



## Euro Area Business Cycle Dating Committee: Euro Area Out of Recession, in Unusually Weak Expansion

1 October 2015

The CEPR Euro Area Business Cycle Dating Committee met electronically in the week following 18 September 2015. It concluded that the trough of the recession that started after the 2011Q3 peak has been reached in 2013Q1. It observed that the pace of the expansion since 2013Q1 has been uncharacteristically weak by historical standards and noted that there would be cause for concern if this sluggish expansion turned out to be the new face of good economic times in the euro area.

The CEPR Euro Area Business Cycle Dating Committee, which is composed of nine CEPR researchers, 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.

### Findings

The Committee met electronically in the week following 18 September 2015 and released its findings on 1 October 2015. They reflect data publically available as of 15 September 2015.

**The committee declared that the trough of the recession** that started after the 2011Q3 peak **has been reached in 2013Q1:**

- The 2013Q1 trough signals the end of the second recession witnessed by the euro area after the financial crisis. The recession lasted six quarters

- The 2011Q3-peak to 2013Q1-trough cumulative decline in output has been a mild 1.5 percent.
- The 2013Q1 trough heralds the onset of a euro area expansion. Any subsequent decline in economic activity will constitute a new recession.
- The expansion since the 2013Q1 trough has been, so far, unusually lackluster by historical standards. Whereas the average GDP growth rate in the nine quarters following a trough was 5.7 percent in the past recoveries, it has been only 2.7 percent since 2013Q1. Similarly, nine quarters into the expansion, labor markets still show considerable slack and employment creation has been very sluggish, in line with the very slow recovery of output. In spite of these enduring signs of weakness, **the economy has improved long enough by now and delivered sufficient cumulative growth for the Committee to decide that 2013Q1 marks the trough of the recession that started after the 2011Q3 peak.**

At its previous June 2014 meeting, the Committee expressed concern that the euro area may have been experiencing a **pause in the recession** since early 2013 rather than an expansion. At the time, it observed that the euro area had witnessed, since early 2013, a prolonged episode of extremely weak growth in economic activity. The Committee noted that had the improvement in economic activity been more significant or more sustained, it was likely that it would have declared a trough in the euro area business cycle in early 2013.

The *average* pace of recovery has not been notably different since June 2014 meeting of the Committee. However, by now, the *duration* of this recovery has made up for its slow speed and has delivered a significant, if weak, cumulative improvement in economic activity. The Committee has decided to label this period of improving economic activity an expansion but it emphasizes that growth is so far uncharacteristically weak for an expansion **and that there would be cause for concern if this sluggish expansion turned out to be the new face of good economic times in the euro area.**

At the peak of the expansion that ended in 2011Q3, euro area GDP was still about 2 percent below its previous 2008Q1 peak. In the ensuing recession, it fell a further 1.5 percent and by the 2013Q1 trough it was about 3 percent below the 2008Q1 peak. With the long but slow expansion that started after the 2013Q1 trough, euro area GDP has therefore not recovered, as of 2015Q2, the level it had reached at the 2008Q1 peak.

The decision of the Committee not to call at its earlier meeting an end of 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 current decision of the Committee does not reflect a positive (or negative) forecast by the Committee of future growth prospects for the euro area, since the Committee does not forecast (see FAQ).

