

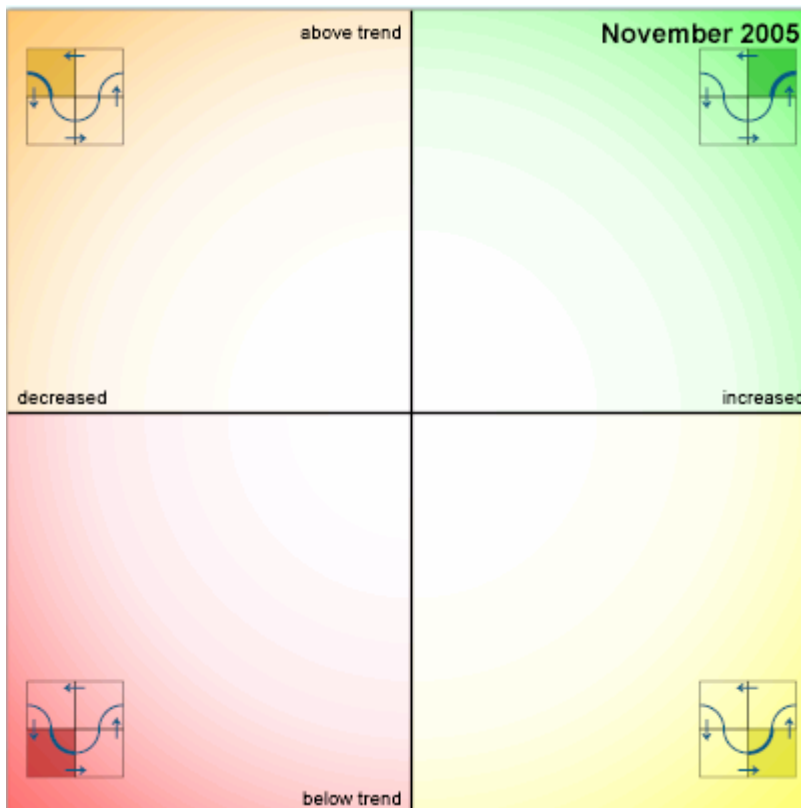
Statistics Netherlands' Business Cycle Tracer (BCT)

What is the BCT?

Statistics Netherlands' BCT is a tool to assist in the analysis of the state and the course of the Dutch economy. Just as a glance at the clock will tell us the time of day, a glance at the BCT will tell us in what stage of the business cycle we are in. As its name indicates, the BCT traces the cyclical nature of economic developments. Periods of high growth alternate with periods of slow or growth or even decline.

The state of the business cycle is determined using a selection of key macro-economic indicators. Portraying the fifteen indicators together results in a coherent picture of the state of the economy at a particular moment in time.

What does the BCT look like?



For each indicator, the deviation from its long-term trend is given on the vertical axis (the y-axis) of the BCT and the period-on-period change is given on the horizontal axis (the x-axis).

Four situations can be distinguished:

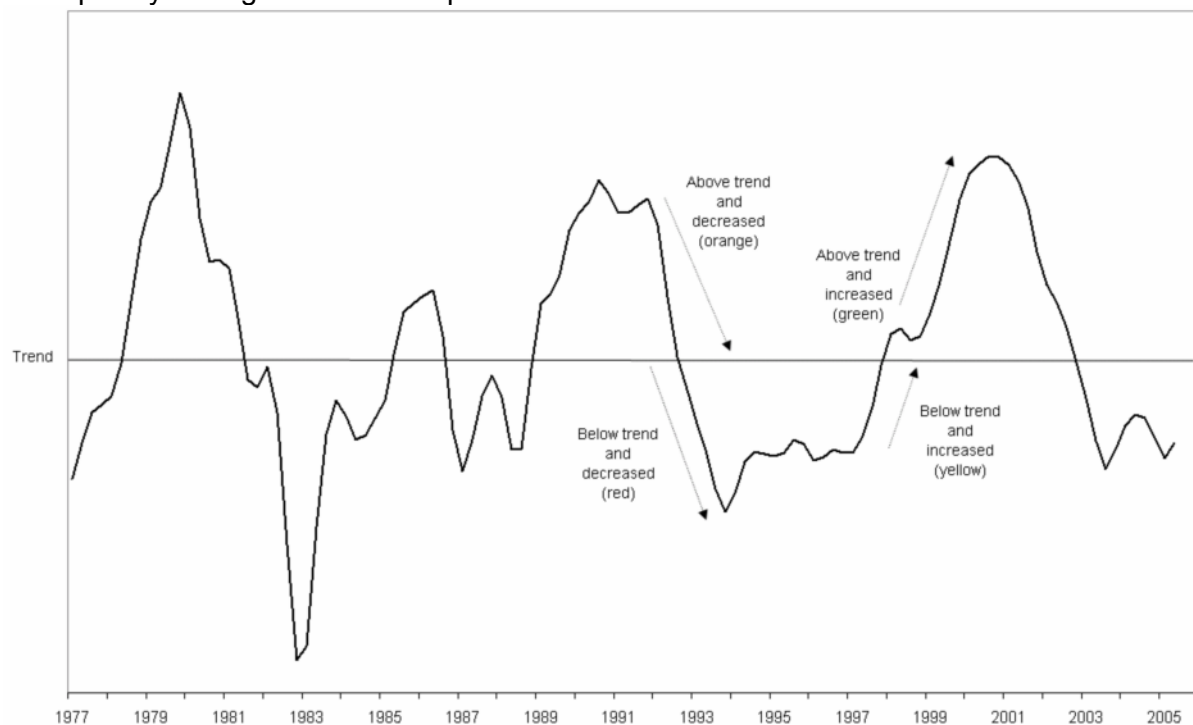
- Above trend and decreased (upper left-hand quadrant, colour orange)
- Below trend and decreased (lower left-hand quadrant, colour red)
- Below trend and increased (lower right-hand quadrant, colour yellow)
- Above trend and increased (upper right-hand quadrant, colour green)

