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Assessing recession probabilities

The recession-predicting dataset of Chauvet and Piger



Posted on June 22, 2023



CPI +3.2 % Chg. from Yr.
Ago on Feb 2024

Civ. Unemploy. Rate 3.9 % on Feb 2024

10-Yr. Treas. Rate 4.27 % on 2024-03-21

Real GDP +3.2 %, Comp.
Annual Rate of Chg.
on Q4 2023

IP +0.1 % Chg.
on Feb 2024

Payroll Employment +275 Chg., Thous. of
Persons on Feb 2024

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While much of the future depends on things that are impossible to forecast or time (for example, a pandemic), *particular* dynamics in *some* economic data have allowed *some* success in predicting a recession in the short run.

The FRED graph above shows data from Marcelle Chauvet and [Jeremy Piger](#); the data set is based on economic data that tend to *lead* business cycle indicators—that is, they provide insight before the other data do. Judging from the graph, every recession (shaded in gray) has been preceded by a small increase in this computed probability of recession. There have been errors, but those errors have always predicted a recession that did *not* happen.

At the time of this writing, these data do not seem to exhibit any noticeable increase, which implies the data are not signaling a significant risk of recession. Hence, if a recession occurred soon, that would mark the first time this indicator would fail in this way. Another indicator, the [Sahm Rule](#), is aligned with this assessment. But who knows? Abnormal things have happened in the data in the past few years.