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The NBER's Recession Dating Procedure

Business Cycle Dating Committee, National Bureau of Economic Research

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The National Bureau's Business Cycle Dating Committee maintains a chronology of the U.S. business cycle. The chronology identifies the dates of peaks and troughs that frame economic recession or expansion. The period from a peak to a trough is a recession and the period from a trough to a peak is an expansion. According to the chronology, the most recent peak occurred in March 2001, ending a record-long expansion that began in 1991. The most recent trough occurred in November 2001, inaugurating an expansion.

A recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales. A recession begins just after the economy reaches a peak of activity and ends as the economy reaches its trough. Between trough and peak, the economy is in an expansion. Expansion is the normal state of the economy; most recessions are brief and they have been rare in recent decades.

In choosing the dates of business-cycle turning points, we follow standard procedures to assure continuity in the chronology. Because a recession influences the economy broadly and is not confined to one sector, we emphasize economy-wide measures of economic activity. We view real GDP as the single best measure of aggregate economic activity. In determining whether a recession has occurred and in identifying the approximate dates of the peak and the trough, we therefore place considerable weight on the estimates of real GDP issued by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce. The traditional role of the committee is to maintain a monthly chronology, however, and the BEA's real GDP estimates are only available quarterly. For this reason, we refer to a variety of monthly indicators to determine the months of peaks and troughs.

The committee places particular emphasis on two monthly measures of activity across the entire economy: (1) personal income less transfer payments, in real terms and (2) employment. In addition, we refer to two indicators with coverage primarily of manufacturing and goods: (3) industrial production and (4) the volume of sales of the manufacturing and wholesale-retail sectors adjusted for price changes. We also look at monthly estimates of real GDP such as those prepared by Macroeconomic Advisers (see <http://www.macroadvisers.com>). Although these indicators are the most important measures considered by the NBER in developing its business cycle chronology, there is no fixed rule about which other measures contribute information to the process.

The committee's approach to determining the dates of turning points is retrospective. We wait 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, we wait until we are confident that, even in the event that activity begins to rise again immediately, it has declined enough to meet the criterion of depth. As a result, we tend to wait to identify a peak until many months after it actually occurs.

[FAQs - Frequently asked Questions and additional information on how the NBER's Business Cycle Dating Committee chooses turning points in the Economy](#)