

Recent Economic Developments, the Productive Potential of the Economy, and Monetary Policy

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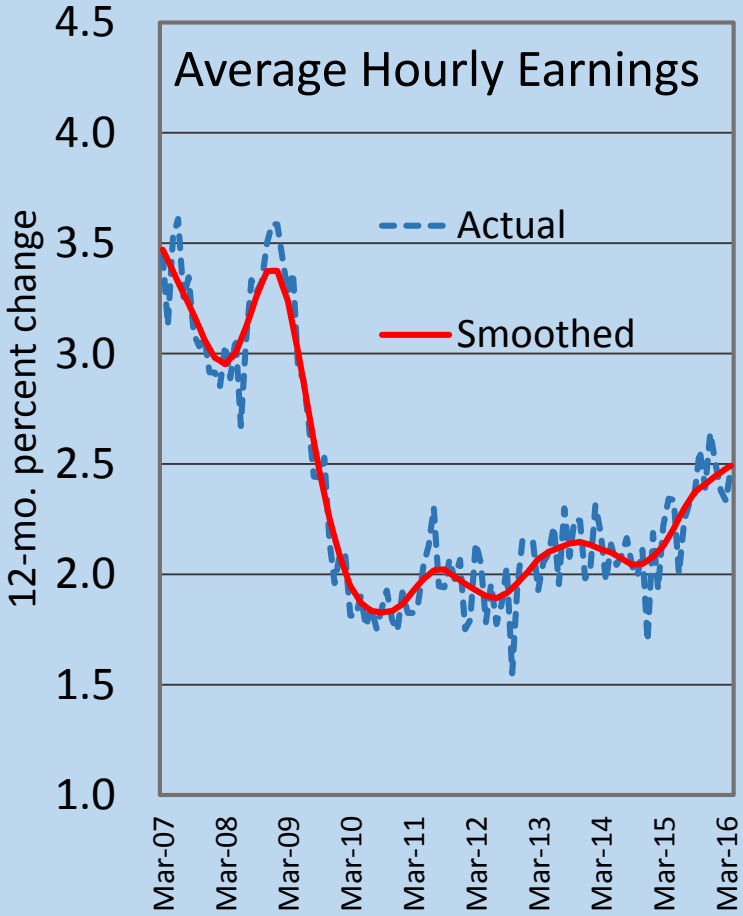
Member

Board of Governors of the Federal Reserve System

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Figure 1

Labor market is healthy



Source: Bureau of Labor Statistics.

Table 1

Projections of GDP growth have been optimistic, while those for unemployment have been pessimistic

Recent Forecast Record for Blue Chip

	GDP (4-qtr. % change)			Unemployment rate (4th qtr.)		
	Actual	Forecast	Difference	Actual	Forecast	Difference
2011	1.7	3.3	-1.6	8.7	9.1	-.4
2012	1.3	2.6	-1.0	7.8	8.5	-.7
2013	2.5	2.5	.2	7.0	7.6	-.6
2014	2.5	2.7	-.2	5.7	6.2	-.5
2015	2.0	2.8	-.8	5.0	5.2	-.2

Note: Forecasts were made in January/March of year indicated.

Source: Blue Chip Economic Indicators; Bureau of Economic Analysis; Bureau of Labor Statistics.

