The NBER's Recession Dating Procedure

Business Cycle Dating Committee, National Bureau of Economic Research

The National Bureau's Business Cycle Dating Committee maintains a chronology of U.S. business cycles. The chronology identifies the dates of peaks and troughs that frame economic recessions and expansions. A recession is the period between a peak of economic activity and its subsequent trough, or lowest point. Between trough and peak, the economy is in an expansion. Expansion is the normal state of the economy; most recessions are brief. However, the time that it takes for the economy to return to its previous peak level of activity or its previous trend path may be quite extended. According to the NBER chronology, the most recent peak occurred in February 2020, ending a record-long expansion that began after the trough in June 2009.

The NBER's traditional definition emphasizes that a recession involves a significant decline in economic activity that is spread across the economy and lasts more than a few months. In our modern interpretation of this definition, we treat the three criteria—depth, diffusion, and duration—as at least somewhat interchangeable. That is, while each criterion needs to be met individually to some degree, extreme conditions revealed by one criterion may partially offset weaker indications from another. For example, in the case of the February 2020 peak in economic activity, the committee concluded that the subsequent drop in activity had been so great and so widely diffused throughout the economy that, even if it proved to be quite brief, the downturn should be classified as a recession.

In choosing the dates of business-cycle turning points, the committee follows standard procedures to assure continuity in the chronology. Because a recession must influence the economy broadly and not be confined to one sector, the committee emphasizes economy-wide measures of economic activity. It views real gross domestic product (GDP) as the single best measure of aggregate economic activity. This concept is measured two ways by the U.S. Bureau of Economic Analysis (BEA)—from the product side and from the income side. Because the two measures have strengths and weaknesses and differ by a statistical discrepancy, the committee considers real GDP and real gross domestic income (GDI) on an equal footing. It also considers carefully total payroll employment as measured by the Bureau of Labor Statistics (BLS).

The traditional role of the committee is to maintain a monthly chronology of business cycle turning points. Because the BEA figures for real GDP and real GDI are only available quarterly, the committee considers a variety of monthly indicators to determine the months of peaks and troughs. It places particular emphasis on two monthly measures of activity across the entire economy: (1) personal income less transfer payments, in real terms, which is a monthly measure that includes much of the income included in real GDI; and (2) payroll employment from the BLS. Although these indicators are the most important measures considered by the committee in developing its monthly business cycle chronology, it does not hesitate to consider other indicators, such as real personal consumption expenditures, industrial production, initial claims for unemployment insurance, wholesale-retail sales adjusted for price changes, and household employment, as it deems valuable. There is no fixed rule about which other measures contribute information to the process or how they are weighted in the committee's decisions.

The committee's approach to determining the dates of turning points is retrospective. It waits until sufficient data are available to avoid the need for major revisions. In particular, in determining the date of a peak in activity, and thus the onset of recession, it waits until the committee members are confident that a recession has occurred, even in the event that activity begins to rise again immediately. As a result, the committee tends to wait to identify a peak until a number of months after it has actually occurred.