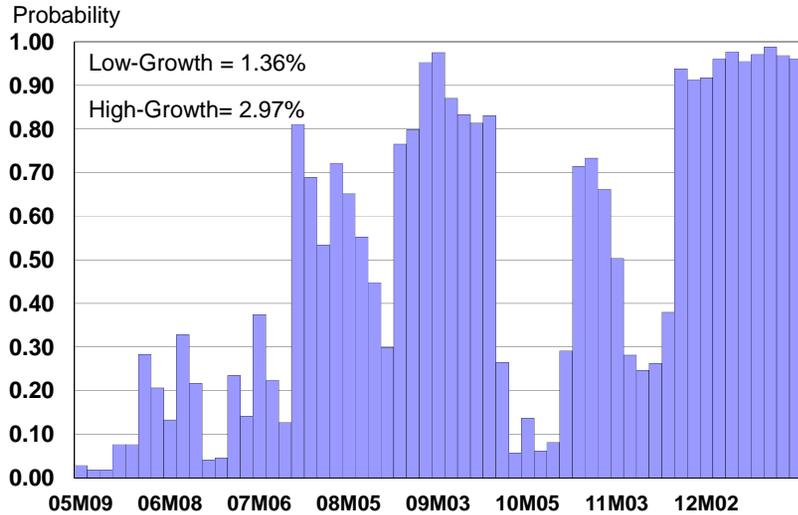


# Kahn-Rich Productivity Model Update (September 2012)

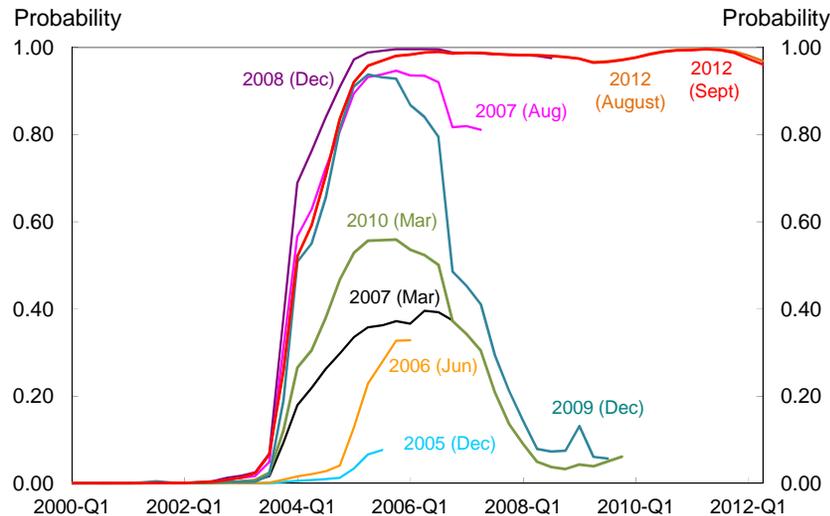
## Low-Growth Regime Probabilities (Chart 1)

Real-Time Assessments for the Most Recent Quarter



## Low-Growth Regime Probabilities (Chart 3)

Retrospective Assessments in Real Time

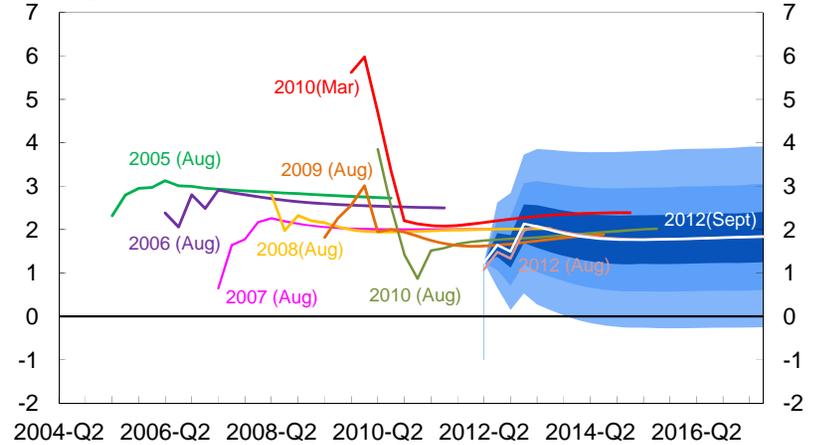


## Five-Year Forecasts of Productivity Growth (Chart 2)

4Q moving average

% Change -- Annual Rate

% Change -- Annual Rate



Note: The shading represents the 25, 50, and 75% probability bands around the September 2012 forecast.

## Key Points

- Productivity in the nonfarm business sector rose at a revised 2.2% annual rate in Q2, up from the preliminary estimate of 1.6%. There were modest upward revisions in Q2 to growth in the other model inputs - real compensation and real consumption (relative to hours worked).
- Notwithstanding these revisions, the model's assessment of the low-growth regime probability for Q2 barely changed, from 0.97 in August to 0.96 in September (Chart 1). There was almost no change in the forecast profile for productivity growth, with productivity predicted to grow at 1.8% annual rate at a 5-year horizon (Chart 2).
- The data release has done little to change the model's conclusion that productivity growth has been in a low growth regime since 2004, and that the burst of strong productivity growth in 2009 was cyclical and transitory in nature (Chart 3). As a reminder, this latter view has resulted from the sizeable August 2011 NIPA data revisions and the supportive nature of subsequent data releases. We will continue to monitor future data releases to guide our assessment of trend productivity growth.

Please see our [Current Issues](#) for more details on the model

Note: Chart 1 tracks the model's estimate of the low-growth probability as of the latest period for which data are available, which is typically as of one quarter earlier. For example, the latest reading ("09M11") is based on 2009:Q3 data. The reading labeled "08M06" reflects the model's estimate as of last June, reflecting data through 2008:Q1. Chart 3 depicts the evolution of the model's assessment of the probabilities going back to 2000:Q1 given data available at the indicated date.