Table 2

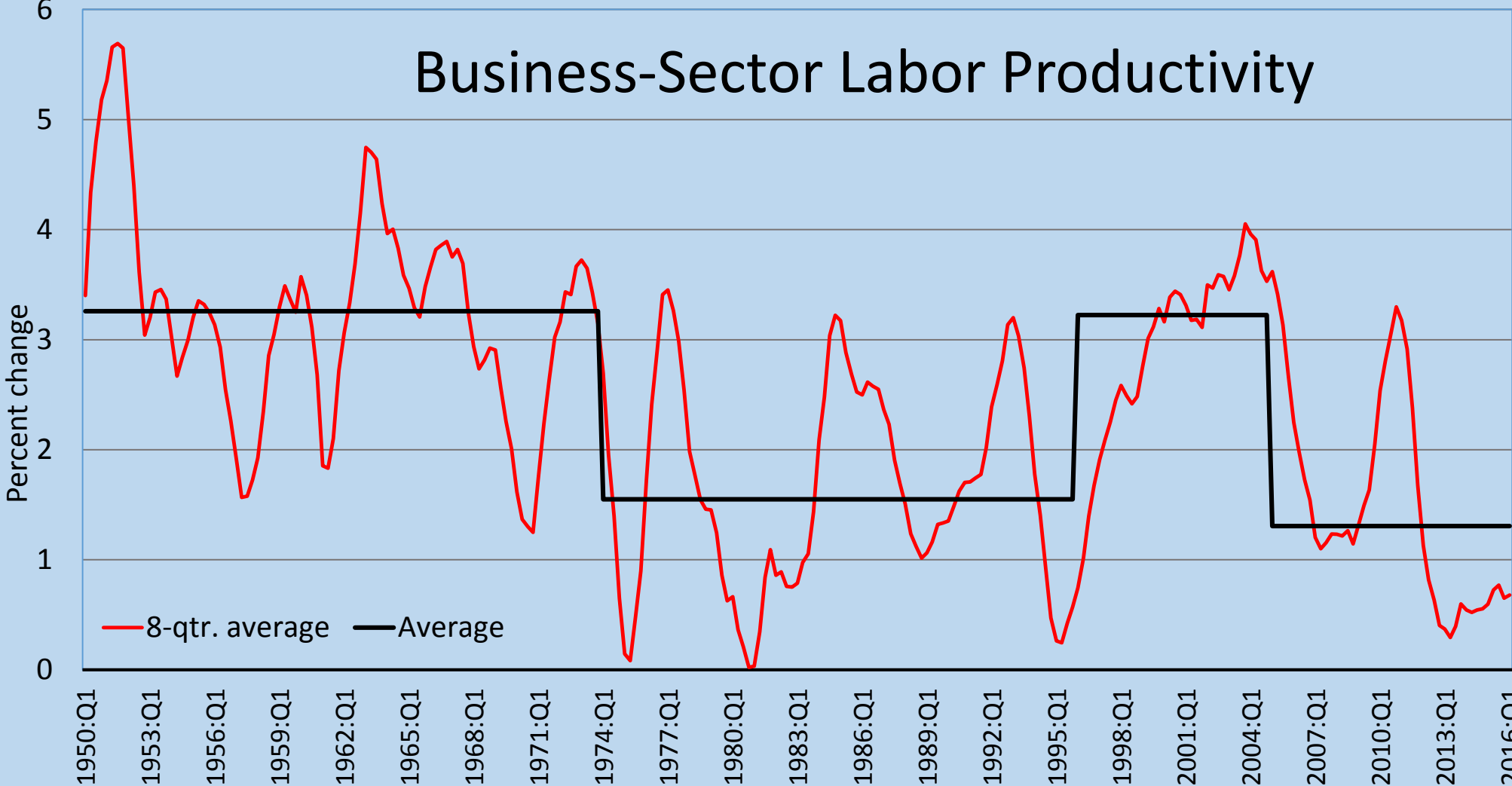
Estimates of long-run potential GDP growth have moved down

Long-Range GDP Forecasts (percent)				
	Blue Chip	SPF	CBO	FOMC
2007	2.9	3.0	2.6	NA
2008	2.7	2.8	2.6	NA
2009	2.6	2.6	2.2	2.6
2010	2.6	2.7	2.2	2.7
2011	2.6	2.8	2.3	2.7
2012	2.5	2.6	2.3	2.5
2013	2.5	2.5	2.2	2.4
2014	2.4	2.6	2.1	2.3
2015	2.3	2.5	2.1	2.2
2016	2.1	2.3	1.9	2.0

Source: Congressional Budget Office; Survey of Professional Forecasters; Blue Chip Economic Indicators.

