

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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DETECTING RECESSIONS IN THE GREAT MODERATION: A REAL-TIME ANALYSIS

Detecting the future path of the economy has become increasingly difficult in the past few decades as the ups and downs of the business cycle have moderated. As a result, policymakers must rely on a variety of signals to determine whether the economy is likely to dip into a recession.

The National Bureau of Economic Research (NBER) determines the dates when the economy enters or leaves a recession. But its decisions are intended to be accurate, not necessarily timely. Formal recession prediction models are designed to send a timely signal, but they often do not account for the moderation of the business cycle.

In the article “Detecting Recessions in the Great Moderation: A Real-Time Analysis,” Troy Davig, an assistant vice president and economist at the Federal Reserve Bank of Kansas City, presents a model that can be used to signal whether the economy is headed toward an NBER-defined recession in a timely manner. The article appears in the fourth quarter edition of the Bank’s *Economic Review*.

The article is available on the Bank’s website at www.KansasCityFed.org.

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