

Euro Area Business Cycle Dating Committee: Euro Area Mired in Recession Pause

16 June 2014

The CEPR Euro Area Business Cycle Dating Committee met in London on 11 June 2014. It concluded that the data do not justify declaring a turning point for aggregate economic activity in the euro area and the end of the recession that began after 2011Q3. Rather, the euro area may be experiencing since early 2013 a prolonged pause in the recession.

The CEPR Euro Area Business Cycle Dating Committee establishes the chronology of recessions and expansions of the eleven original euro-area member countries plus Greece for 1970-1998, and of the euro area as a whole from 1999 onwards. According to the Committee, 2011Q3 marked a peak in economic activity and the onset of a euro-area recession. In its [October 2013 findings](#), the Committee declared that neither the length nor the strength of the recovery was sufficient, as of 9 October 2013, to declare that the euro area had come out of the recession that started after 2011Q3.

The Euro Area Business Cycle Dating Committee met in London on 11 June 2014 to examine recent data developments. It observed that since early 2013 the Euro area has witnessed a prolonged episode of extremely weak growth in economic activity: Euro area GDP has risen by less than 1% from 2013Q1 to 2014Q1 and labour markets have shown little change over that period. Had the improvement in economic activity been more significant, it is likely that the Committee would have declared a trough in the euro area business cycle in early 2013, most likely in 2013Q1. **The lack of evidence of sustained improvement of economic activity in the euro area does, however, preclude calling an end to the recession that started after 2011Q3.** Rather, consistent with the concerns expressed by the Committee at its October 2013 meeting, **the euro area may be experiencing since early 2013 a prolonged pause in the recession that started after 2011Q3.**

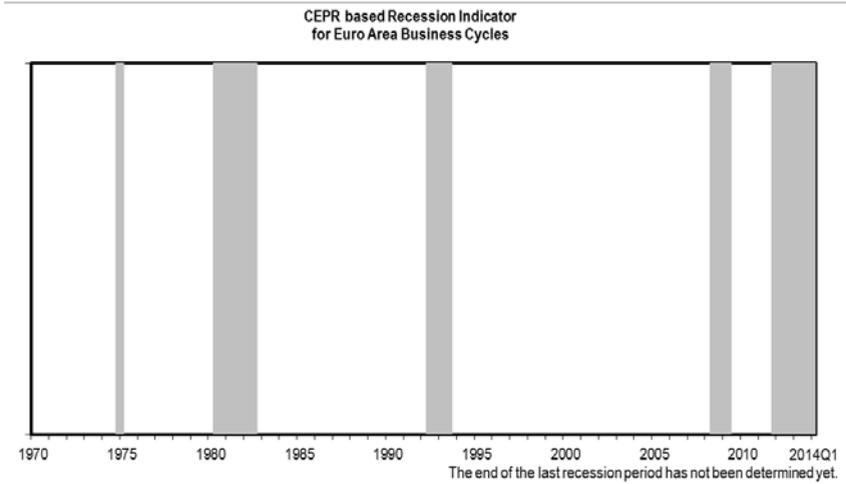
The decision of the Committee not to call an end the recession that started after 2011Q3 in spite of several quarters of positive (but weak) economic developments in the Euro area illustrates that its identification of peaks and

troughs does not follow a mechanical two-quarter rule for GDP (see FAQ). The Committee indeed assesses both the length and the strength of improvements in economic activity to document the sustained growth that it requires to call the end of a recession. The decision of the Committee does not reflect a negative forecast by the Committee of future growth prospects for the euro area, since the Committee does not forecast (see FAQ).

Chronology of euro-area business cycles

The Committee has identified nine peak and trough quarters since 1970:

Date	Peak/Trough	Announcement Date	Findings
2011Q3	Peak	15 November 2012	Available here
2009Q2	Trough	4 October 2010	Available here
2008Q1	Peak	31 March 2009	Available here
1993Q3	Trough	22 September 2003	Available here
1992Q1	Peak	22 September 2003	Available here
1982Q3	Trough	22 September 2003	Available here
1980Q1	Peak	22 September 2003	Available here
1975Q1	Trough	22 September 2003	Available here
1974Q3	Peak	22 September 2003	Available here



CEPR recessions (grey bands)

CEPR recession shading for quarters follows the trough method used by FRED to compute NBER recession indicators for the United States. It shows a recession from the period following the peak through the trough (i.e. the peak is not included in the recession shading, but the trough is). See <http://research.stlouisfed.org/fred2/series/USREC/downloaddata?cid=32262>.