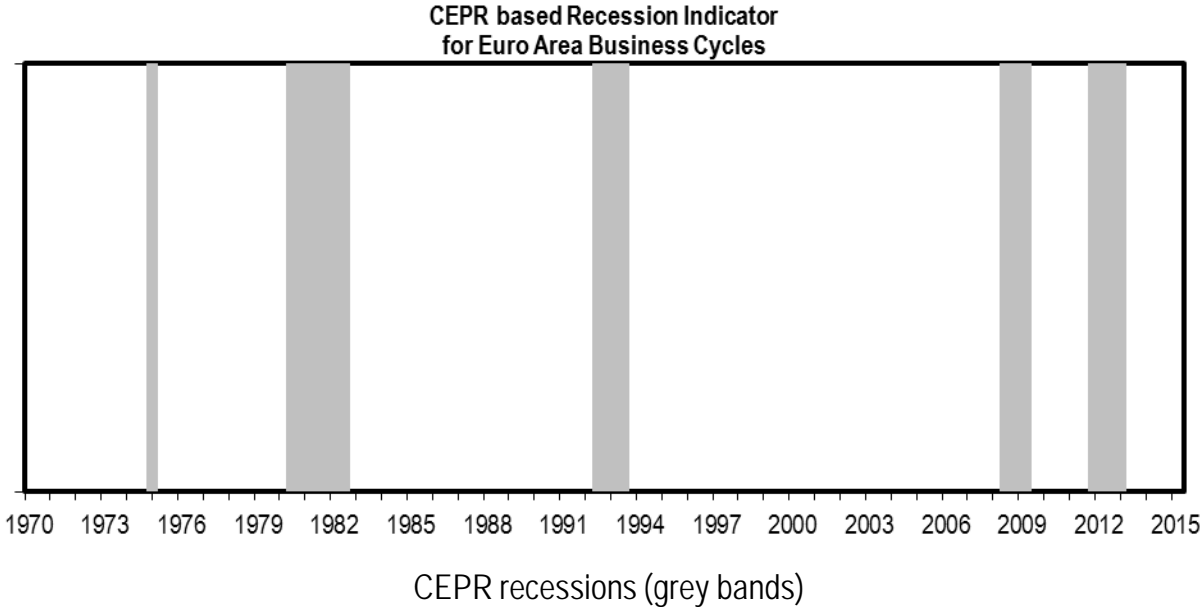
Previous announcements of the Committee can be found [here](#).

You can find a discussion of the methodology used by the Committee [here](#), the sources of its data [here](#), and frequently asked questions (FAQs) [here](#).

# Chronology of euro-area business cycles

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

<b>Table 1. Peaks and Troughs</b>			
<b>Date</b>	<b>Peak/Trough</b>	<b>Announcement Date</b>	<b>Findings</b>
2013Q1	Trough	1 October 2015	<a href="#">Available here</a>
2011Q3	Peak	15 November 2012	<a href="#">Available here</a>
2009Q2	Trough	4 October 2010	<a href="#">Available here</a>
2008Q1	Peak	31 March 2009	<a href="#">Available here</a>
1993Q3	Trough	22 September 2003	<a href="#">Available here</a>
1992Q1	Peak	22 September 2003	<a href="#">Available here</a>
1982Q3	Trough	22 September 2003	<a href="#">Available here</a>
1980Q1	Peak	22 September 2003	<a href="#">Available here</a>
1975Q1	Trough	22 September 2003	<a href="#">Available here</a>
1974Q3	Peak	22 September 2003	<a href="#">Available here</a>



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  
Refet Gürkaynak, 2012- , Bilkent University and CEPR  
Monika Merz, 2012- , University of Vienna and CEPR  
Richard Portes, 2003- , LBS and CEPR (*ex officio*)  
Giorgio Primiceri, 2014- , Northwestern University and CEPR  
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: Angela Capolongo, 2014- , ULB

Former committee members:

Michael Artis, 2003-2009  
Fabio Canova, 2003-2012  
Jordi Gali, 2003-2012  
Francesco Giavazzi, 2003-2012  
Domenico Giannone, 2012-2014  
Harald Uhlig (Chair, 2005-2012), 2003-2012  
Volker Wieland, 2008-2012

Former rapporteur:

Paul Hubert, 2012- 2014, OFCE, Sciences Po

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

## Frequently Asked Questions<sup>1</sup>

**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?**

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<sup>1</sup> These FAQs have been in part adapted from the NBER document.

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 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?**

