

December 5, 2008

Do you see what they see?

It is now official: On Monday [the National Bureau of Economic Research \(NBER\) Business Cycle Dating Committee declared](#)—or, perhaps more accurately, confirmed—that the U.S. economy began to contract in December of last year. Not that you probably missed it, as the announcement was ably covered [at Businomics Blog](#), [at Calculated Risk](#), [at The Curious Capitalist](#), [at Econbrowser](#), [at Economist's View](#), [at Greg Mankiw's Blog](#), [at The Skeptical Speculator](#), [at William Polley](#), among many other fine blogging locations.

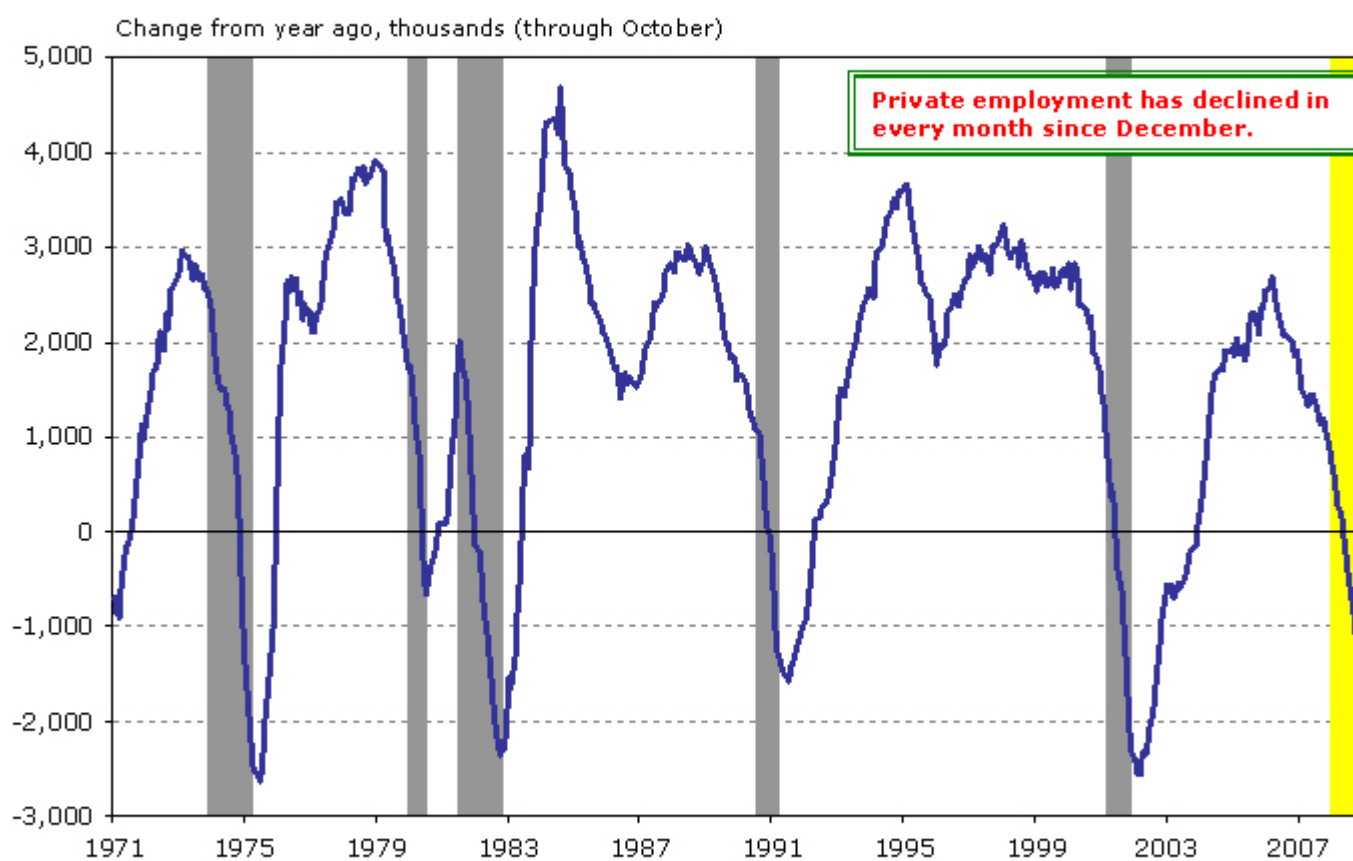
As always, the NBER Committee was forthright about what helped them decide the time had come. Here's what they said:

“Because a recession is a broad contraction of the economy, not confined to one sector, the committee emphasizes economy-wide measures of economic activity. The committee believes that domestic production and employment are the primary conceptual measures of economic activity.