For each indicator this results in a coordinate in the scattergram. The distribution of the various indicators across the quadrants of the BCT gives an indication of the state and the course of the Dutch business cycle. This is based on the average position and movement of the indicators. In a period of high economic growth most of the indicators will be above trend, in a period of economic decline they will be below trend. In addition to this, it is also possible to analyze the development of individual indicators.

How is the BCT compiled?

First of all, the cycle of each indicator is determined. This is the deviation from its long-term trend. It provides information about whether an indicator is above or below its trend, and also whether it has increased or decreased compared with the preceding period. The four quadrants of the BCT correspond with the four phases in the business cycle.

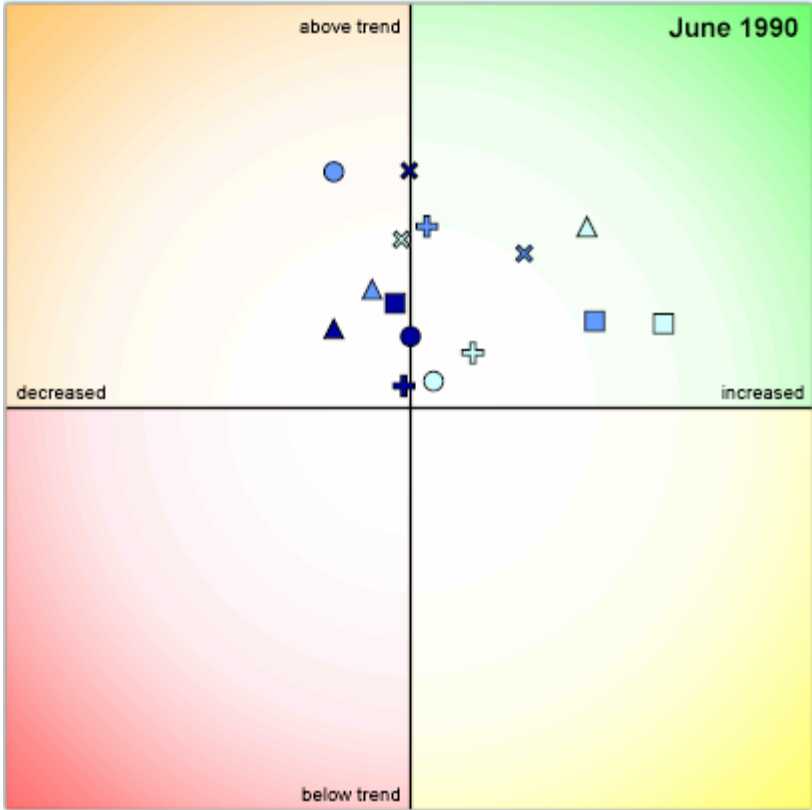
Example: cycle of gross domestic product



