The Shelton Active Allocation Solutions Recession Tracker

October 16, 2026

Current risk level

● **Green | Low Risk**

Risk level guide

- **Green** — multiple indicators healthy; low recession risk
- **Yellow** — multiple indicators weakening; elevated caution
- **Red** — multiple indicators deteriorating; high risk

ABOUT THE RECESSION TRACKER FRAMEWORK

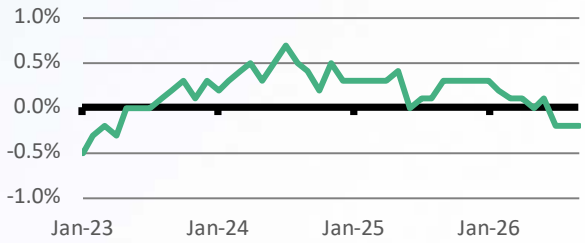
Our *Recession Tracker* uses a 'four dimensions of economic health' framework to provide a clear, data-driven view of the economy and recession risk by tracking four key indicators inspired by the National Bureau of Economic Research (NBER). It monitors employment trends, where slowing job growth and rising unemployment can signal stress; real personal income excluding transfers, which often peaks before a downturn; real retail sales, which tends to soften as consumer demand weakens; and industrial production, which typically declines early in a contraction. By analyzing the direction and momentum of these interconnected factors, the *Tracker* can offer a comprehensive view of economic conditions and help identify when the economy may be shifting from expansion toward recession.

CURRENT OUTLOOK

Real retail sales climbed slightly to reach a new all-time high in September. Industrial production rose 0.7% in September alone and is now 2.25% above its year-earlier level, extending its recent string of multi-year highs. The September employment report marked a sharp reversal from August's strength as payrolls rose by just 29,000, well below the trailing 12-month average of 45,000. Additionally, July and August were revised down by a combined 60,000. The unemployment rate rose to 4.2%, though it remained 0.2 percentage points below its year-ago level, and labor force participation ticked up to 61.8%. Our formal trigger stays inactive, as job openings remain plentiful (7.1 million in August) and layoffs are historically low. Real, inflation-adjusted, personal income grew +0.80% year-over-year in August, which is soft by historical standards. The current aggregate risk level is still **Green | Low Risk**, but weak real income growth continues to be our primary concern.

FOUR DIMENSIONS OF ECONOMIC HEALTH

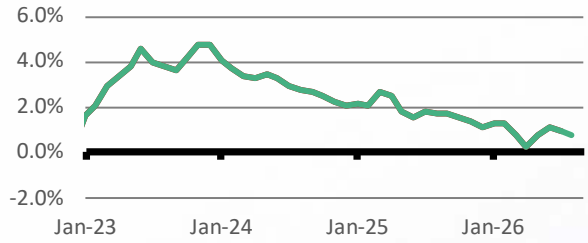
Unemployment Rate: Positive | -0.2pp



YoY change (4.2% September 2026 vs. 4.4% September 2025)

Jobs growth has been muted with only 29,000 jobs added in September while July and August numbers were revised down by a total of 60,0000 fewer jobs. Still, the slow pace of employment growth over the past year closely matches the slow pace of labor force growth and keeps the unemployment rate low. Labor force participation ticked up to 61.8%, and job openings (7.1 million) and layoffs remain historically favorable. This series remains **Positive**.

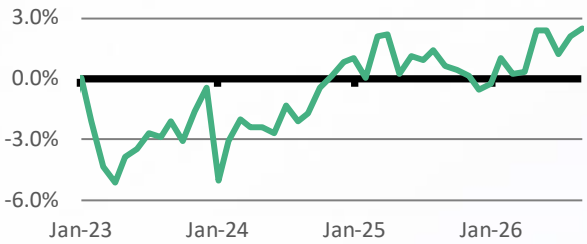
Real Personal Income: Positive | +0.80%



Year-over-year (August 2026, inflation-adj., excl. transfers)

Inflation-adjusted personal income declined slightly from the previous month's all-time high. Other data points to more significant struggles for the lower end of the income spectrum and we will be watching this closely. Still, overall real income growth remains positive on a year-over-year basis. As a result, the rating is **Positive**.

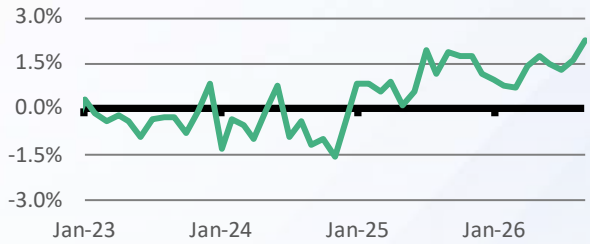
Real Retail Sales: Positive | +2.48%



Year-over-year (September 2026, inflation-adjusted)

Real retail sales rose 0.1% in September, just above the previous all-time high set in August, and up 2.48% year-over-year. Household spending continues to hold despite weaker inflation-adjusted income growth. This indicator continues its **Positive** rating.

Industrial Production: Positive | +2.25%



Year-over-year (September 2026)

Industrial production rose 0.7% in September, a notably stronger reading than expected, and now stands 2.25% above its year-earlier level. The data series continues to extend its recent multi-year highs and now sits at its highest level since December 2018. The **Positive** rating is maintained with growth continuing at a modest and steady pace.

Source: Fed G.17, BLS, BEA, U.S. Census Bureau. Shelton Capital Management. Q3 2026 = latest available data (August/September 2026).

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SNAPSHOT — AT A GLANCE

Indicators positive	Indicators at caution	Indicators at risk	Overall signal
4 of 4	**0 of 4**	**0 of 4**	**Growth**
unemployment, retail sales, industrial production, income			*Continued expansion*

PLAIN-LANGUAGE GLOSSARY

Unemployment rate (YoY change)	How much the jobless rate has shifted vs. a year ago combined with the Job Openings & Labor Turnover Survey (JOLTS). A rise of 0.5%+ in the unemployment rate has historically signaled recession onset, especially when combined with the JOLTS job openings also falling meaningfully year-over-year.
Real personal income (excl. transfers)	What Americans actually earn, adjusted for inflation and stripped of government payments like unemployment benefits.
Real retail sales	Consumer spending at stores and online, adjusted for inflation. Reflects whether people are buying more — or just paying more.
Industrial production	Total output from U.S. factories, mines, and utilities. A leading gauge of business activity.

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