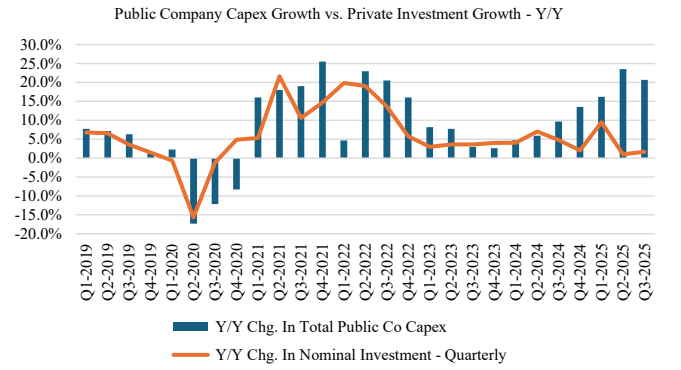
As you can see from the chart, directionally these two datasets tend to follow each other fairly well historically. But post-COVID, some large divergences started to occur, with our publicly traded data outperforming the government data in 2021 and early 2022, but then significantly underperforming the government data in 2023. Notice in particular the significant gap between the line and the bars in 2Q and 3Q of 2023 specifically. In the next chart, which we adjust for inflation, it's here where we think aggregate output for the U.S. economy likely went negative, indicating recession. These are highlighted by a red circle in the chart.



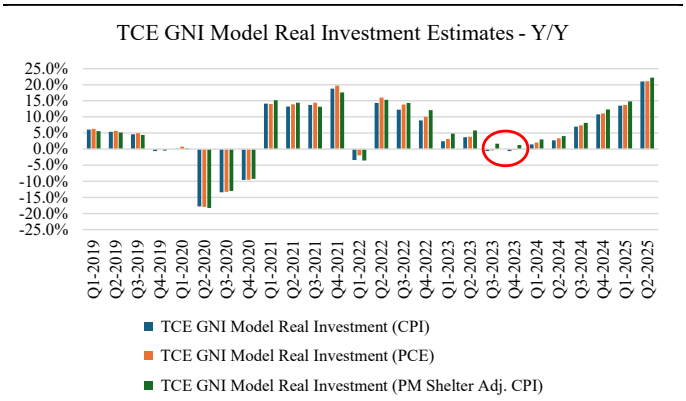
Source: SEC Filings, *The Curb Economist*

Now let's turn to investment. As a reminder, the equation for Gross Domestic Product = Consumption + Investment + Government Spending + Net Exports. Though we can't cleanly separate out U.S. investment only from these publicly traded companies, our database in this case includes over 2,300 companies, including many small firms. This should give us very good breadth and depth for this important barometer for economic activity.

As the first chart below shows, these two datasets have historically correlated quite strongly as well (just as our GNI / GDP model did with the gov't data in that case). As we detailed in our most recent investment note, however, over the last 4-5 quarters they've deviated significantly. More important is to note another similarity between this dataset and our publicly traded revenue / GNI model, which is the significant slowdown that occurred in 2023 (where our model again started to underperform the government data after outperforming it for much of 2021 and 2022). As we'll show in the second chart below, this slowdown was pronounced enough that year-on-year figures essentially slowed to zero, and depending on which inflation benchmark you used, actually went negative on a year-over-year basis. Because it takes longer to slow investment (simply because those decisions are often made many months in advance), the slowdown in investment lagged the slowdown in revenues by a couple quarters.



Source: SEC Filings, BEA, *The Curb Economist*

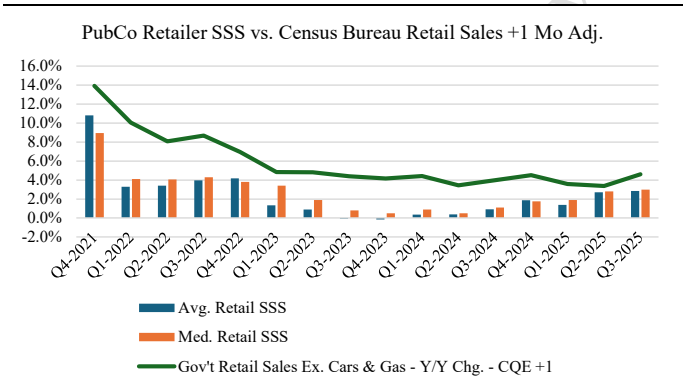


Source: SEC Filings, *The Curb Economist*

Now let's look at retail sales. First we'll compare U.S. same-store sales from our publicly traded retailer dataset to the Census Bureau's Retail Sales data. Then we'll look at our same-store sales data on its own and adjust it for inflation to get a picture of "real" retail sales growth.

