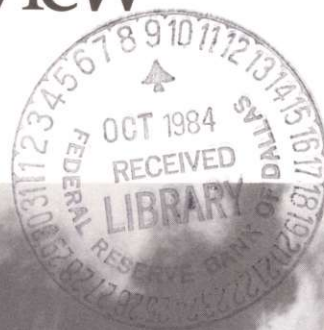


Federal Reserve Bank of Minneapolis

Quarterly Review

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District Conditions / A Strong Recovery

The pace of the Ninth District's* recovery seems to have accelerated in the first half of 1984. With the exception of a lagging farm economy, the district's recovery now appears to be at least as strong as the nation's—and may even be stronger. The district's impressive nonagricultural performance has been accompanied by significant gains in employment, particularly in manufacturing. The district's current economic momentum is likely to continue through 1984 and into 1985.

The U.S. Recovery Continues

The national economy continues its recovery from the last recession, which bottomed out in the fourth quarter of 1982. Recently, however, its torrid rate of economic growth showed some signs of slackening to a more sustainable pace. The preliminary estimate for real (inflation-adjusted) gross national product (GNP) for the second quarter of 1984 was 7.6 percent, down from 10.1 percent in the first quarter. Moreover, the government's index of leading economic indicators, which often anticipates future economic developments, declined 1.3 percent in June and 0.8 percent in July. Other indicators, however, suggest that there is still considerable economic momentum remaining in this current recovery: In July, industrial production increased 0.9 percent, personal income rose 0.8 percent, and new orders for durable goods were up 2.2 percent.

The District Recovery Accelerates

Compared with the U.S. recovery, the Ninth District's recovery started out at a slower pace, lagging the nation's throughout 1983. (See our Fall 1983 "District Conditions.") Since the outset of 1984, however, the pace of economic recovery in the Ninth District has begun to accelerate quite sharply¹—both in relation to the U.S. recovery and to the average of other postwar Ninth District recoveries.² Significant gains in personal income and in civilian (nonmilitary) employment, two of the best available indicators of overall economic activity, show that the district may well be approaching and even surpassing the

national rate of recovery, as well as its own average rate in past recoveries.

As shown in Chart 1, the percentage growth in district personal income initially lagged behind the nation's for four quarters after the recession bottomed out at the end of 1982. But in the first quarter of 1984, growth in district personal income caught up with and surpassed the national rate. In addition, Chart 1 shows that the district's current rate of personal income growth also lagged its average rate over past recoveries for roughly four quarters until passing that average after the beginning of 1984.

The district's performance in terms of civilian employment has also been quite strong, as shown in Chart 2. After lagging the U.S. recovery during the four quarters of 1983, the district's percentage growth in civilian employment approached the nation's rate in the first quarter of 1984 and continues close to the national rate. When compared with the district's average growth rate of civilian employment in past recoveries, the current district recovery exceeded the district average by the first quarter of 1984 and continued to exceed that average in the second quarter.

Contrasts Within the District Economy

The overall strength of the district's recovery is not, however, uniformly spread among its sectors: The agricultural sector, in particular, continues to experience problems, whereas the nonagricultural sectors are thriving.

*The Ninth Federal Reserve District consists of Minnesota, Montana, North and South Dakota, northwestern Wisconsin, and the Upper Peninsula of Michigan.

¹Based on the most recent data available as of August 1984.

²Charts 1-4 compare current district economic variables with national economic variables. Also shown are historical averages of district economic variables experienced in postwar Ninth District recoveries. In each chart, the zero point represents the trough of the national economy. National troughs are used to date postwar Ninth District recoveries because only U.S. recessions and recoveries are officially dated. The number of past district recoveries that are averaged varies by economic indicator, since some time series have more historical data than others. All data are seasonally adjusted and are totals of indicators for the four states completely within the district's borders.