“The committee views the payroll employment measure, which is based on a large survey of employers, as the most reliable comprehensive estimate of employment.”

In the graph below (which does not include the 12/5/08 employment report), I've included gray bars to indicate past NBER recession periods, and a yellow shaded area to indicate the current recession (assuming, not so heroically, that the contraction has persisted at least through October):

Private Non-farm Employment



Source: Bureau of Labor Statistics

Note: bars represent recession periods

The statement continues:

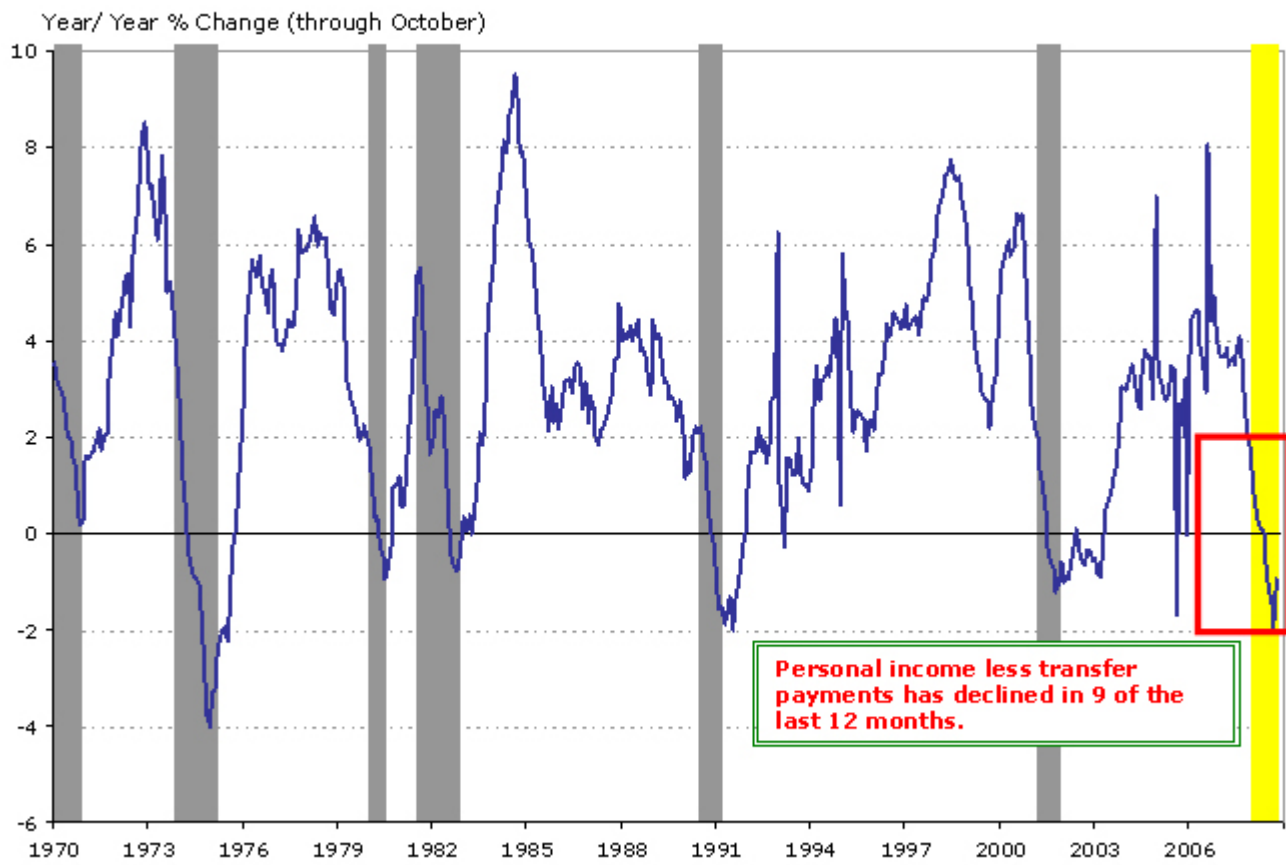
"The committee uses real personal income less transfer payments from the Bureau of Economic Analysis as a monthly measure of output. ...

