

Productivity Growth and the Challenge of Real-Time Policymaking

Reykjavík Economic Conference

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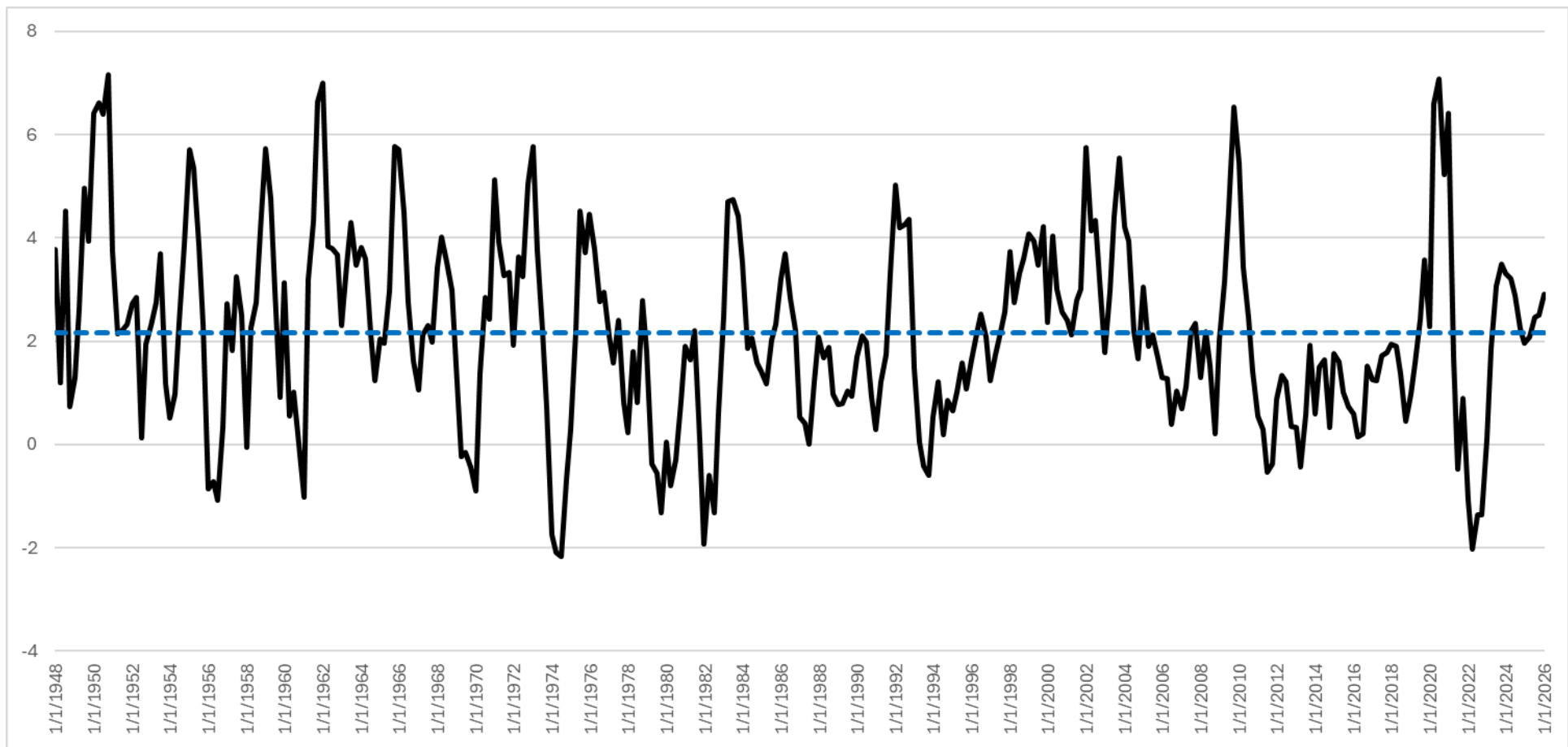
John C. Williams