Figure 2

Productivity growth is low

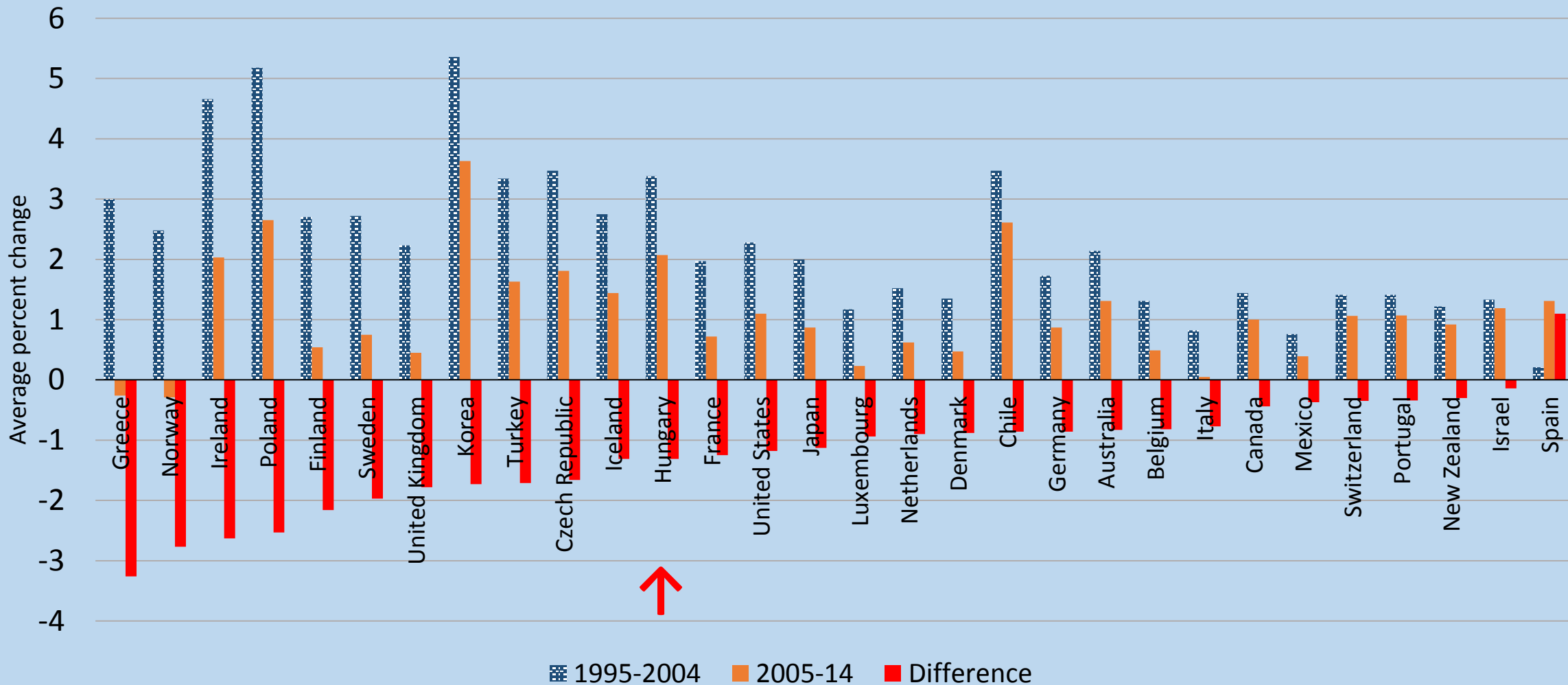


Source: Bureau of Labor Statistics.

