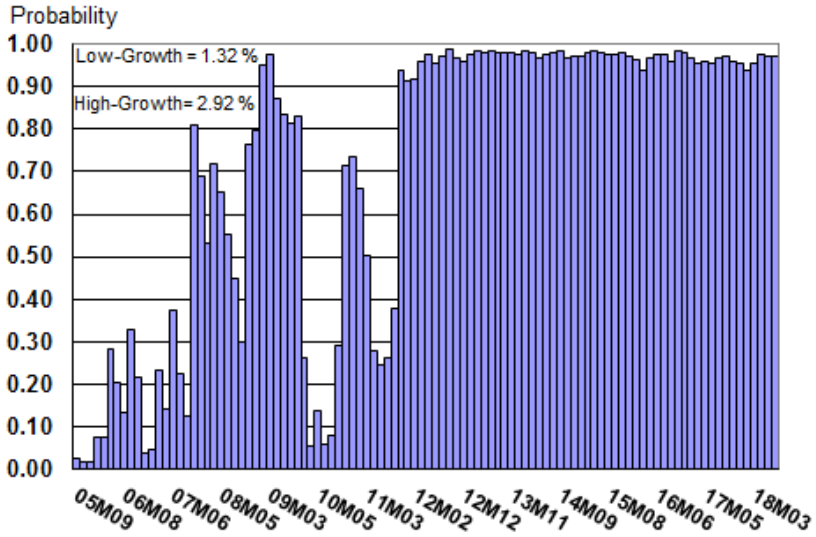
Productivity Remains in Decade-Long Growth Slump (May 2018)

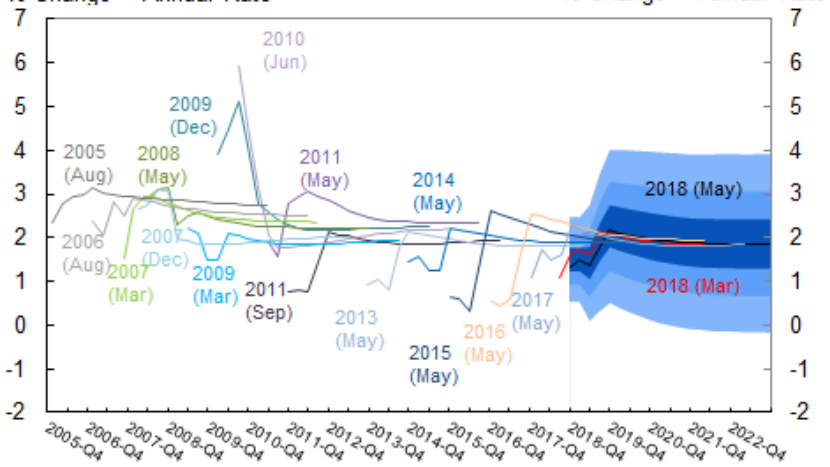
Low-Growth Regime Probabilities (Chart 1)

Real-Time Assessments for the Most Recent Quarter



Five-Year Forecasts of Productivity Growth (Chart 2)

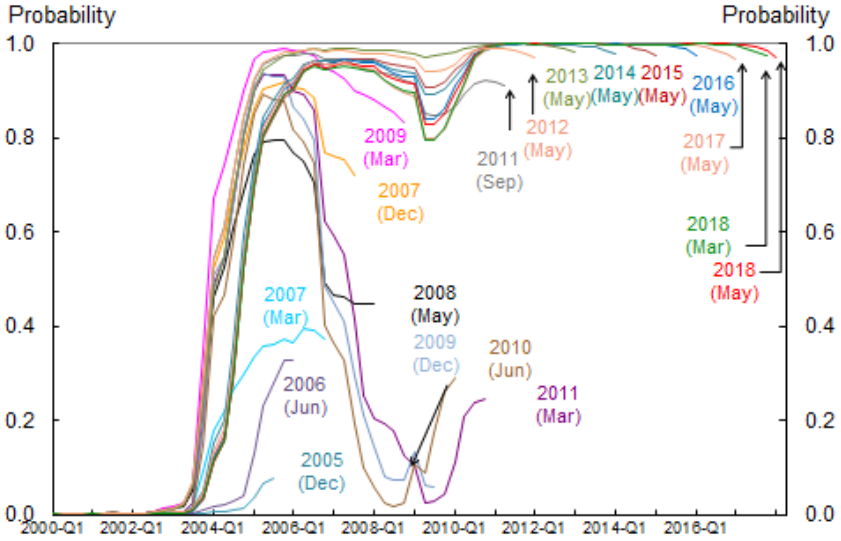
4Q moving average



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

Low-Growth Regime Probabilities (Chart 3)

Retrospective Assessments in Real Time



Key Points

- Based on preliminary data for 2018Q1, the model finds that productivity remains, with probability 0.97, in a low-growth (1.3% 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 1.9% (Chart 2).
- Productivity rose at a 0.7% annual rate in 2018Q1, and the four-quarter change in productivity was +1.3% which matches the mean of the low-growth regime. With regard to other inputs to the model, real compensation rose 1.5%, while consumption (relative to hours worked) fell 1.0%.
- 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 exceptional weakness since 2010 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 ("18M05") is based on 2018:Q1 data. The reading labeled "18M05" reflects the model's estimate as of May, reflecting data through 2018: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.