Mention of the dreaded “R” word (Recession!) has recently increased following last month’s yield curve inversion and the first month of contraction in U.S. manufacturing since January 2016. Searching the “R” word on Google Trends shows that the term has not been mentioned this frequently since the 2008-09 downturn—the economic contraction often referred to as the Great Recession because it was the deepest and longest contraction in the U.S. economy since the Great Depression of the 1930s.

While recessions are typically contractions in GDP that last at least two consecutive quarters, most economists, including the National Bureau of Economic Research’s (NBER) Business-Cycle Dating Committee, define a recession as a period of falling economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales.

Based on business cycle dates from the NBER, Chart 1 shows economic contractions (black bars) and expansions (white bars) going back to the 1850s. The current expansion, indicated by the white bar furthest on the right, is now more than 10 years old, making it the longest economic expansion in American history.
But the length of the business cycle tells only part of the story. Chart 2 shows economic contractions and expansions for the last seven business cycles (excluding the short 1980 recession). As shown, the current expansion (in red), while the longest, has also been the weakest. Indeed, annual real GDP growth averaged 3.6% in the last half of the twentieth century, but since then has averaged only 2% annually.
Even so, economic expansions, like bull markets for stocks, typically don’t die of old age or because of long-run weaker-than-usual growth rates. Expansions end when economic and policy uncertainty erode business, investor and consumer confidence and thereby curtail investment and spending decisions. There are clearly some economic headwinds worth watching—like the global economic slowdown, weakness in manufacturing, inverted yield curve, and ambiguous trade and monetary policies—but for now, despite these headwinds, the economy is still growing, inflation and interest rates remain low and stable, net job creation is positive, and business, investor and consumer confidence have not yet deteriorated to alarming levels.