President and Chief Executive Officer

Federal Reserve Bank of New York

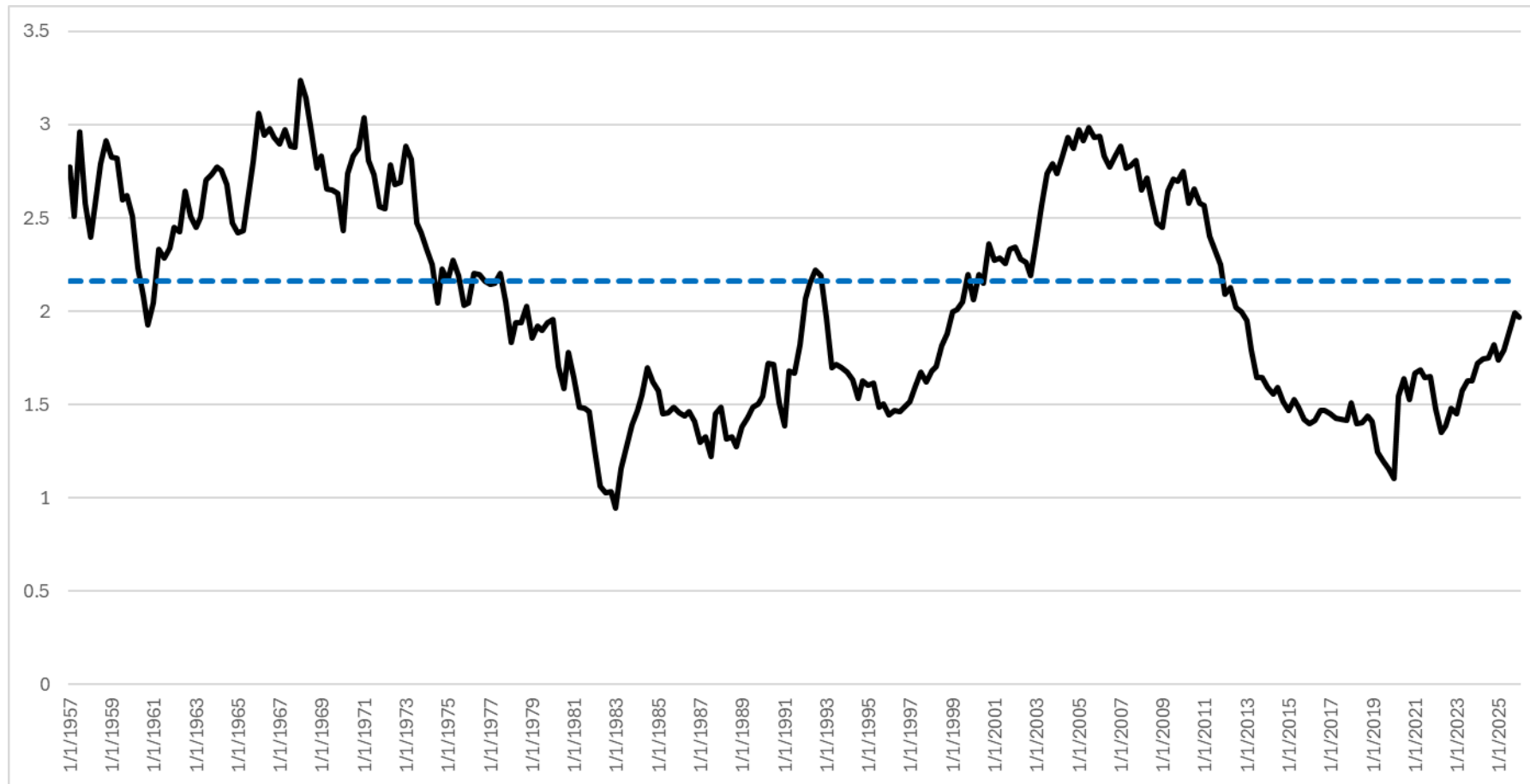
This presentation represents the views of the author and not necessarily those of the Federal Open Market Committee (FOMC) or anyone else in the Federal Reserve System.