"Real manufacturing and wholesale-retail trade sales from the Census Department is another monthly indicator of output. ...

"The last monthly measure of production is the Federal Reserve Board's index of industrial production."

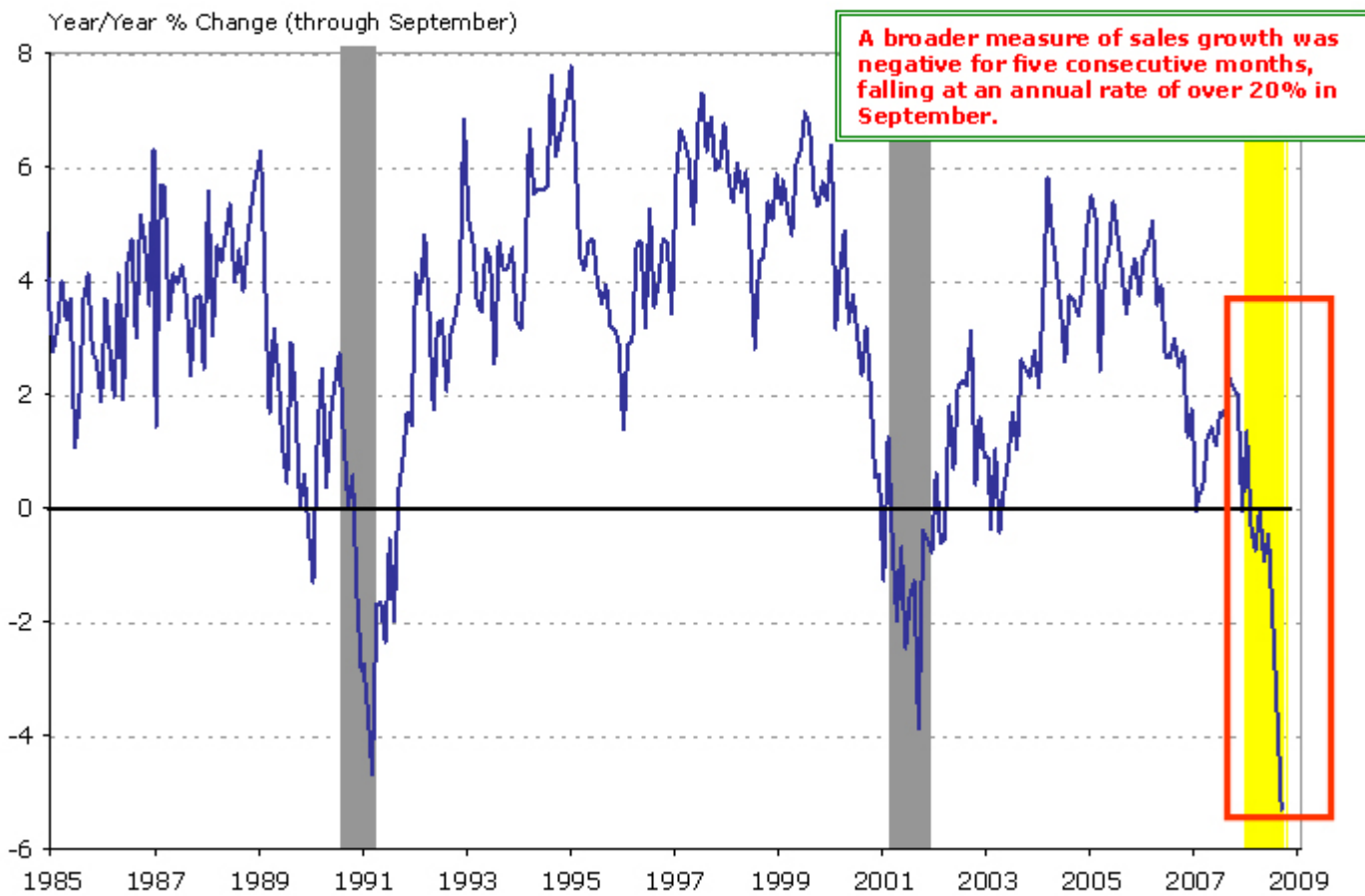
The rest of the story, then, in pictures:

