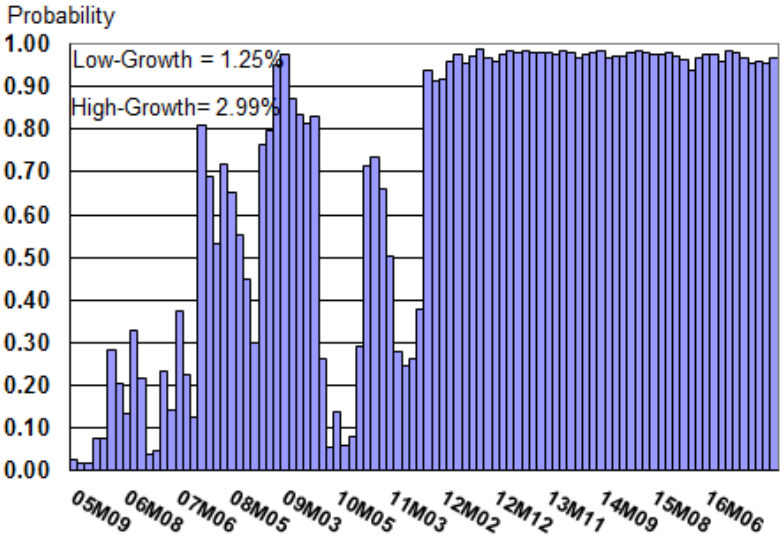
Productivity Remains in Decade-Long Growth Slump (May 2017)

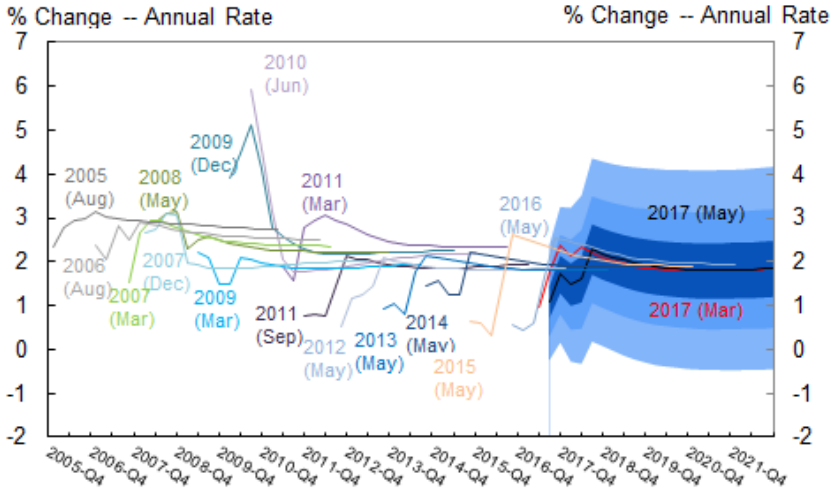
Low-Growth Regime Probabilities (Chart 1)

Real-Time Assessments for the Most Recent Quarter



Five-Year Forecasts of Productivity Growth (Chart 2)

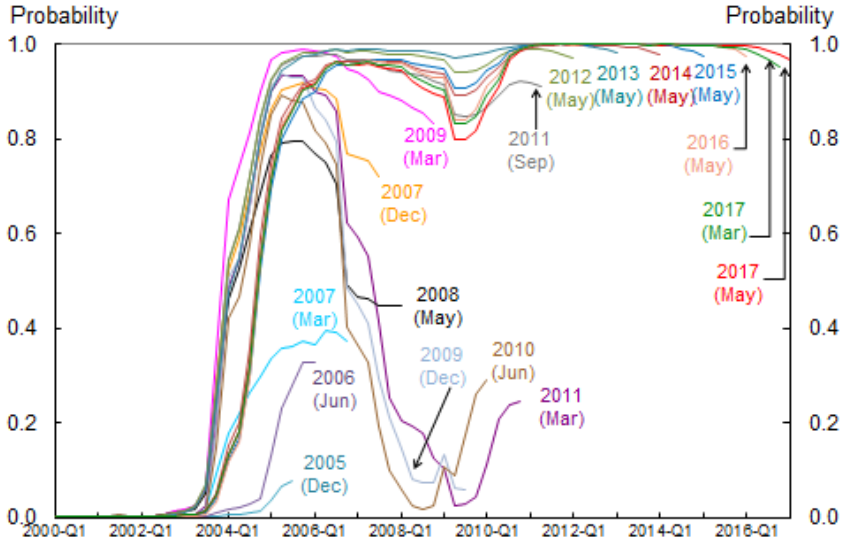
4Q moving average



Note: The shading represents the 25, 50, and 75% probability bands around the May 2017 forecast.

Low-Growth Regime Probabilities (Chart 3)

Retrospective Assessments in Real Time



Key Points

- Based on preliminary data for 2017Q1, the model finds that productivity remains, with probability 0.97, in a low-growth (1 ¼% annual rate) regime (Chart 1). The forecast profile for productivity builds in a small chance of a switch back to higher growth, with a 5-year average at 1.8% (Chart 2).
- After showing firmer growth over the past two quarters, productivity fell 0.6% (annual rate) in 2017Q1. Other inputs to the model also grew at a weak pace in Q1: real compensation increased 0.8% and consumption (relative to hours worked) declined 1.3%.
- This data release continues to support the model's conclusion that productivity has been in a low growth regime since late 2004/early 2005, and that the brief rebound of growth from 2007-10 and subsequent slowdown were cyclical and transitory in nature (Chart 3). 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 ("17M05") is based on 2017:Q1 data. The reading labeled "17M03" reflects the model's estimate as of last March, reflecting data through 2016:Q4. 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.