Figure 1: Productivity Growth



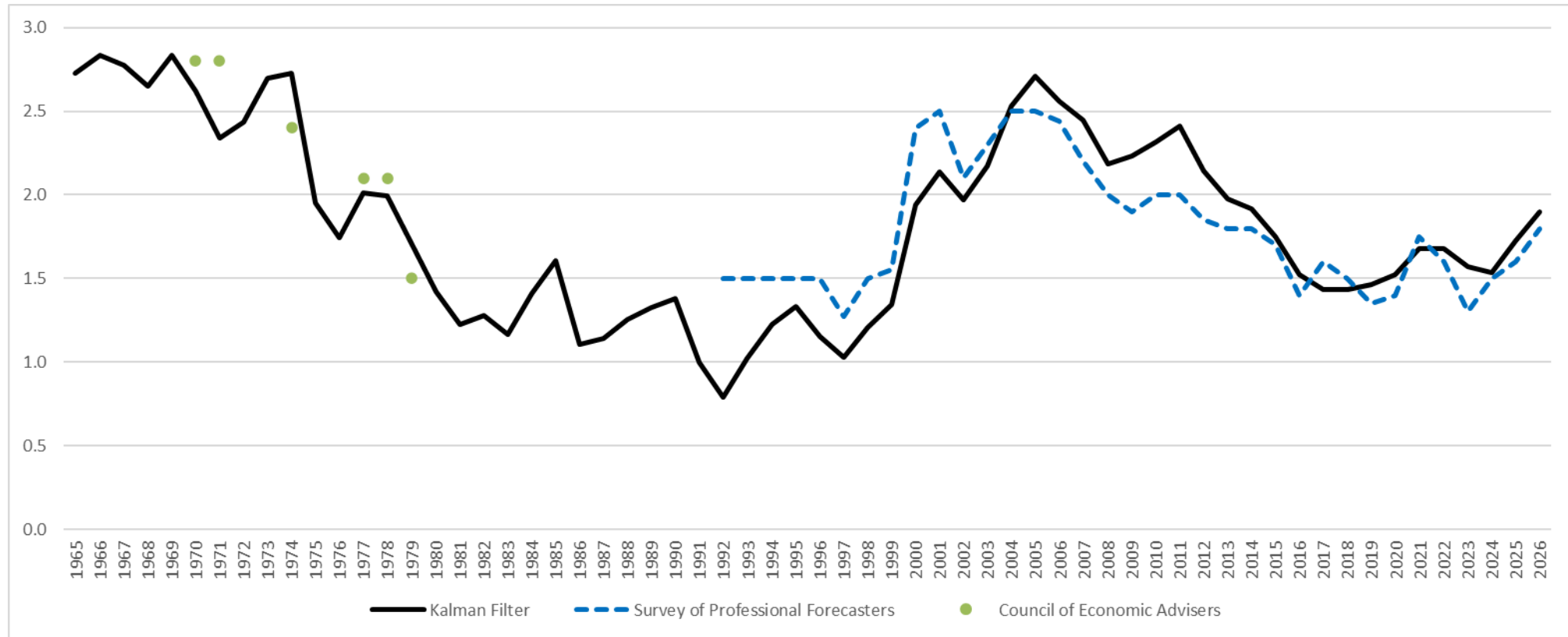
Source: Federal Reserve Bank of St. Louis. Solid line shows nonfarm business productivity growth (year-over-year growth rate).
Dashed line shows the full-sample average.

