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PRESS RELEASE

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IMMEDIATELY

BUSINESS CYCLE TROUGH LAST JULY

CAMBRIDGE, July 08 -- At a meeting today in Cambridge, (AA), the Business Cycle Dating Committee of the National Bureau of Economic Research identified July 1980 as the most recent trough in the U.S. business cycle. In that month, a number of key indicators of real economic activity, including industrial production and nonfarm employment, reached their lowest points since the peak at the beginning of 1980. Some monthly indicators reached troughs a month earlier, in June, but the committee concluded that the bulk of the evidence favored July as the overall trough in economic activity.

The July trough was also consistent with the behavior of real GNP, which reached its low point in the second quarter

of 1980. The committee noted that twice previously the monthly trough in overall activity fell just outside of the quarter when real GNP reached its low point: in 1958 and again in 1961.

Reaffirming its earlier identification of January 1980 as the prior peak in business activity, the committee observed that the six months between the peak and the trough make the recession of 1980 the shortest recorded since the beginning of the NBER's business cycle chronology in 1854. The 1980 recession was also the first recession since World War II in which real GNP contracted for only a single quarter. The committee concluded that the depth and breadth of the contraction in early 1980 clearly marked it as a recession, in spite of its unusual brevity.

The period following July 1980 will appear in the NBER chronology as an expansion. An important factor influencing that decision is that most major indicators, including real GNP, are already close to or above their previous highs.

In addition to its basic monthly chronology of the U.S. business cycle, the committee also establishes a quarterly chronology. At its meeting today, the committee identified the first quarter of 1980 as a peak of the business cycle and the third quarter of 1980 as a trough.

Although real GNP reached its low point in the second quarter of 1980, the committee chose the third quarter for the chronology. That decision was made because of the numerous other indicators that reached their lows during the third quarter of 1980.

In two previous cases, 1958 and 1961, business cycle troughs in NBER's chronology also occurred one quarter later than the low point for real GNP.

Committee members are Martin Feldstein, Harvard University; Benjamin Friedman, Harvard University; Robert Gordon, Northwestern University; Robert Hall, Stanford University; Geoffrey Moore, Center for International Business Cycle Research; Victor Zarnowitz, University of Chicago; and William Branson, Princeton University, who did not attend today's meeting.

(July 8, 1981)