As a reminder, we use same-store sales from our group of 54 publicly traded retailers rather than total sales to try and adjust for the fact that publicly traded retailers are growing square footage (i.e. opening new stores) at a faster rate than the rest of the retail sector that's privately held. We think this does a better job of estimating aggregate U.S. industry retail sales growth than using total sales. Two other things to note that we do:

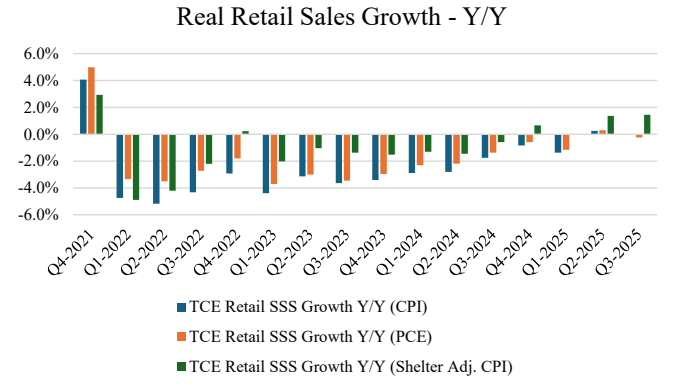
- First, we use the Census Bureau's retail sales data, *excluding* cars, car parts and gasoline
- Second, we use the government data adjusted by one month to account for the fact that many (if not most) publicly traded retailers have fiscal period and year ends one month later than the traditional quarterly calendar



Source: SEC Filings, *The Curb Economist*

The first chart shows government retail sales significantly outpacing the same-store sales growth of publicly traded retailers for most of 2022 and 2023. It's only been in late 2024 and so far in 2025 where the gap between the government retail sales data and our data has started to narrow.

Now in the second chart, notice all of the quarters in 2022 and 2023 where *real* retail sales growth (again, with same-store sales as the proxy) went negative. Here we spare you of the red circle outlining the negative quarters simply because there would be so many. The chart speaks for itself.



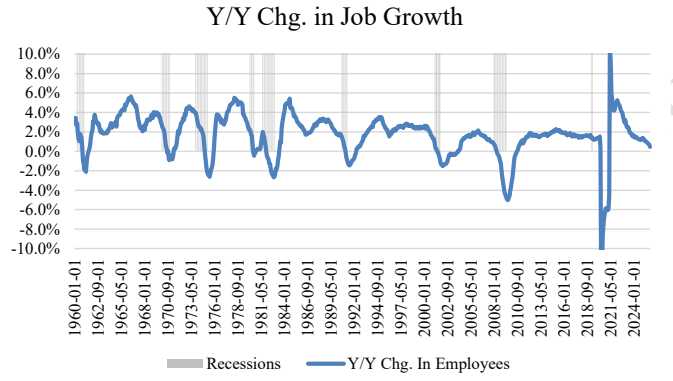
Source: SEC Filings, *The Curb Economist*

A "JOB-LOSS-LESS" RECESSION?

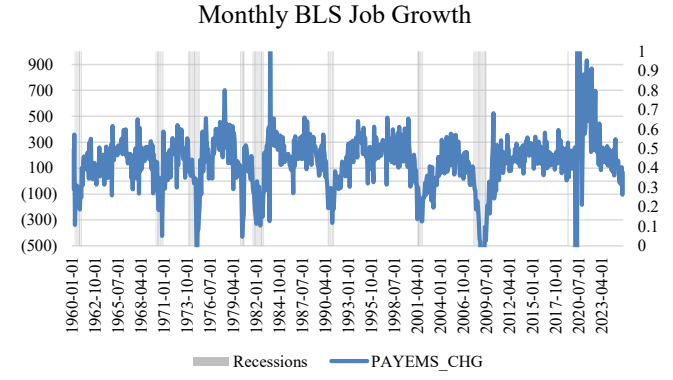
One key reason why we think the recession-dating-powers-that-be decided against declaring an official contraction in 2023 is because there were no job losses. In theory, a recession in 2023 would have been the first recession since at least 1960 where:

1) year-over-year job growth did not go negative (said differently, it would be the first time where seasonally unadjusted payrolls did not decline year-over-year)
2) Seasonally *adjusted* payrolls did not go negative for at least one month as well

The below two charts (which use data from the Bureau of Labor Statistics) prove this out. This is the strongest argument *against* our claim of a 2023 recession, but as we'll discuss in a moment, we think we have a good rebuttal to that argument.



Source: BLS, FRED, *The Curb Economist*



Source: BLS, FRED, *The Curb Economist*

Despite the lack of job losses, the reason why we still feel fairly confident making a "this time was different" argument is because of what was happening with the labor market during this time. If you'll recall, the COVID pandemic created massive unemployment in its early months (sizeable enough to force us to cut off the axes in our charts above), which itself created political motivation to provide unemployment and other benefits to people who had borne the brunt of that. The result of those benefits, however, was that they kept being extended, and there became a timing mismatch between when the economy really started to recover (2H2020) with when people actually felt like they had to come back to work (2021-22). This created significant labor shortages in the market, and produced significant wage rate inflation as companies tried to draw people back into the workforce.