Figure 3

Productivity slowdown is global

GDP per hour worked in OECD countries

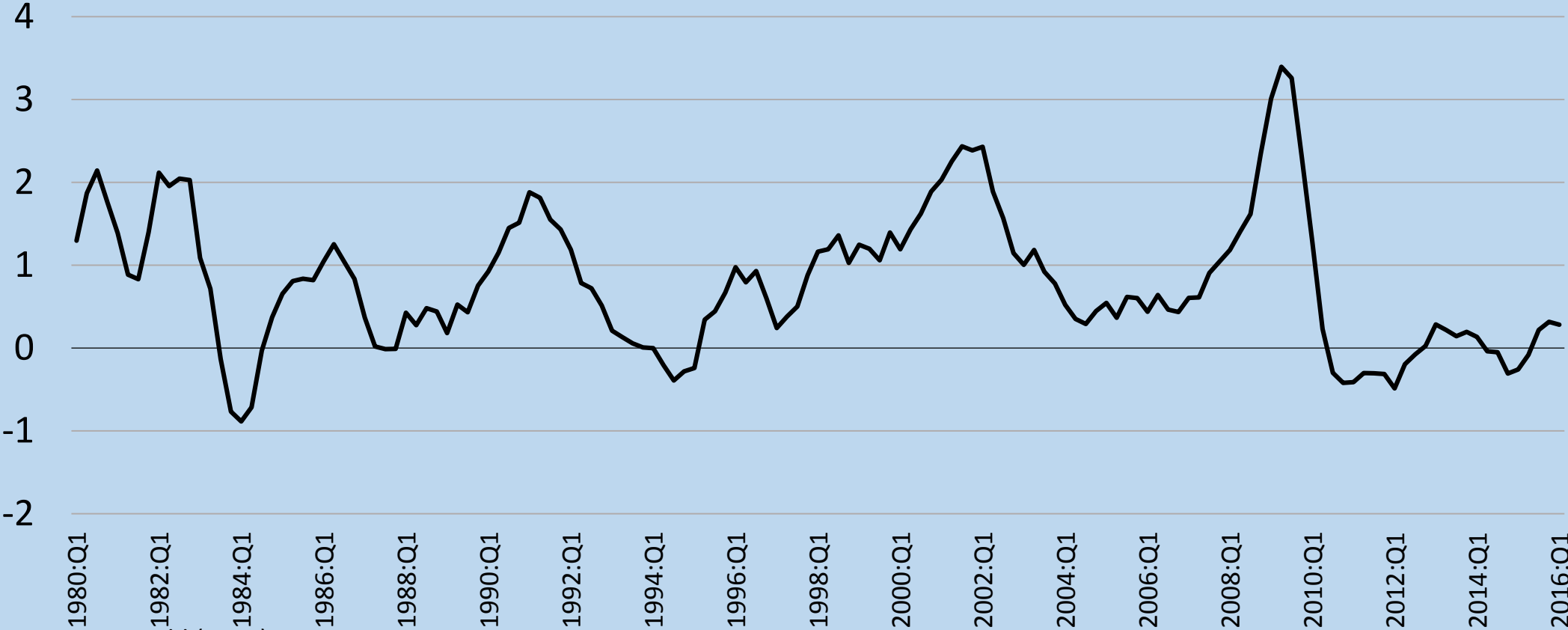


Source: Organisation for Economic Co-operation and Development, "Growth in GDP per Capita, productivity and ULC," https://stats.oecd.org/Index.aspx?DataSetCode=PDB_GR.

Figure 4

Capital deepening is anemic

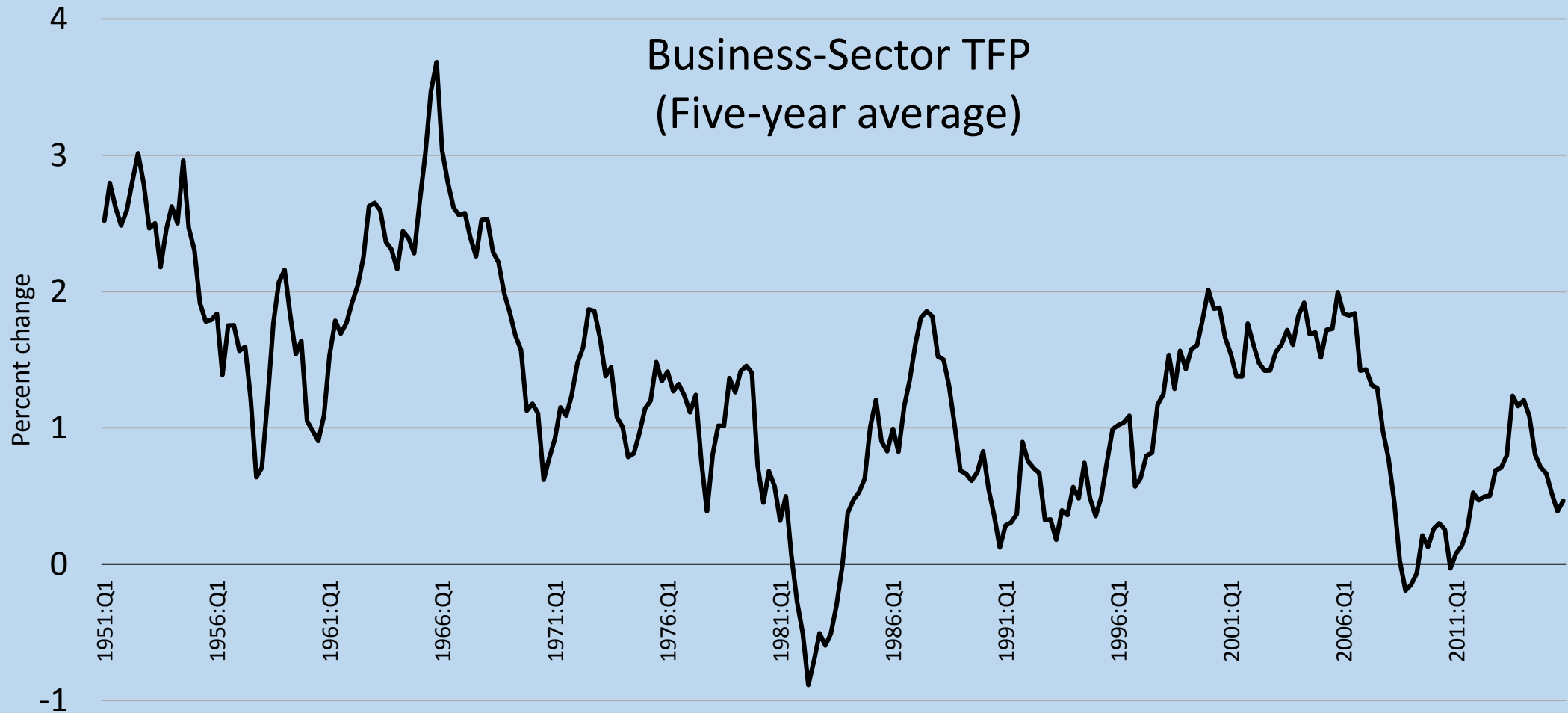
Contribution of Capital Deepening to Productivity Growth (percent change)