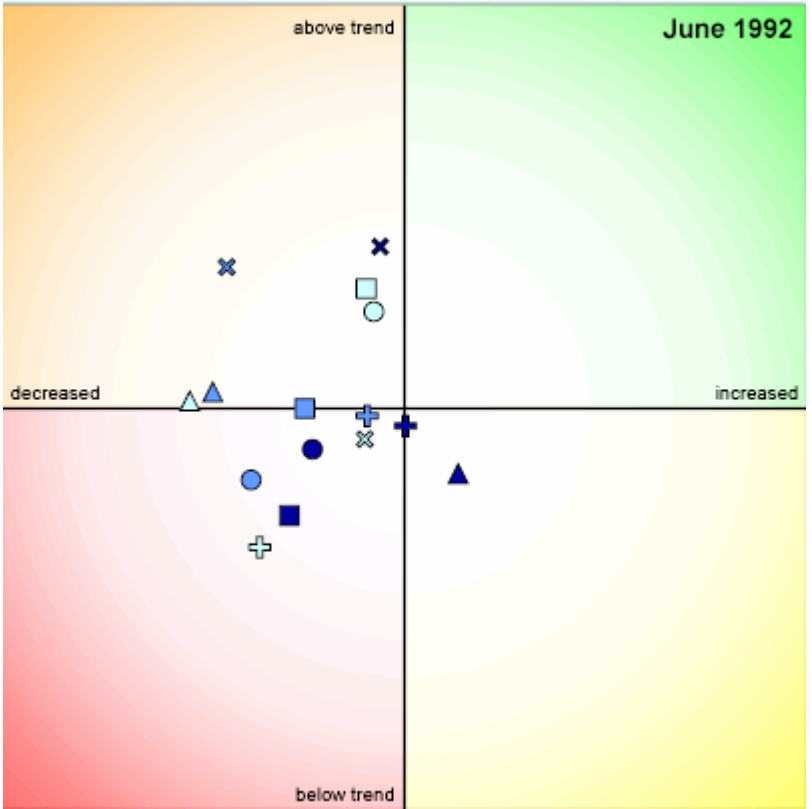
The BCT in various phases of the business cycle

The business cycle causes the movements in the indicators to be related. This means that they will cluster to a certain extent, they are not randomly spread across the four quadrants. Clear patterns can be discerned in the relative movements of the indicators. At times when the economy improves or deteriorates, most indicators will cluster in the corresponding quadrant. Sentiment indicators (such as consumer and producer confidence) are the leading indicators in the cluster, while labour market indicators (unemployment and labour volume) lag somewhat.

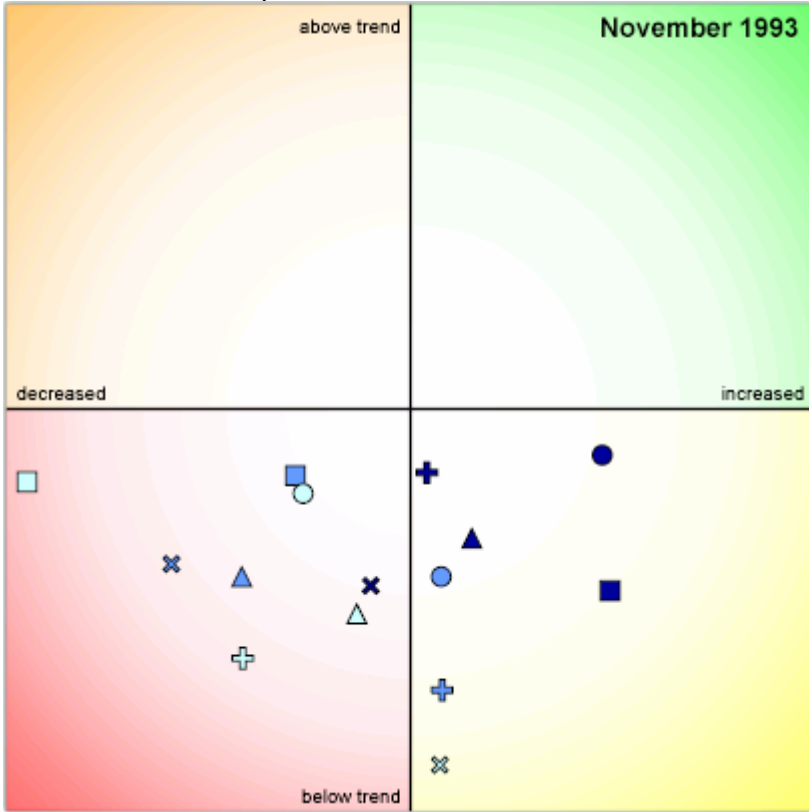
Business cycle peak (e.g. mid 1990):
The indicators are spread in the top half.



Business cycle contraction (e.g. 1991-1992):
Most indicators are in the left half.



Business cycle trough (e.g. end of 1993):
 The indicators are spread across the bottom half.



Business cycle expansion (e.g. 1997-2000):
 Most indicators are in the right-hand quadrants.