The reason why this is significant is because pulling workers back into the workforce in 2021 and 2022 was not quite like pulling teeth, but quite challenging to say the least. Consequently, once companies were able to restock their labor force, the last thing they had any interest in doing was layoffs. It just so happened that the timing of the contraction (or at least the one we think we had in 2023) was fairly soon after companies had fully staffed up again in mid-2022 (it took until this time for the raw number of employees on payrolls compared to where they were pre-pandemic to match up, which was about 152M). As a result, companies weren't going to quickly turn around and fire people again just because of a dip in economic activity. Or so our theory goes.

DID THE STOCK MARKET PREDICT THE 2023 RECESSION?

The recession we think we had in 2023 then could be thought of as a significant decline in labor productivity, where actual real economic output

declined, but payrolls didn't. Because payrolls didn't decline, it limited the recession from being more challenging than it otherwise could have been. This is why we call the 2023 recession the first "job-loss-less" recession. It was a recession (which should ultimately be measured on economic output), but just didn't have any job losses.

As we detailed in a recent note, the stock market has a strong track record at predicting recessions. In 2022, the S&P500 declined by 25.4% peak to trough (with the bottom occurring in mid-October of '22). We said that historically when we had market declines of 25%+, the market had a 67% hit rate in predicting recessions. In this case, that number should actually be higher now, because we think a recession that began in mid-2022 would have been 6-9 months after when the market bottomed. It's pretty reasonable then to claim that the market sniffed out yet another economic contraction in this case in 2023. Most economists just haven't identified it as such yet.

CONCLUSION

This exercise was meant to show the importance of using "hard" data from publicly traded firms as at least a supplement to government statistics for evaluating the U.S. economy. Had economists been using our publicly traded firm data more actively as inputs for evaluating the health and wealth of the economy, it's highly likely that more would have concluded that we were in a recession in 2023 (and a "stagflation-ary" one at that).

There is some irony here of course, which is that even if more economists were using our data, it may not have enticed the Fed to stop hiking rates (as a reminder, the Fed's last hike was on July 26th, 2023, potentially smack dab in the middle of the recession we claim happened). Why not? Because the Fed's "dual mandate" requires them to focus on the labor market and price stability, and during 2023, the labor market was not obviously weak, and price inflation was clearly not yet obviously under control (though we'd argue that by 2023, using private data sources for housing instead of the BLS' shelter inputs would have put actual inflation well below where the stated rates were at that time, but this is another argument for another day). The Fed does not hike or cut rates simply because GDP or GNI goes negative or is robustly positive. Thus, even if we had the Fed's eyes and ears at that time, it might not have affected monetary policy. We'd argue of course that this will likely prove to be a historical anomaly as well, and the uniqueness of the '23 recession does little to delegitimize the significance of publicly traded firm data in evaluating the economy. You can therefore add this to the list of "this time is different" elements about this recession too.

Time will tell if we actually did have a recession in 2023 or not, but as we said above, the more important thing to keep in mind about answering this question is that the answer differs depending on which data you use. If you use government data, much of which is "soft" data, we did not appear to have a recession. If you use "hard" data from publicly traded companies, by contrast, it seems much more likely that we *did*. Furthermore, the best hard data that the government does have, which is probably the Quarterly Census of Employment and Wages (QCEW), is of less help to us in this case as well, simply because of the "job-loss-less" nature of the '23 recession. Other hard data is needed, and there just isn't a lot else coming from the government in this regard.

The likelihood of recession in '23 is even moreso the case if you incorporate the potential bias of publicly traded companies being more insulated from the economy's cycles than your typical privately held company. The argument here is basically that publicly traded firms have greater resources, are better run, are bigger, or have some combination of all three. This makes them more

impervious to fluctuations in economic activity compared to the "average" firm. Though we'd argue this bias is overstated (bigger companies may be able to resist cutting jobs more than smaller firms, but it's debatable at best whether they can control their revenues to nearly the same extent), if U.S. publicly traded firms are the "best" firms we have, and *those* firms collectively saw their U.S. output in recession, it probably means the rest of American business was in even worse shape. Thus, the bias we often hear against using publicly traded companies as a proxy for the U.S. economy only strengthens our case here.

As always, we appreciate your time, and we hope this convinces you to give our research a shot. Subscribe here to give us a try, and if you have any questions, comments, concerns, or anything else, feel free to reach out to us at TCE@thecurbeconomist.com.

Happy New Year!