Committee members

Philippe Weil, (Chair, 2012-), 2003- , ULB and CEPR
Domenico Giannone, 2012- , ULB and CEPR
Refet Gürkaynak, 2012- , Bilkent University and CEPR
Monika Merz, 2012- , University of Vienna and CEPR
Richard Portes, 2003- , LBS and CEPR (*ex officio*)
Lucrezia Reichlin (Chair, 2003-2005), 2003- , LBS and CEPR
Albrecht Ritschl, 2012- , LSE and CEPR
Barbara Rossi, 2012- , ICREA-UPF, BGSE, CREI and CEPR
Karl Whelan, 2012- , UCD and CEPR

Rapporteur: Paul Hubert, 2012- , OFCE, Sciences Po

Former committee members:

Michael Artis, 2003-2009
Fabio Canova, 2003-2012
Jordi Gali, 2003-2012
Francesco Giavazzi, 2003-2012
Harald Uhlig (Chair, 2005-2012), 2003-2012
Volker Wieland, 2008-2012

For more information, see the FAQs below and also see
<http://www.cepr.org/content/euro-area-business-cycle-dating-committee/>

Frequently Asked Questions¹

Q: The financial press often states the definition of a recession as two consecutive quarters of decline in real GDP. How does that relate to your recession dating procedure?

A: Most of the recessions identified by the Committee's procedures consist of two or more quarters of declining real GDP, but declining real GDP is not the only indicator used. As an example, the Committee has identified the period from the first quarter in 1980 to the third quarter in 1982 as a recession, despite the fact that real GDP was growing in some quarters during that episode and that real GDP was higher at the end of the recession than at the beginning. As another example, the Committee did not declare a recession for 2001 or 2003, even though the data at the time appeared to show a decline in economic activity (though not for two quarters). Subsequent data revisions have erased these declines.

Q: Why doesn't the Committee accept the two-quarter definition?

A: The Committee's procedure for identifying turning points differs from the two-quarter rule in a number of ways. First, we do not identify economic activity solely with real GDP, but use a range of indicators, notably employment. Second, we consider the depth of the decline in economic activity. Recall that our definition includes the phrase, "a significant decline in activity."

Q: Isn't a recession a period of diminished economic activity?

A: It's more accurate to say that a recession - in the way we use the word - is a period of diminishing activity rather than diminished activity. We identify a quarter P when the economy reached a peak of activity and a later quarter T > P when the economy reached a trough. The quarters P+1 to T (with P+1 and T included) constitute a recession, a period when economic activity is contracting. The following period is an expansion.

Q: How long does the Committee expect the recession to last?

A: The Committee does not forecast.

Q: Does the Committee follow the NBER Business Cycle Dating Committee in its deliberations?

A: While the CEPR Euro Area Business Cycle Dating Committee has been conceived to operate in a manner similar to the NBER Business Cycle Dating Committee, its

¹ These FAQs have been in part adapted from the NBER document.

deliberations and timing of announcements are independent.

Q: How is the Committee's membership determined?

A: The President of CEPR appoints new members after consultation with the Chair of the Business Cycle Dating Committee and the Research Director of CEPR. The President and the Research Director are *ex officio* members of the Committee.

Q: Does the Committee date recessions for individual countries in the euro area?

A: No, the sole objective of the Committee is to date recessions for the euro area as a whole.

Q: Is it possible that the EU area is in a recession while some of the individual countries are not?

A: The Committee wants to ensure that its characterization of Euro-area economic activity (which is its sole objective) is not affected by rising heterogeneity in the Euro-area. Adopting a dating criterion that refers solely to aggregate Euro-area economic activity achieves this objective most transparently. Note that since October 2012 the Committee has dropped its requirement that peaks or troughs mark turning points in economic activity in *most* countries of the euro area. The rationale for this definitional change is explained in detail in a [methodological note](#). It is thus possible that the euro area is in a recession while some of the individual countries are not, and that the business cycle dates differ for the Euro-area and for individual countries. For instance, 2011Q3 is a peak in the Euro-area as a whole, but not for Germany. A detailed analysis of heterogeneity in individual countries' business cycles is included in the Committee's releases since its creation.

Q: When does the Committee meet? When does it release its findings?

A: The Committee meets when it feels that data developments warrant examining whether there has been a turnaround in economic activity. Since October 2013, the Committee releases its findings *after each meeting* – whether or not it has decided to date a trough or a peak. Previously, it did so only after meetings that did date a turnaround. The rationale for this change is that the Committee feels that the decision not to date is as informative as a decision to date. See, for instance, the [October 2013](#) or [June 2014](#) findings of the Committee.

For more frequently asked questions and their answers, see <http://www.cepr.org/content/business-cycle-dating-committee-faqs>

Data Appendix

Data source: Eurostat (<http://epp.eurostat.ec.europa.eu>)