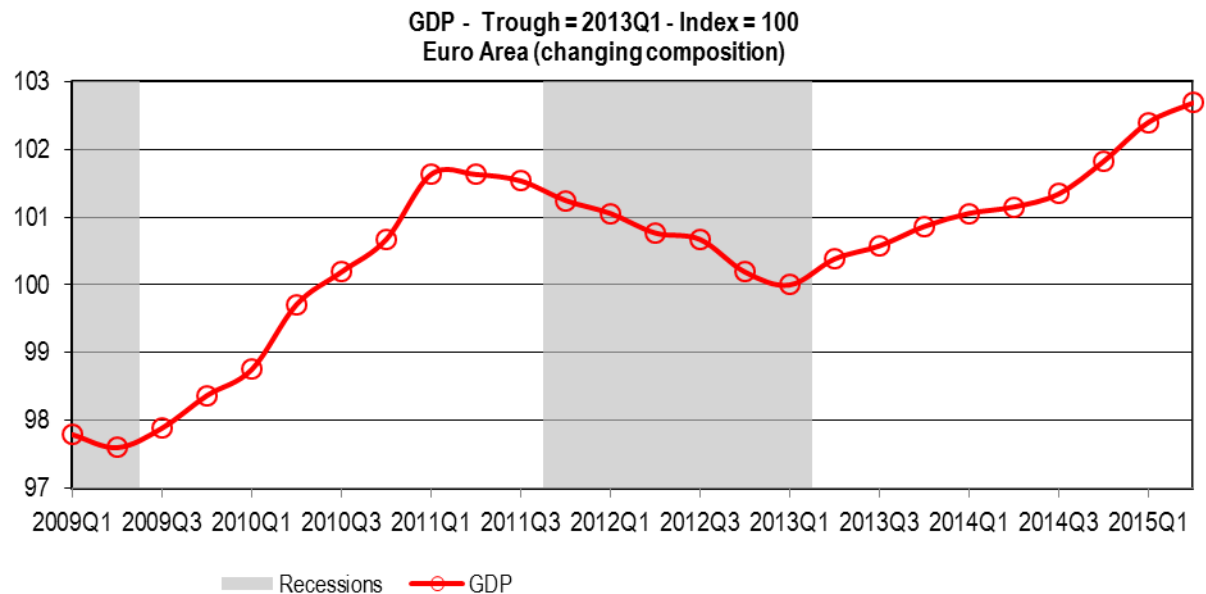
A: The Committee meets when it feels that data developments warrant examining whether there has been a turnaround in economic activity. Since October 2013, the Committee releases its findings *after each meeting* – whether or not it has decided to date a trough or a peak. Previously, it did so only after 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



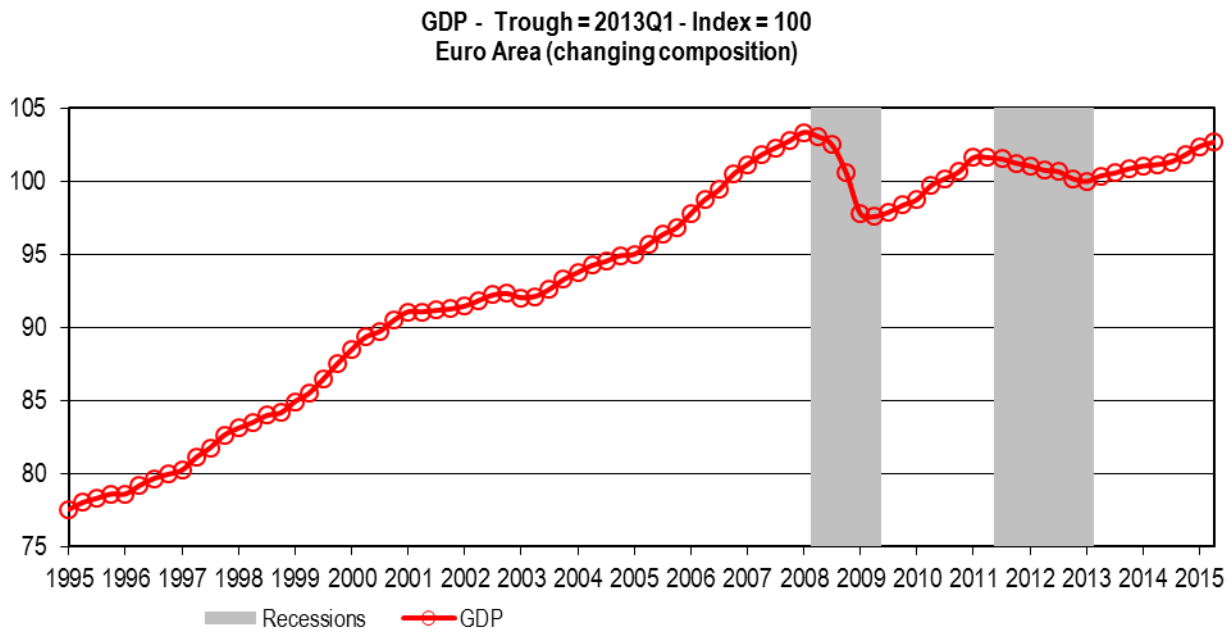
## Data Appendix

Data source: Eurostat ( <http://epp.eurostat.ec.europa.eu>). For further details see [http://www.cepr.org/Data/Dating/data sources 2015.pdf](http://www.cepr.org/Data/Dating/data%20sources%202015.pdf).

