Productivity Remains in Near Decade-Long Growth Slump (February 2014)

Key Points
- Based on preliminary data for 2014Q4, the model finds that productivity remains in a low-growth (1.4% annual rate) regime (Chart 1). Compared to the previous quarter, there was a change in the near-term forecast profile for productivity growth. The model now indicates less of a short-term bounce back, with a 5-year trend remaining slightly below 2% (Chart 2).
- Productivity fell 1.8% (annual rate) in 2014Q4, a marked reversal from the revised 3.6% growth rate in Q3. The model’s other inputs, real compensation growth and growth in real consumption (relative to hours worked), were weak in Q4, and revisions to the series were minor.
- 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 burst of strong productivity growth in 2009 was cyclical and transitory in nature (Chart 3). As a reminder, this latter view resulted from the sizable August 2011 NIPA data revisions and the supportive nature of subsequent data releases (including the comprehensive NIPA data revisions released in July 2013). 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 ("15M02") is based on 2014:Q4 data. The reading labeled "14M06" reflects the model's estimate as of last June, reflecting data through 2014: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.