# S-time-distance perspective on the current crisis in CIRET conference New York

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Providing new insights from Business Tendency Surveys and GDP data
The paper â€˜S-time-distance perspective: providing new insights of the current crisis from BTSand GDP dataâ€™ prepared by P. Sicherl, J. CirjakoviÄ‡, M. Remec was presented in the sessionNew Methods at the 30th CIRET Conference, New York, October 2010. The time distancemethodology deals here with the description of the current economic crisis with selectedindicators from the Business Tendency Surveys and GDP for EU and selected countries. Thismakes it possible to analyse the severity of the crisis in the two dimensions: decrease inthe static index from the peak in 2008 and the S-time-distance lag indicating how manyyears earlier the same levels of GDP were already achieved in the past.
The latter indicates that e.g. for EU27 this would amount to 3.3 years for 2009, 3.9 yearsfor 2010 and to 4.4 years for 2011. Alternatively, this means that the forecast level for 2011would be lower than that achieved in 2007. On the other hand, S-time-distance measureclearly shows how debt crisis has weakened the possibility of higher growth rate in the nearfuture. In 2011 the investment rate for EU27 would still be around 10% below 2008 value andabout at the level attained 14 years ago (about 1997 level). For the USA the investment rate in2011 is expected to be about 13% below the 2008 value at a level before 1994 resulting in S-time-distance of about 17 years. For investment rate Triad countries are expected to fallback to the levels in past century which could not be perceived by looking only at the staticindexes.

Comparing maximum and minimum values of ESI and GDP in the period 2007-2009 showsdifferent development in the declining and recovery phases. ESI for EU27 started to declineafter June 2007, while GDP started to decline after first quarter of 2008, this means8 months later than ESI. In the declining phase ESI offered a leading warning of about 8months, showed a fall of about 21 months from the maximum in June 2007 to the minimumlevels in March 2009, while the fall in quarterly GDP from first quarter of 2008 lasted about15 months. In the current crisis ESI showed much higher volatility than GDP. As mentionedbefore, this may indicate that much greater decline of ESI than of GDP might be a signthat the economic sentiment goes considerably beyond GDP and include also problemsrelated to the decrease in the investment rate, employment and other conditions.
The examples show that more attention needs to be paid to levels and time, which meansthat S-time-distance can bring about additional information for a more thorough analysis andunderstanding of the situation. An obvious extension would be to repeat such analysis forthe ESI components and also on types of indicators like OECD composite leading indicators.There are lessons that can be learned with the new methodology from comparisonsacross indicators and countries and lessons from a more detailed analysis within a givencountry.

- Full text: S-time-distance perspective on the current crisis.pdf