Figure 2: Underlying Trend Productivity Growth



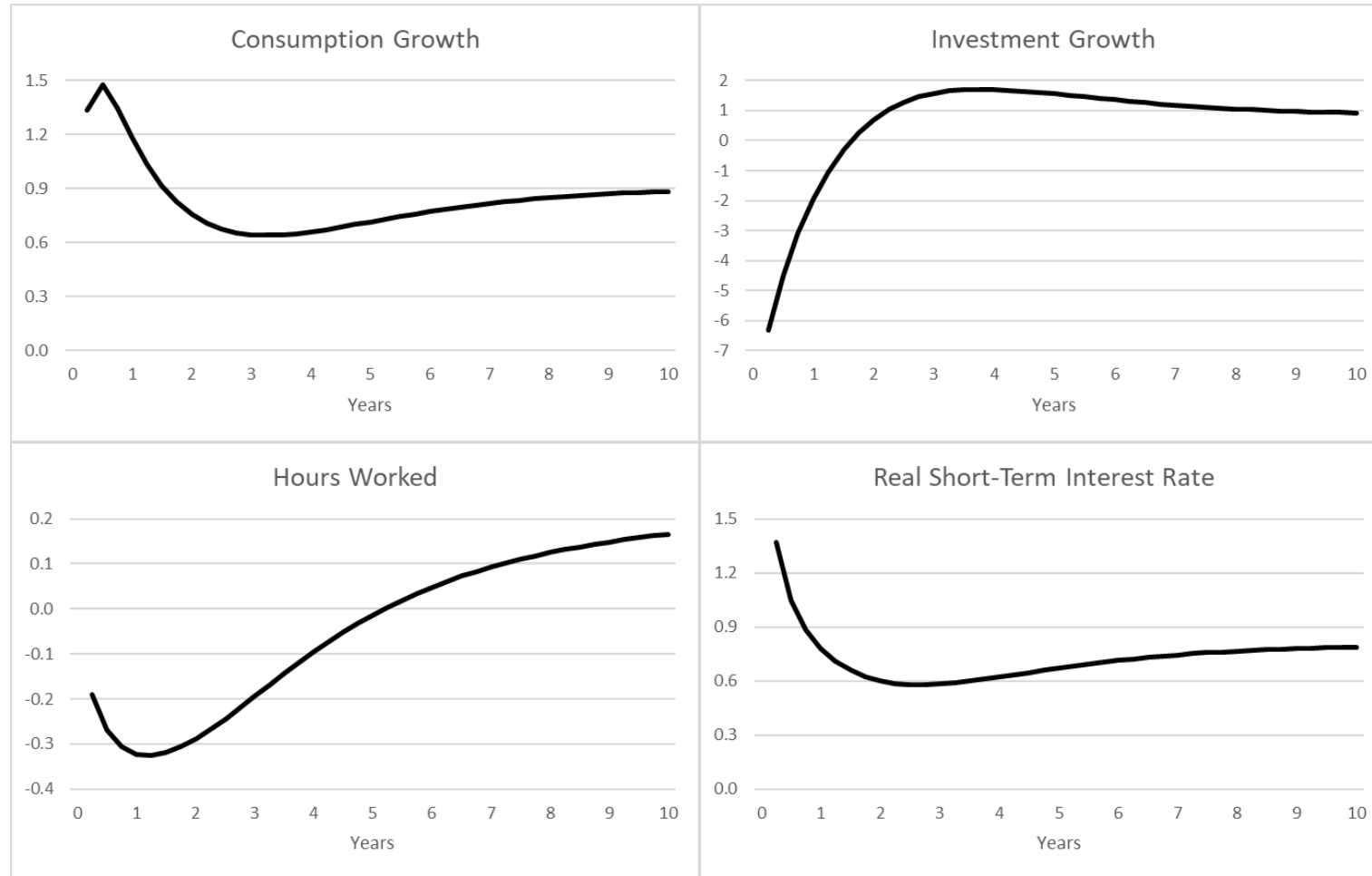
Source: Federal Reserve Bank of St. Louis. Solid line shows nonfarm business productivity growth (10-year averages of annualized growth rates). Dashed line shows the full-sample average year-over-year growth rate from Figure 1.

