

There is no longer any doubt that the Great Recession of 2007-09 has ended. Of course, the end of recession is merely a turning point. The economy has a very long way to go to recoup the losses of the past year and a half, and it will take a considerable time to complete the task.

The ECRI Weekly Leading Index increased for the twenty-fifth straight week on September 4 on a 4-week moving average basis. The smoothed 6-month rate of change increased to 21.3%, equalling the previous high established in May 1971. ECRI says that, in addition to signaling changes in direction in the economy, the growth rate of the index loosely corresponds with the strength of economic recovery.

As mentioned in the August 21 *Econotes*, there has been a strong correlation between the peak rate of increase in the WLI near the trough of past recessions and real GDP early in the subsequent recoveries, calling into question the current consensus that growth will be modest in the next two years.

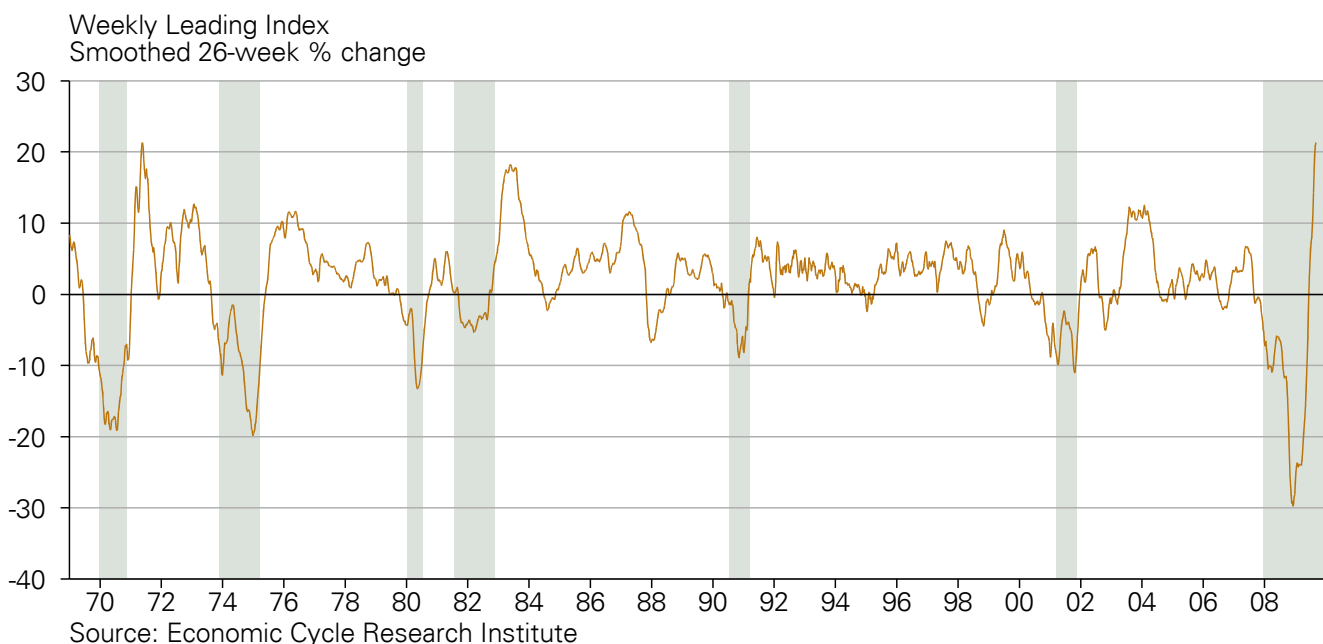
For example, the peak growth rate in the WLI following 1969-70 recession (in May 1970) ranks second highest during the ten post-war recoveries. Likewise, growth in

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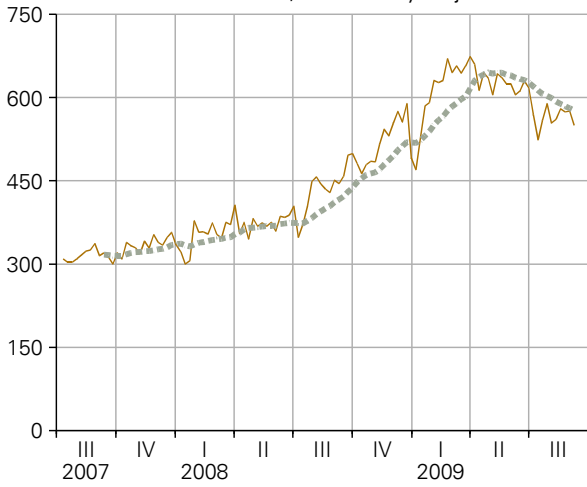
real GDP during the first two years of the recovery from the 1969-70 recession was the second strongest among all post-war recoveries. (First place for both WLI growth and real GDP growth goes to the recovery from the 1981-82 recession.)

In fact, the consensus for this cycle has been shifting with the incoming data. In April, the *Blue Chip Economic Indicators* consensus was for +0.4% growth in third quarter real GDP – the low-point for third quarter expectations. The recently released September consensus is for +3.0% third quarter growth.

Jim Coons



Initial Claims for Unemployment Insurance  
Thousands Per Week, Seasonally Adjusted



U. S. Dollar Exchange Rate  
FRB Major Currency Index, 1973 = 100



Price of Oil  
West Texas Int, \$/bbl



Price of Gold  
London PM Fixing, \$/oz



S&P 500 Stock Prices  
Daily Close, Index 1941-43 = 10



Mortgage Loan Originations  
MBA Purchase Index 3/16/90=100 SA