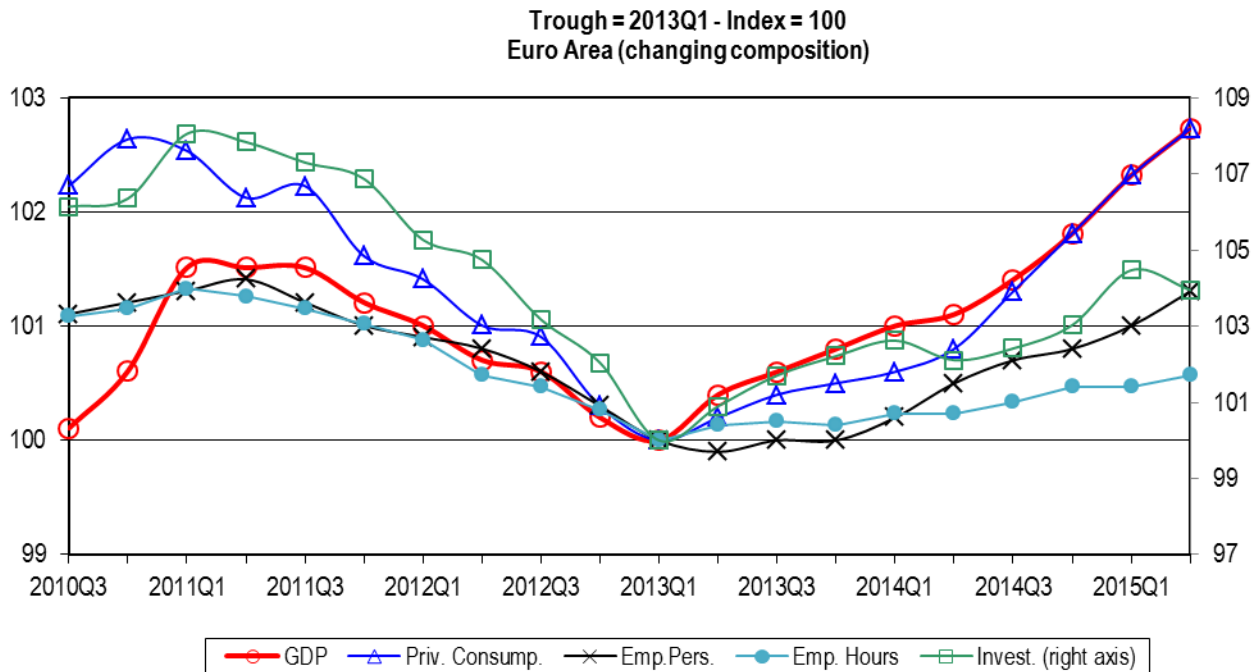


**Figure 1. Euro Area GDP, index 2013Q1 = 100, time period 2009Q1-2015Q2**

Note: Euro area (changing composition) stands for EA11 from 1995, EA12 from 2006, EA13 from 2007, EA15 from 2008, EA16 from 2010, EA17 from 2010, EA18 from 2014, and EA19 since 2015.