Figure 3: Real-Time Estimates of Trend Productivity Growth



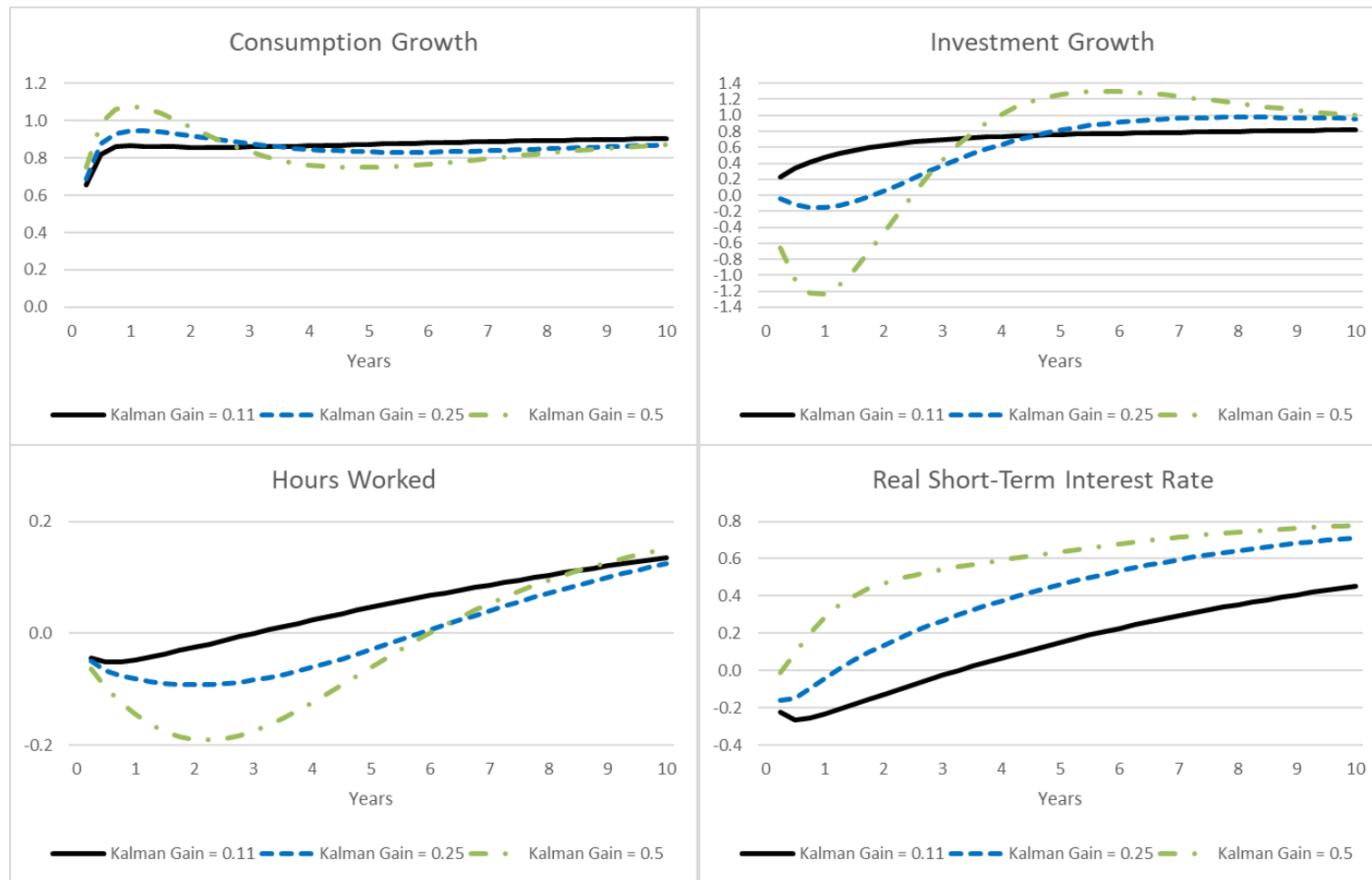
Sources: Author's calculations, Survey of Professional Forecasters, Council of Economic Advisers.

