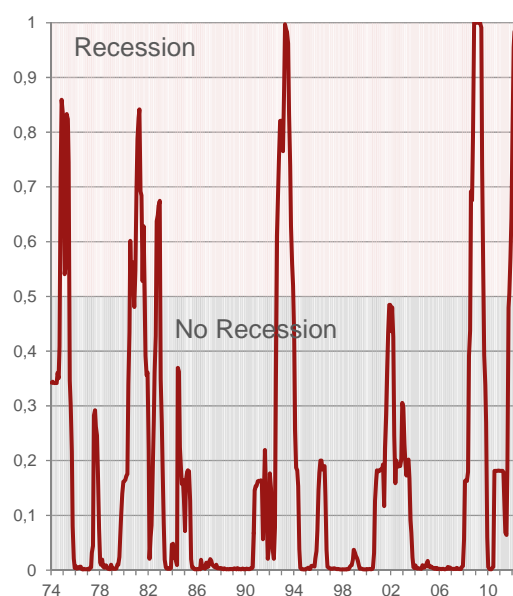


## Start-End Recession Index: strengthening of the recession in the last quarter of 2012

The start-end recession indicator (IESR) is above the 0.5 threshold since October 2011. The IESR converged towards 1 in April 2012 and receded thereafter to 0.52 in August. Since then, the IESR has increased again to reach an estimated 0.91 in November and probably close to 1 in December. The reinforcement of the recession index is due to a confirmed renewed fall of the industrial production (even if the provisional figure for November rather shows a stabilisation), another slide in household confidence and a continuous drop in car registers. The underlying growth rate (IRC) in December 2012 stands at -1.3 % at an annual rate. Right now, five of the eleven main euro area countries are in recession: the four southern European countries and the Netherlands.

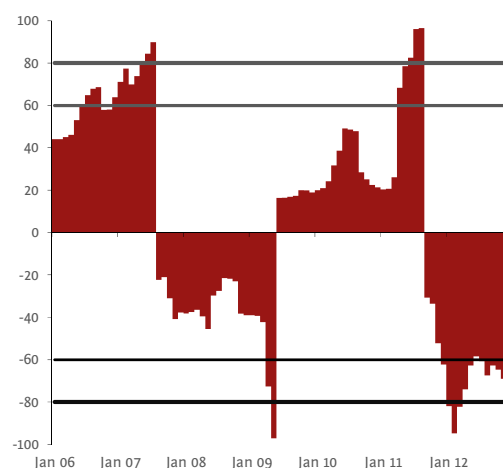
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## Leading Indicator: Signal of rebound in 2013

The IARC indicator dropped to -87.7 in December 2012 from a revised -69.1 in November, crossing therefore the -80 threshold. This sends a signal of an economic rebound in mid-2013 but the signal needs to be confirmed. We had a false alarm of rebound at the beginning of last year but this time, the signal is given after five quarters of recession. Financial variables are positively oriented. Short-term interest rates are at an historical low level of 0.2 % and the stock market is bullish. Survey results concerning the intermediate goods in the industry are slightly better since November and prospects on prices are less negative. The economic rationale for a rebound is however weak so we need to be cautious: no stimulus plan like in 2009, no need for inventories rebuilding, private consumption and investment under pressure. However, the global world-wide environment is still supportive and, above all, financial uncertainty in the euro area is decreasing.

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## The latest data

	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12
Start-End Recession Index	0.69	0.59	0.66	0.79	0.91	
Leading Indicator	-60.7	-67.5	-62.7	-64.7	-69.1	-87.7

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