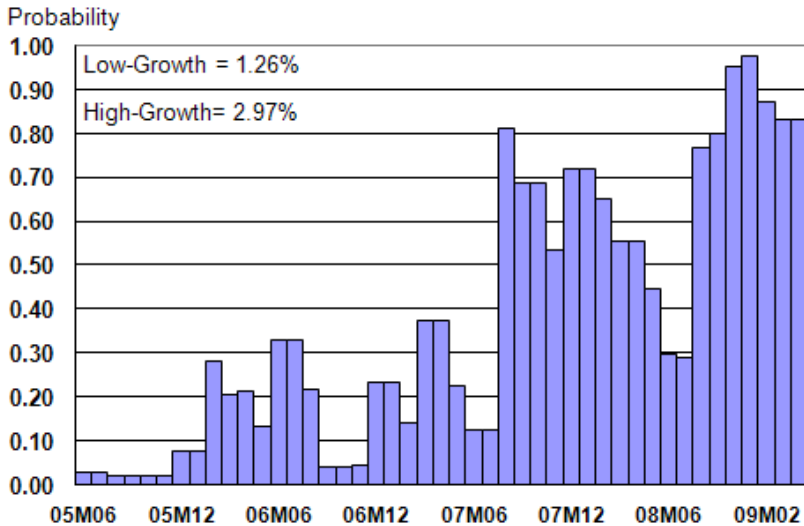


Kahn-Rich Productivity Model Update (September 2009)

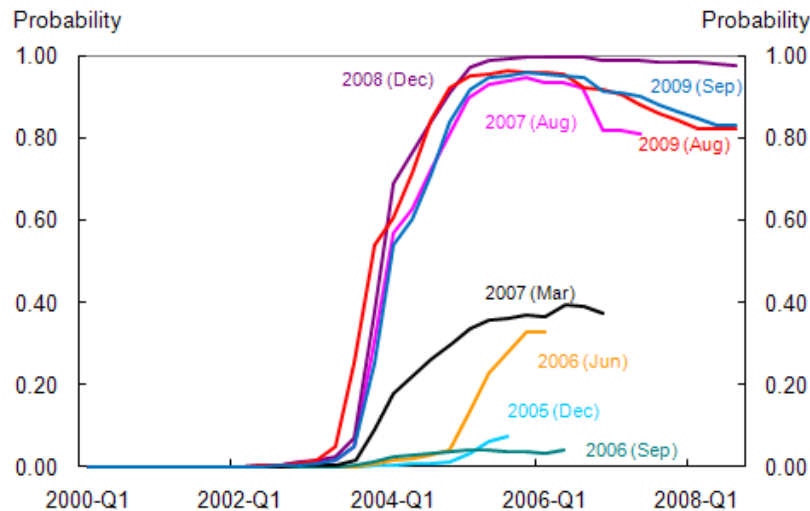
Low-Growth Regime Probabilities (Chart 1)

Real-Time Assessments for the Most Recent Quarter



Low-Growth Regime Probabilities (Chart 3)

Retrospective Assessments in Real Time

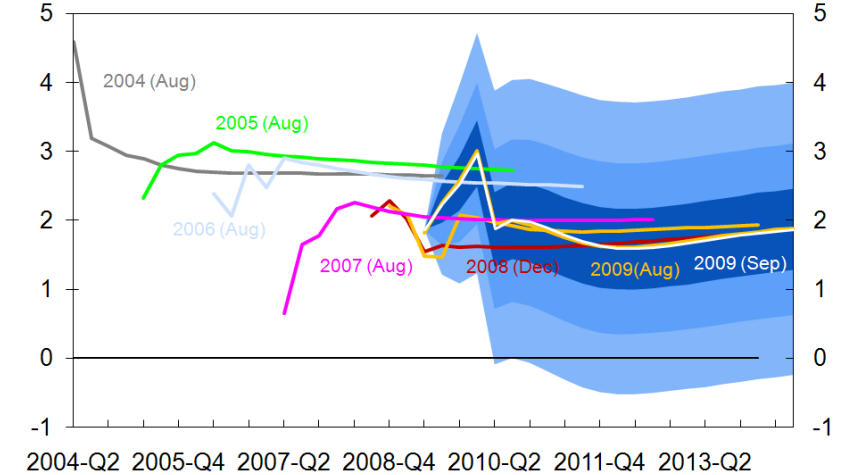


Five-Year Forecasts of Productivity Growth (Chart 2)

4Q moving average

% Change -- Annual Rate

% Change -- Annual Rate



Note: The shading represents the 25,50, and 75% probability bands around the February 2009 forecast.

Key Points

- Nonfarm productivity growth for Q2 was revised up slightly to 6.6% (annual rate) from the preliminary estimate of 6.4%. Real compensation per hour rose 0.3% (annual rate) in Q2, little changed from the earlier number. Over the four quarters ending in Q2, productivity increased 1.9% which was up a touch from the initial estimate of 1.8%. Due to downward revisions in compensation growth in earlier quarters, the four-quarter increase in compensation per hour was lowered from 1.3% to 0.7%.
- The low-growth regime probability for Q2 remained unchanged at 0.83 from August 2009 (Chart 1). The forecast profile for productivity growth in September 2009 also showed little change relative to the previous month (Chart 2).
- The productivity growth outlook still remains well below that from March 2007 (Chart 3), as trend productivity appears to have been in a low-growth regime since 2004.

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 ("09M03") is based on 2008:Q4 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.