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CEPR: Euro Area in recession since January 2008

The latest employment data from Eurostat confirm that the euro area entered a recession in the first quarter of 2008, according to the Centre for Economic Policy Research (CEPR).

CEPR's *Euro Area Business Cycle Dating Committee* announced today that economic activity in the euro area peaked in the first quarter of 2008. The peak marked the end of an expansion that began in the third quarter of 1993 and lasted 57 quarters.

The euro area recession, as dated by the CEPR Committee, began only one month after the recession in the United States, as dated by the NBER Business Cycle Dating Committee. Historically, the euro area's cyclical pattern has been 'smoother' in the past than the US cycle. Indeed, the last time the US went into recession (2001), the euro area did not.

The Committee defines a recession as a significant decline in the level of economic activity, spread across the economy of the euro area, usually visible in two or more consecutive quarters of negative growth in GDP, employment and other measures of aggregate economic activity for the euro area as a whole, and reflecting similar developments in most countries.

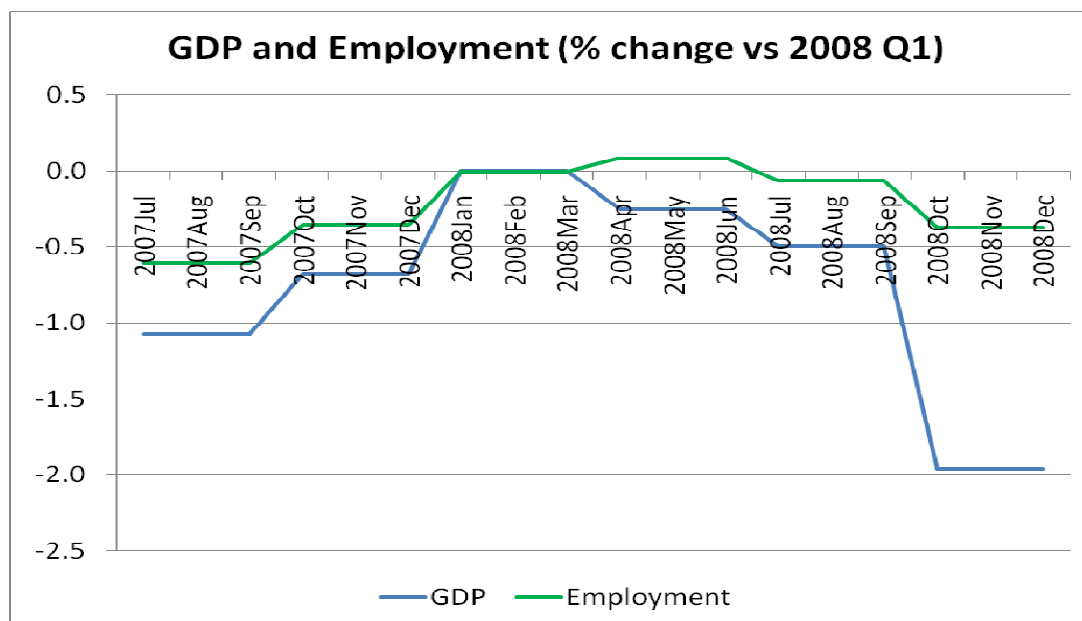
Harald Uhlig, chair of the Committee, noted that calling the start of this recession was difficult:

"GDP peaked in the first quarter of 2008, while employment continued to rise into the second quarter. The second quarter rise and third quarter fall in employment were small, and we wanted to be certain this was a decline and not merely a short-term fluctuation in employment.

'Eurostat released employment data for the fourth quarter of 2008 on 16 March. Now that we have the employment figures for the full year, we can identify the peak of activity – and the beginning of the recession – in the first quarter of 2008.'

Monthly data, while less reliable, also point to a peak in the first quarter of 2008. Industrial production peaked in December 2007, with marginally lower levels in January 2008 and February 2008. Sales peaked in March 2007 overall, but show an intermediate peak in January 2008. Unemployment was practically flat from December 2007 to March 2008.

Identifying the month in which activity peaked is more difficult for the euro area, but the Committee's best judgement is January 2008.



The movement in euro area GDP is tracked in the large member countries Germany, France, Italy and Spain, with Spain peaking in the second rather than the first quarter of 2008. For the smaller countries, there is considerably more heterogeneity.

The Committee's findings are available on the CEPR website at <http://www.cepr.org/press/Dating-Committee-Findings-31-March-2009.pdf>

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The CEPR Business Cycle Dating Committee: CEPR established the Committee in 2002. Its mission is to establish the chronology of recessions and expansions of the 11 original euro area member countries for 1970-98 and of the current euro area as a whole since 1999. The role of the Committee is to establish the chronology of recessions and expansions, not to forecast. The Committee is chaired by Harald Uhlig, and comprises:

- Michael Artis (University of Swansea and CEPR)
- Fabio Canova (Universitat Pompeu Fabra and CEPR)
- Jordi Galí (CREI and Universitat Pompeu Fabra and CEPR)
- Francesco Giavazzi (Università L Bocconi and CEPR)
- Richard Portes (London Business School and President, CEPR)
- Lucrezia Reichlin (London Business School and CEPR)
- Harald Uhlig (University of Chicago and CEPR)
- Philippe Weil (ECARES, Sciences Po, and CEPR)
- Volker Wieland (Johann Wolfgang Goethe-Universität Frankfurt and CEPR)

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