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The FRED® Blog

The data and determinations behind dating business cycle peaks and troughs

FRED has a new recession-dating dashboard for you

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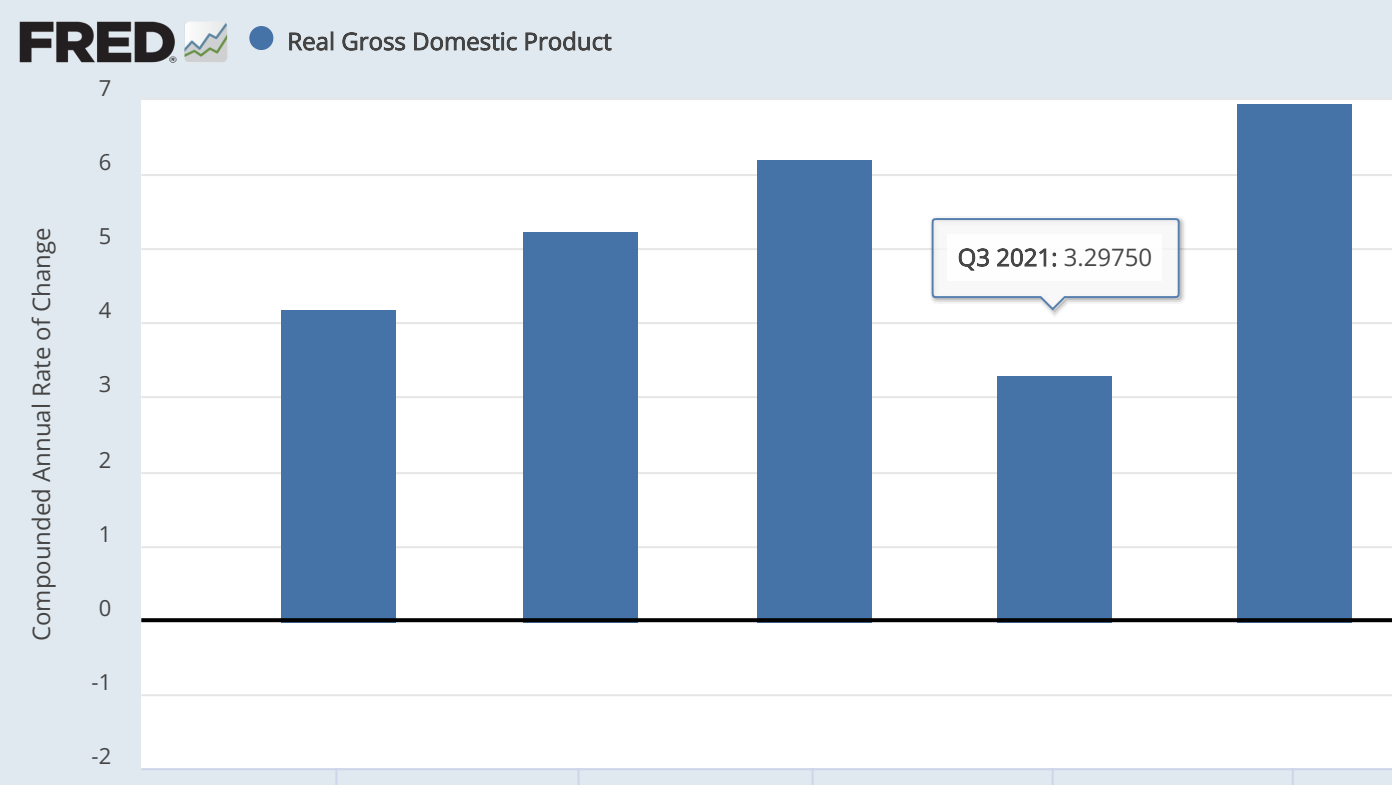

The FRED graph above shows that real gross domestic product (GDP) has declined over the first two quarters of 2022, after increasing by an average of 5.3% over the previous five quarters. In the eyes of some economists and financial market participants, two consecutive quarters of negative real GDP growth is sufficient evidence to declare a recession.

In the 75-year history of quarterly estimates of real GDP growth, there has been only one episode when two consecutive quarters of negative real GDP growth was *not* associated with a recession episode: the second and third quarters of 1947. So, from a historical standpoint, two consecutive quarters of negative real GDP growth is a pretty consistent signal for dating recessions. But what do the arbiters of dating business cycles have to say?

The dating committee

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The National Bureau of Economic Research Business Cycle Dating Committee (hereafter NBER) maintains a chronology of monthly and quarterly dates of the peaks and troughs (i.e., turning points) of the business cycle. Rather than the popular two-quarter definition, the NBER employs a more comprehensive approach to dating the beginnings and ends of recessions. Specifically, they determine both the months and the quarters when economic activity peaked and troughed. Typically, the peak month occurs in the same quarter—but not always. For example, the NBER's monthly peak of the pandemic-spawned recession occurred in February 2020, but their quarterly peak occurred in the fourth quarter of 2019.

The indicators

To determine the months of peaks and troughs, the NBER looks at several data series, such as industrial production, nonfarm payroll employment, civilian employment, and real personal income less transfer payments. The NBER also considers two other monthly series: real personal consumption expenditures and civilian employment. Civilian employment is measured using the household survey (Current Population Survey), while nonfarm payroll employment counts the number of jobs and is measured using the establishment survey (Current Employment Statistics).

The NBER also looks at estimates of the expenditure- and income-side measures of aggregate economic activity—otherwise known, respectively, as real GDP and real gross domestic income (GDI). Theoretically, GDP and GDI should equal each other in dollar terms, but they rarely do. (This difference between the two series is known as the statistical discrepancy.) The NBER also examines average GDP and GDI.

A new resource in FRED

This is a lot of information to gather, so FRED now offers some help navigating the ebbs and flows of these key data series with a new dashboard that compiles all these series on one page.

As with any user-created FRED dashboard, it updates automatically. Now, there won't be any commentary on the current or prospective trends in the dashboard. But FRED users can make their own determination as to the likelihood of a turning point in the business cycle. Users can also use the dashboard as a starting point for creating their own variations.

Suggested by Kevin Kliesen.