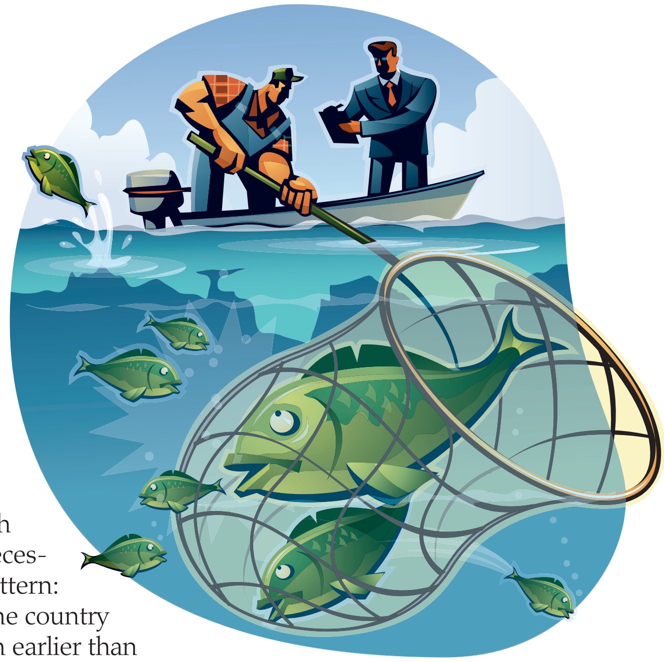

Official Dates for Business Cycles
Don't Capture All the Ups and Downs

By Howard J. Wall

Those who want a complete picture of business cycles should look beyond the dates determined by the National Bureau of Economic Research for the starts and ends of recessions and expansions. The NBER's Business Cycle Dating Committee provides a good snapshot of the broad aggregate economy, but the committee's methodology overlooks other related business cycles that are also important.

Although the NBER determines recession dates by evaluating a variety of different measures of economic activity, the dates are closely aligned with movements of the broadest measure, gross domestic product. As is well-known, however, recent NBER recessions have not been in synch with periods of recession in the labor market. The NBER said the latest recession to hit the country started in March 2001 and ended in November 2001. According to a forthcoming study to be published by the St. Louis Fed, the U.S. labor market entered recession in May 2000—nearly a year before the start of the NBER recession—and exited recession in November 2003—a full two years after the end of the NBER recession.[1]

A second interesting characteristic of the business cycle that is missed by the NBER, and by anyone who focuses solely on national-level data, is the geographic pattern of state-level recessions and expansions.[2] The last two recessions, in particular, each had a strong geographic element. Many coastal states went into recession well before the NBER recession began in July 1990 and did not leave recession until well after the NBER recession ended in March 1991. The most recent recession had the opposite pattern: States in the middle of the country tended to enter recession earlier than the country as a whole and tended to be the states that exited recession later than the country as a whole.

The experiences of the seven states wholly or partly in the Eighth Federal Reserve District provide a good illustration of the diversity of state-level experience during the period surrounding the most recent recession.

Except for Illinois, every District state entered into labor-market recession earlier than the country did. Mississippi's recession began the earliest, in August 1999, nine months before the country's labor-market recession began and six months before Missouri's. At the other extreme, Illinois' labor-market recession began one month after the country's did, while those of the remaining states began one to three months before the country's.

District states can be separated into two distinct groups in terms of the dates by which they saw their final months of labor-market recession. Recessions in Arkansas, Indiana, Kentucky and Tennessee ended in either July or August 2003, several months before the end of the national labor-market recession. On the other hand, three District states did not see their labor-market recessions end until well after this date: Illinois did not see the end of recession until June 2004, while Mississippi and Missouri had to wait until July of the same year.

Although the national labor market experienced one uninterrupted period of recession between May 2000 and November 2003, two District states—Indiana and Mississippi—saw brief periods of expansion during their overall recession experience. Indiana's labor market saw a "double dip" in that it returned to expansion in May 2002, only to dip back into recession just four months later. Mississippi actually saw a "triple dip," exiting recession in April 2002 and July 2003, only to return to recession two and six months later, respectively.

The final column of the table indicates the total number of months that each state's labor market was in recession during the period surrounding the 2001 NBER recession. Illinois, Mississippi and Missouri were in recession for between seven and 11 months more than was the U.S. labor market, which was in recession for 42 months. In contrast, all of the other four District states were in recession for fewer months than the country as a whole.

Labor-Market Recessions

	End of expansion period	End of final recession period	Number of recession periods	Total months of recession
Arkansas	March 2000	July 2003	1	40
Illinois	June 2000	June 2004	1	49
Indiana	March 2000	July 2003	2	36
Kentucky	April 2000	July 2003	1	39
Mississippi	August 1999	July 2004	3	51
Missouri	February 2000	July 2004	1	53
Tennessee	March 2000	August 2003	1	41
United States	May 2000	November 2003	1	42

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[1] Owyang, Michael T.; Piger, Jeremy; and Wall, Howard J. "The 2001 Recession and the States of the Eighth Federal Reserve District." Federal Reserve Bank of St. Louis *Regional Economic Development*, Vol. 1, No. 1, 2005, forthcoming.

[2] Owyang, Michael T.; Piger, Jeremy; and Wall, Howard J. "Business Cycle Phases in U.S. States." *Review of Economics and Statistics*, Vol. 87, No. 4, November 2005, forthcoming.