Figure 4: Model Simulation of Increase in Trend Productivity Growth with Immediate Recognition



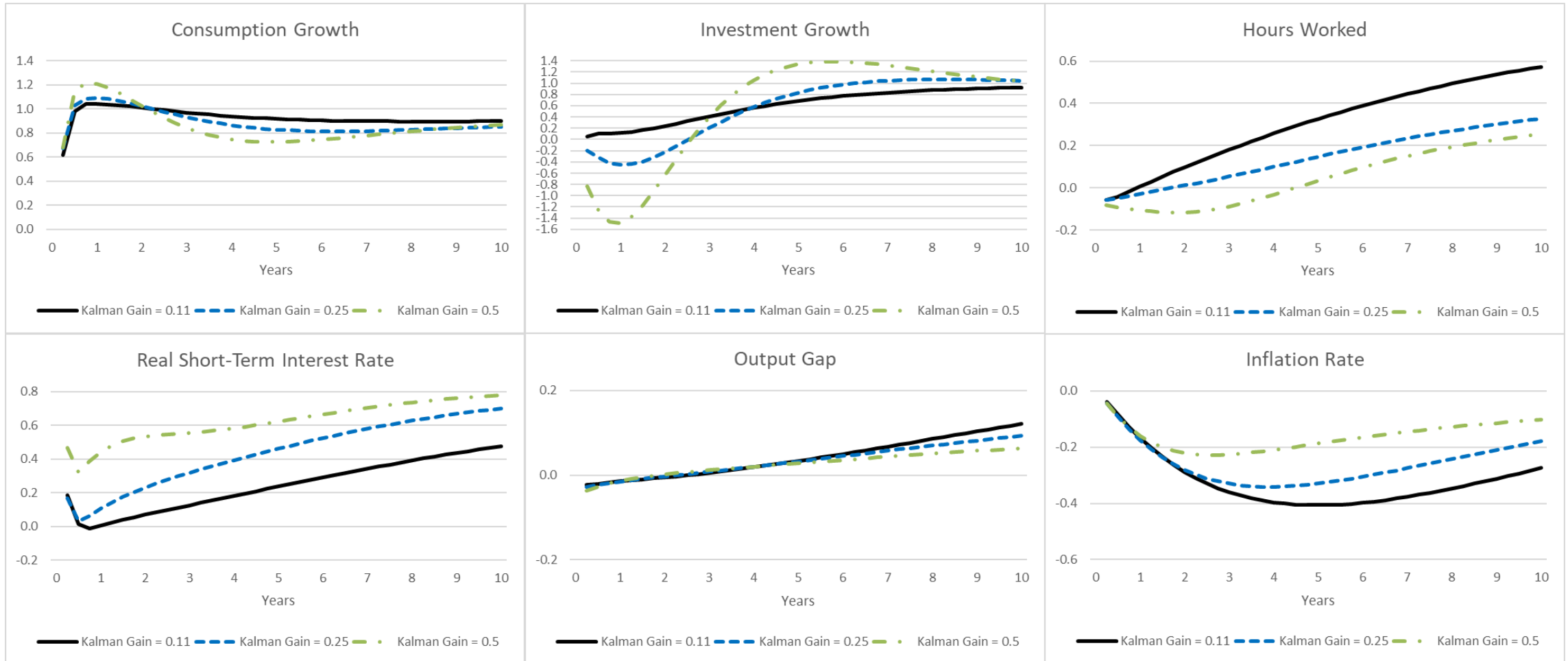
Source: Federal Reserve Bank of New York DSGE model simulation with flexible wages and prices. Panels show percentage-point deviations from baseline.

Figure 5: Model Simulation of Increase in Trend Productivity Growth with Gradual Recognition



Source: Federal Reserve Bank of New York DSGE model simulation with flexible wages and prices. Panels show percentage-point deviations from baseline.

Figure 6: Model Simulation of Increase in Trend Productivity Growth with Gradual Recognition



Source: Federal Reserve Bank of New York DSGE model simulation with sticky wages and prices. Panels show percentage-point deviations from baseline.