

The Business Cycle Dating Committee of the National Bureau of Economic Research met on April 8 to discuss whether sufficient evidence exists to proclaim that the recession has ended. The committee previously determined that the recession began in December 2007.

Founded in 1920, the National Bureau of Economic Research is a private, nonprofit, nonpartisan research organization dedicated to promoting a greater understanding of the economy. The NBER is accepted as the arbiter of the business cycle, and publishes business cycle reference dates (the dates on which recessions and expansions have begun) extending back to 1854.

After reviewing patterns in major economic indicators, including real GDP, industrial production, manufacturing and trade sales, employment and income, the committee determined that:

“Although most indicators have turned up, the committee decided that the determination of the trough date on the basis of current data would be premature. Many indicators are quite preliminary at this time and will be revised in coming months.”

The news was misinterpreted by some, who reported that the NBER announced that the recessions has not yet ended. That interpretation is incorrect. The committee does not provide real-time analysis and does not engage in forecasting. Rather, the committee serves a historical function, making determinations only after all of the evidence in final form has accumulated.

What the committee said was that, while the economy has clearly turned up, it is too soon to declare the recession over because: (1) the data are still subject to revision and, more importantly, (2) the recovery has been sufficiently short and weak that a renewed downturn in the near future would be considered a continuation of the recession that began in 2007 not a new and separate downturn.

The current episode has historical precedent. The shortest expansion on record was the 12-month upswing from July 1980 to July 1981. If the most recent recession ended last July, but the economy turned down again before this

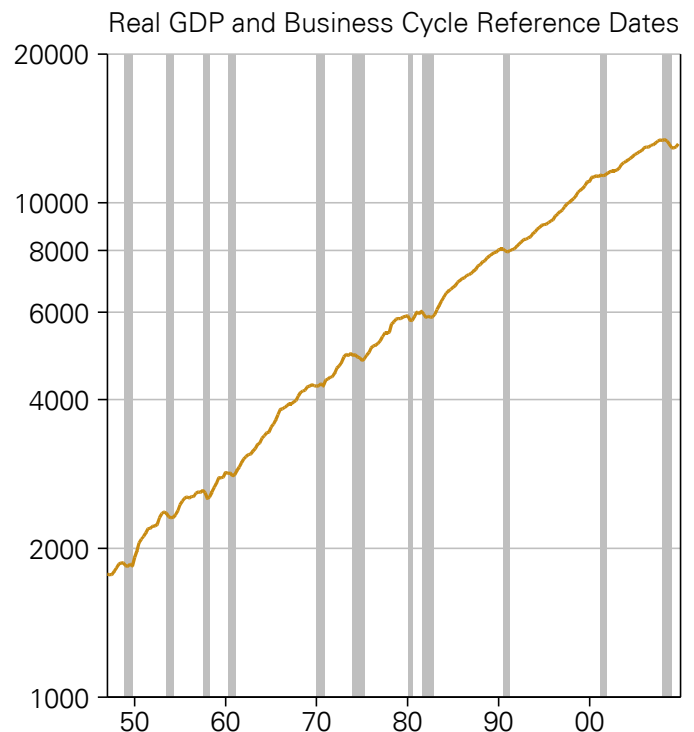
The National Bureau of Economic Research met to discuss whether the recession has ended, and decided that the evidence is strong, but premature.

July, then the intervening expansion would set a new precedent.

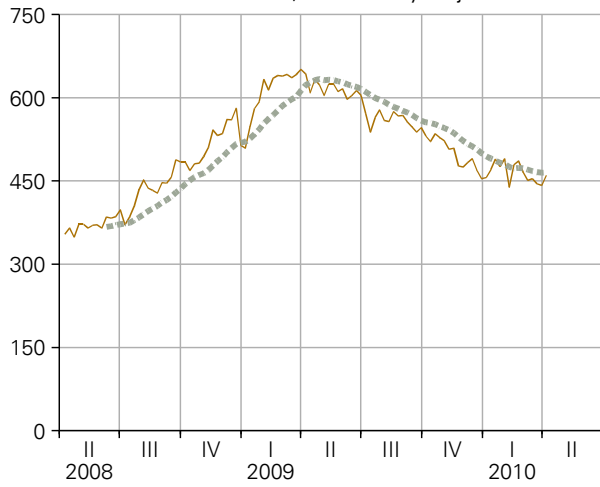
Some analysts still view the 12-month recovery from mid-1980 to mid-1981 as a temporary respite in the middle of a recession that extended from January 1980 to November 1982, not a separate business cycle expansion.

The key point is that the business cycle reference date chronology is important for analyzing historical data, but cannot be used in real-time because a reference dates are defined by a significant amount of data that is not available until well after the dates.

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