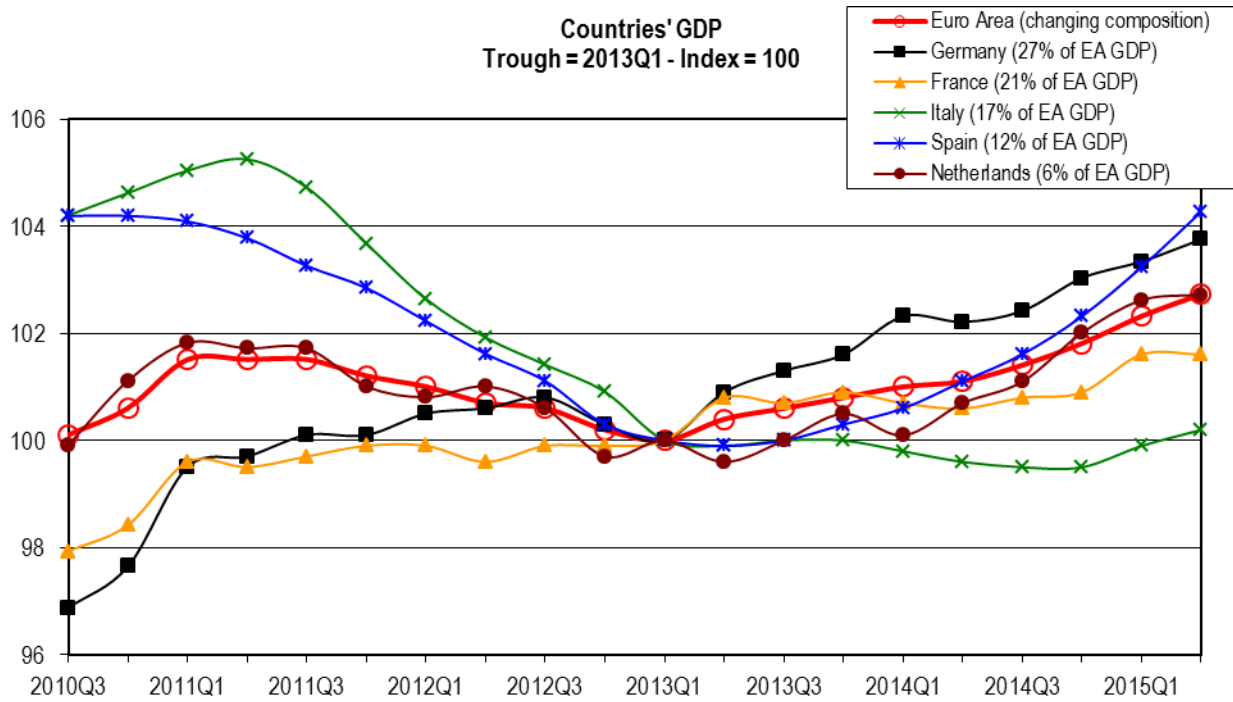


**Figure 2. Euro Area GDP , index 2013Q1 = 100, time period 1995Q1-2015Q2**



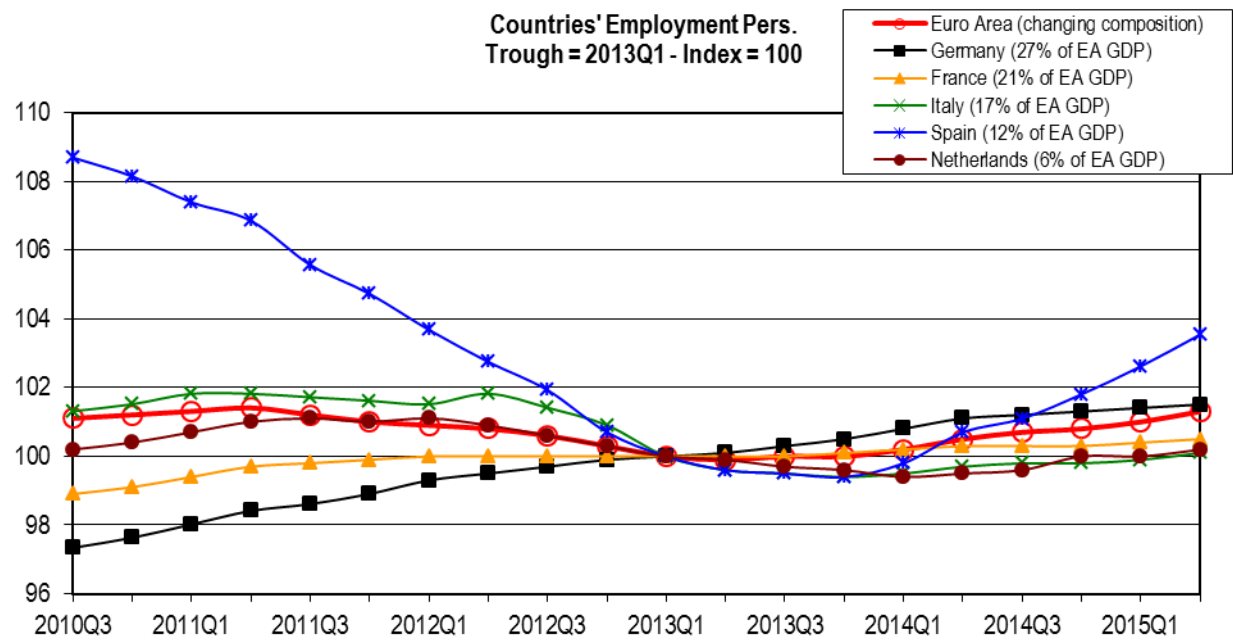
**Figure 3. GDP, Consumption, Investment, Employment (in pers.)<sup>1</sup> and Employment (in hours)<sup>1</sup>, indices 2013Q1 = 100, time period 2010Q3 - 2015Q2**

