

Understanding the “Tracking the Global Economy” Charts

Each set of charts on “Tracking the Global Economy” is designed to provide a snapshot of an economic environment as well as a historical comparison.

The data in each chart are indexed to a value of 100 at the most recent business cycle turning point. When the economy is in recession, the “current” line is red and the data are indexed to 100 at the business cycle peak. When the economy is in expansion, the “current” line is green and the data are indexed to 100 at the business cycle trough (see Figure 1). Alongside the current trend, each chart reports the average decline (increase) in the series over past recessions (expansions) and the range of the declines (increases).

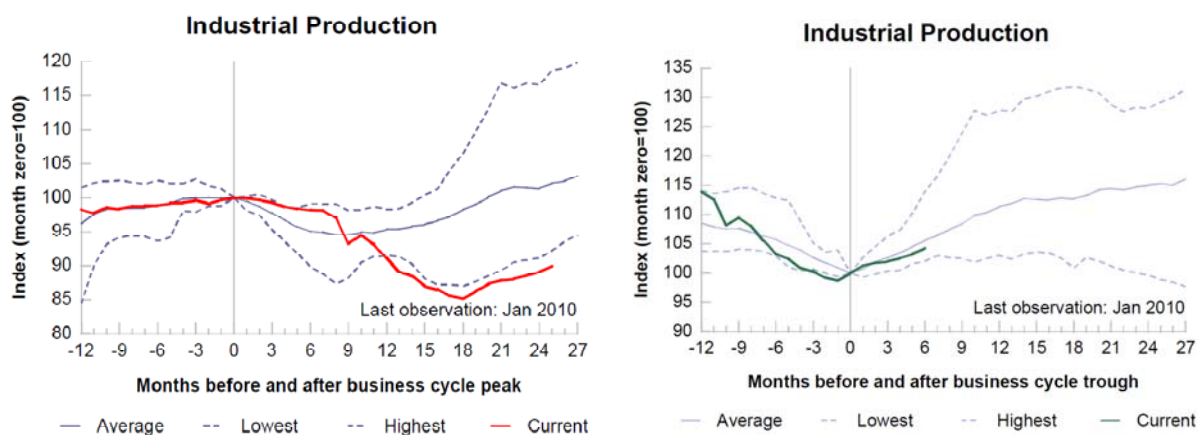
The horizontal axis reports the months before and after the most recent business cycle turning point. In the recession chart of Figure 1, *month zero* corresponds to December 2007 while in the expansion chart *month zero* corresponds to June 2009. Interpreting the values on the vertical axis is relatively straightforward. An interpretation of the data in the left chart of Figure 1 could be:

“Industrial production fell 15 percent (100 minus 85) since the start of the recession before turning upward. This decline is deeper than the average decline of approximately 5 percent (see solid blue-grey line) and slightly below the worst decline of approximately 12 percent (see lower dashed line). The last data point indicates the level of industrial production continues to be roughly 10 percent lower than it was in December 2007.”

An interpretation of the data in the right chart of Figure 1 could be:

“Since June 2009 industrial production has increased about 5 percent. This increase is consistent with the experience of industrial production during past expansions, as the green line is following a similar path as the solid blue-grey line. There have been expansionary periods where industrial production has increased up to 25 percent during the first 9 months of an expansion (see upper dashed line). However, recoveries in industrial production have also been sluggish during other expansionary periods (see lower dashed line).”

Figure 1: Example of a Recession (Left) and Expansion (Right) chart for Industrial Production



Views expressed do not necessarily reflect official positions of the Federal Reserve System.