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The context for this forecast is particularly important.

The Fed is likely to raise interest rates before this is published. This would be the first time since the 2008 Lehman Brothers collapse. While the Fed has spent months prepping markets, we don't know how the markets will respond. While markets appear to have calmed in recent months, some very credible analysts believe that the probability of a recession is rising. Examples are here and here.

Then, there is the rest of the world, and it's not doing very well.

China's growth has slowed. Depending on who you believe, and almost no one believes the Chinese government, it's slowed either a lot or an amazing amount. Europe's weak recovery appears to be weakening. Russia is suffering the impacts of low oil prices. Brazil is in a terrible recession. Commodity prices are falling everywhere. It's easy to see why credible people are forecasting recession.

We don't try to forecast recession probabilities, because we don't believe that the technology exists to do it well. There are enough questions about forecasting technology in general. In particular, the failure to forecast the Great Recession should provoke a decent amount of humility among forecasters.

Besides, if one forecaster says that there is a 10 percent probability of a recession and another says that there is a 90 percent probability of a recession and we have a recession, we still don't know which one was most correct. As long as the forecaster admits to a non-zero probability of a recession, the recession tells us nothing about the quality of the forecast.

We do believe that the probability of a recession is increasing, and it may even be high. Our model, though, predicts continued economic growth. We expect GDP to grow at sub three percent annual rates throughout the forecast horizon. We expect job growth to remain modest.

We also expect investment to remain low. This alone almost guarantees that economic growth cannot achieve pre-recession levels.

From the discussion of recession probabilities, it should be obvious that we think that most of the forecast risk is on the downside. That is, we believe that our forecast is more likely to be higher than what we actually see than it is to be lower than what we actually see. Of course, we would be thrilled to see actual economic growth well above our forecast. It's the only item on our wish list to Santa.