Charts 1-4

How This Recovery Compares to the Current U.S. Recovery and to Past Recoveries in the Ninth Federal Reserve District

Quarterly Percentage Changes From the Level in the Trough of the U.S. Recession During the Current District and Current U.S. Recoveries and on Average in Postwar District Recoveries*

Chart 1 Real Personal Income

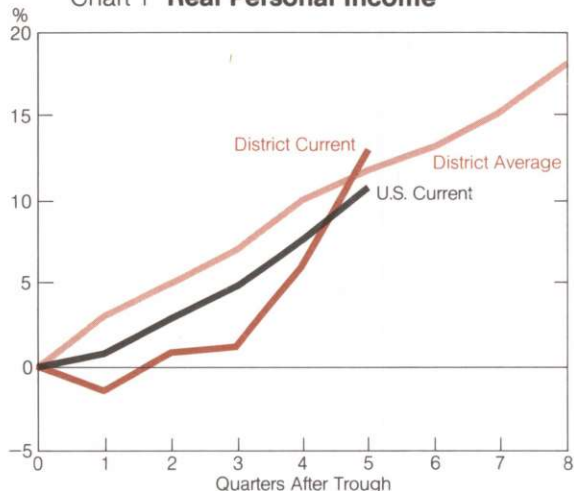


Chart 3 Cash Farm Receipts

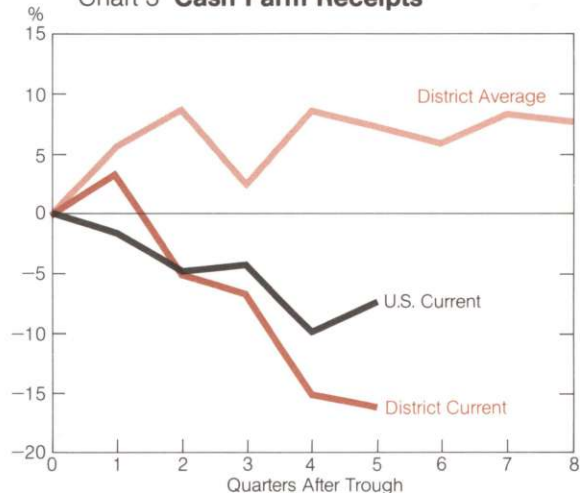


Chart 2 Civilian Employment

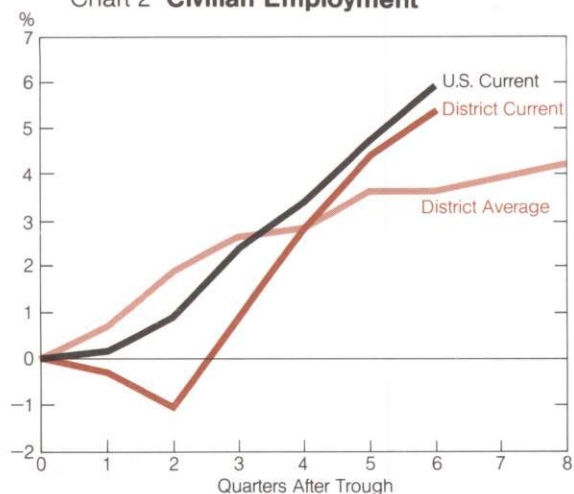
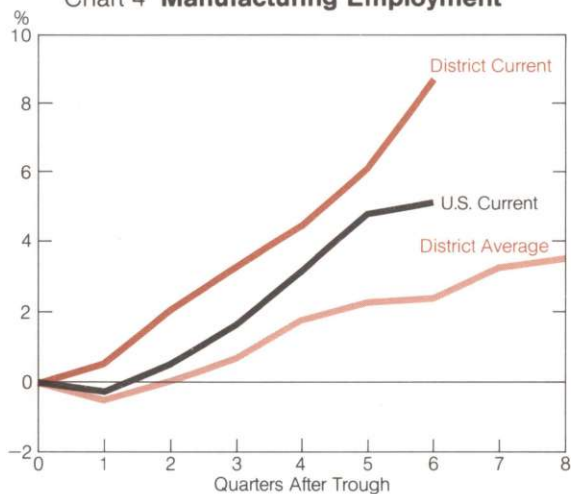


Chart 4 Manufacturing Employment



*The trough of the last U.S. recession was the fourth quarter of 1982. Because of data limitations, the average of past district recoveries on these charts is based on a varying number of past recoveries: five for personal income and manufacturing employment, and three for civilian employment and cash farm receipts. All basic data are seasonally adjusted and are totals of indicators for the four states completely within the district's borders: Minnesota, Montana, North Dakota, and South Dakota.

Sources of basic data: U.S. Departments of Agriculture, Commerce, and Labor.

