**Recession:**

- Journalists often describe a recession as two consecutive quarters of declines in quarterly real (inflation adjusted) gross domestic product (GDP)

- Economists use monthly business cycle peaks and troughs designated by the National Bureau of Economic Research (NBER) to define periods of expansion and contractions.

- [NBER website](http://www.nber.org/cycles.html/): A recession is a significant decline in economic activity spread across the economy, lasting more than a **two** 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.

Depression:

- While there is also no standard definition for depression, it is commonly defined as a more severe version of a recession. In his popular intermediate macroeconomics textbook, Gregory Mankiw (Mankiw 2003) distinguishes between the two:

Business cycles:

Business cycles are the "ups and downs" in economic activity, defined in terms of periods of expansion or recession. During expansions, the economy, measured by indicators like jobs, production, and sales, is growing--in real terms, after excluding the effects of inflation. Recessions are periods when the economy is shrinking or contracting.

Possible recession indicators:

1. Composite Index of Coincident Indicators:

The Composite Index of Coincident Indicators is an index published by the Conference Board that is a broad-based measurement of current economic conditions, helping economists and investors to determine which phase of the business cycle the economy is currently experiencing

The Composite Index of Coincident Indicators comprises four cyclical economic data sets:

* 1. The number of employees on non-agricultural payrolls, as released by the Bureau of Labor Statistics. This statistic is often commonly referred to as “payroll employment.” It counts both full-time and part-time workers, whether they may be permanent or temporary. Economists view this evaluation of net hiring and termination of a large segment of the industries representing the labor view as a critical look at the health of the economy
  2. The Index of Industrial Production, which includes the output of industrial production across a number of major markets, including manufacturing, utilities and mining.
  3. The level of manufacturing and trade sales. Economists rely on these figures, which are adjusted for inflation, to provide a true representation of actual spending. These statistics are pulled from National Income and Product Account calculations. An important distinction of the figures used for those calculations is that some listings are counted more than once, which is why this total figure is generally higher than the GDP.
  4. The aggregate amount of personal income excluding transfer payments. Economists use this figure to determine how much people are actually earning. This figure is adjusted for inflation and covers income received from most earned sources of income. It excludes income received from Social Security payouts and some other government programs. Economists watch these numbers closely because the figures tell you how much money people are receiving, which in turn can determine how much they have available to spend. When people have more income with which to buy products and services, the economy as a whole tends to benefit and go in a more positive direction