Personal Income Less Transfers



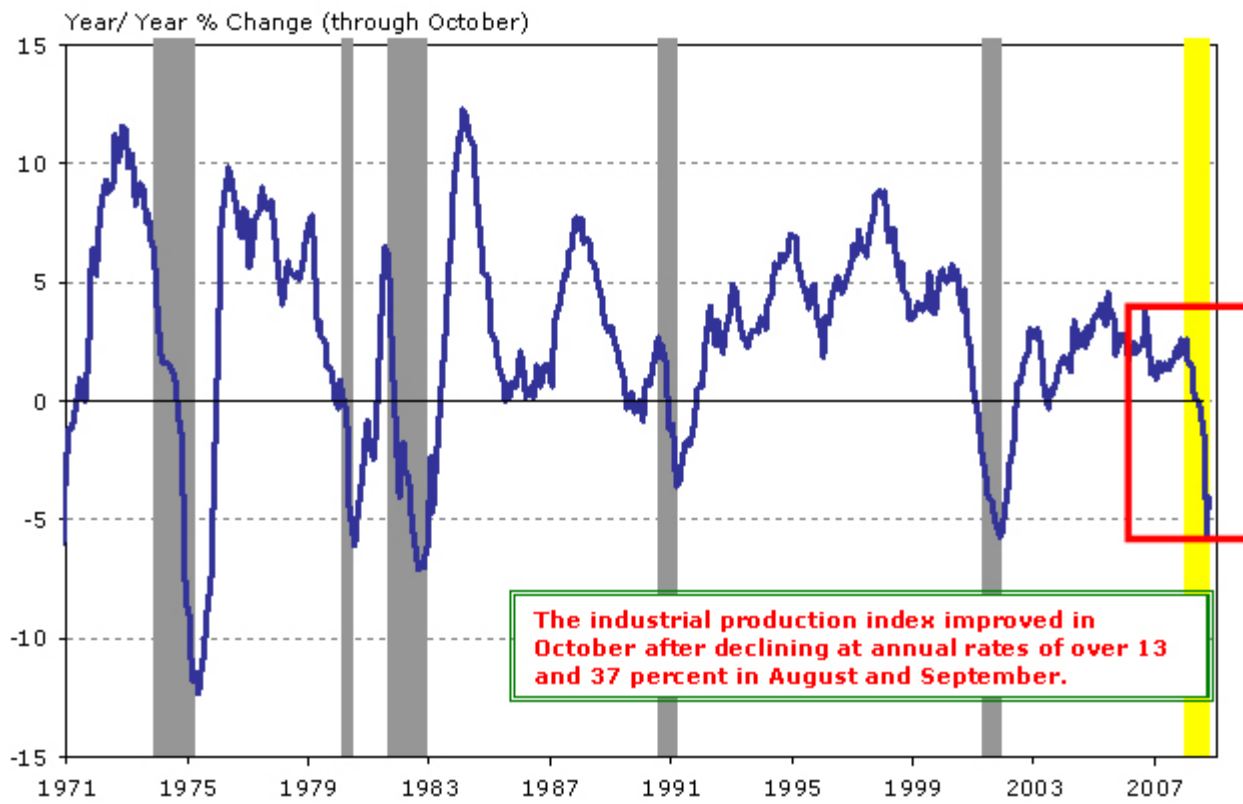
Source: US Bureau of Economic Analysis

Total Business Sales



Source: Bureau of Economic Analysis

Industrial Production



Source: Federal Reserve Board

To the extent that contractions are judged on the basis of past episodes that bore the label "recession," one can understand why the committee came to the decision it did.

That does raise the interesting question as to how similar to past episodes this particular period is shaping up to be. More on that to follow.

By [David Altig](#), senior vice president and director of research at the Federal Reserve Bank of Atlanta

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