<sup>1</sup> Employment A\*10 industry breakdown according to the new methodology ESA2010.



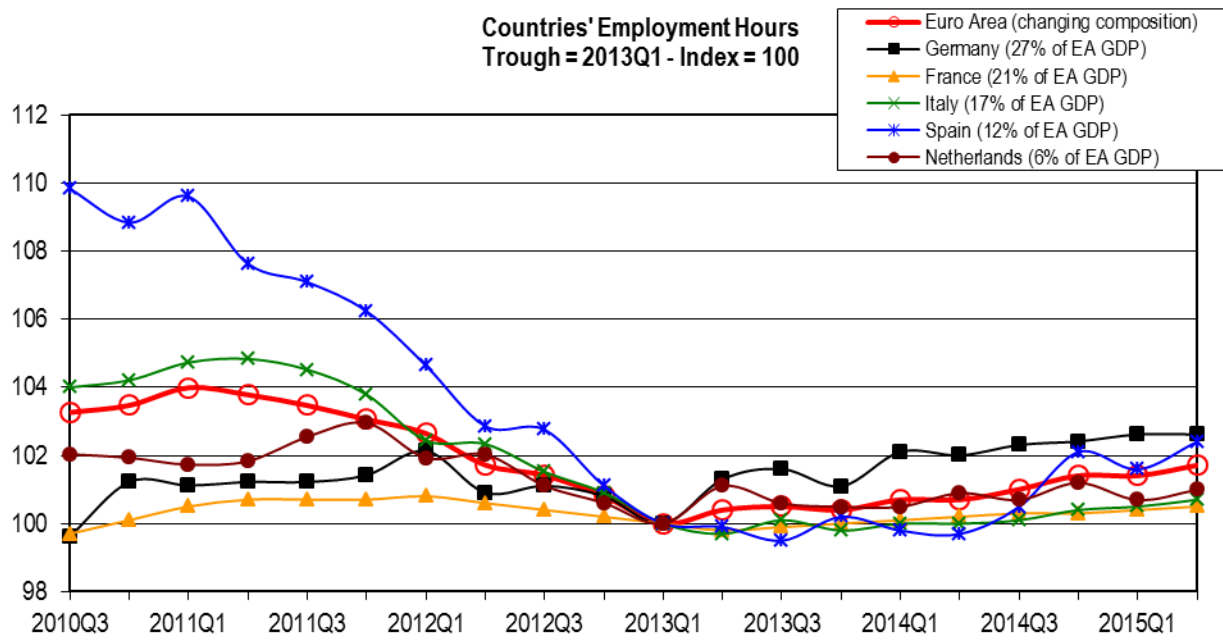
**Figure 4. Euro Area and countries' GDP, indices 2013Q1 = 100, time period 2010Q3-2015Q2**

Note: Countries' weights are based on 2011 GDP.



**Figure 5. Euro Area and Countries' Employment (in pers.)<sup>1</sup>, indices 2013Q1 = 100, time period 2010Q3-2015Q2**

Note: Countries' weights are based on 2011 GDP.



**Figure 6. Euro Area and Countries' Employment (in hours)<sup>1</sup>, indices 2013Q1 = 100, time period 2010Q3-2015Q2**

Note: Countries' weights are based on 2011 GDP.