Source: Fernald (2014).

Figure 5

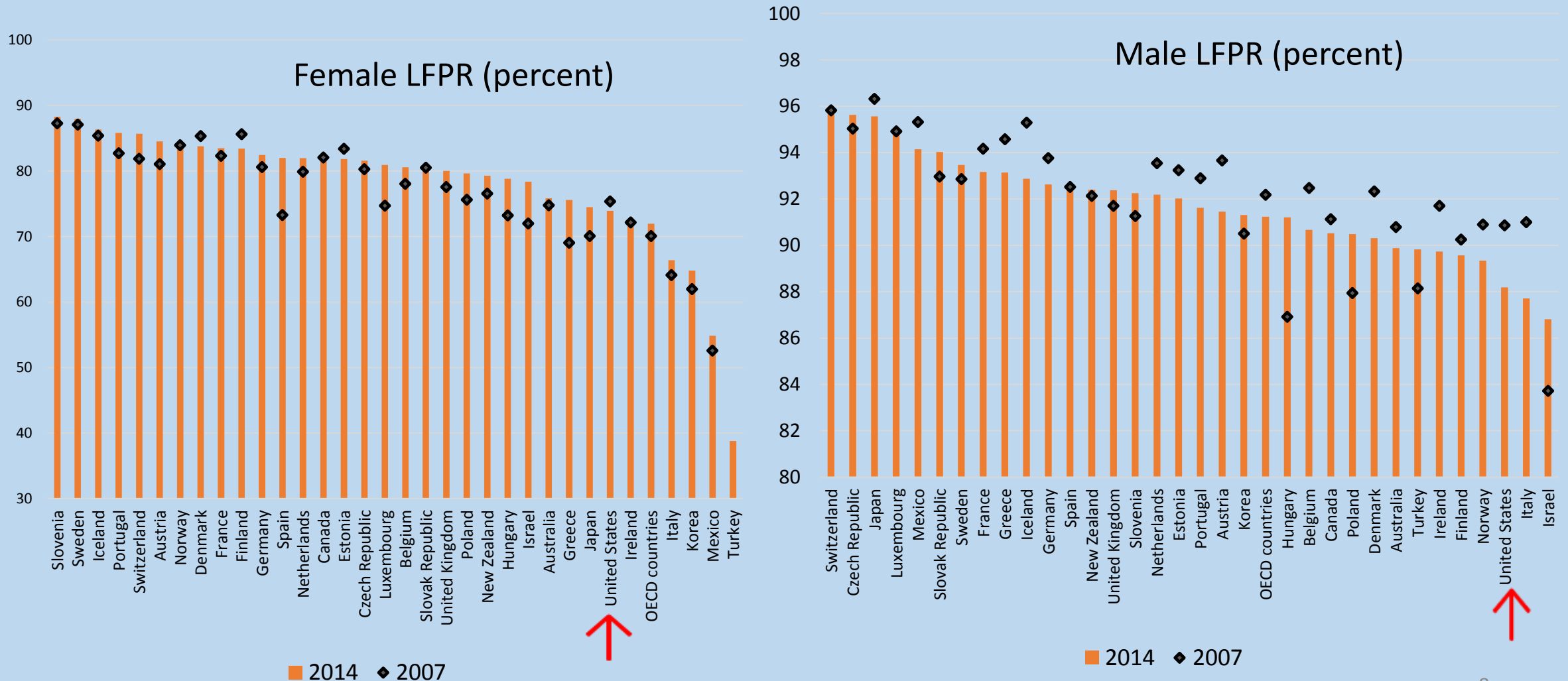
Total factor productivity growth has slowed



Source: Fernald (2014).

Figure 6

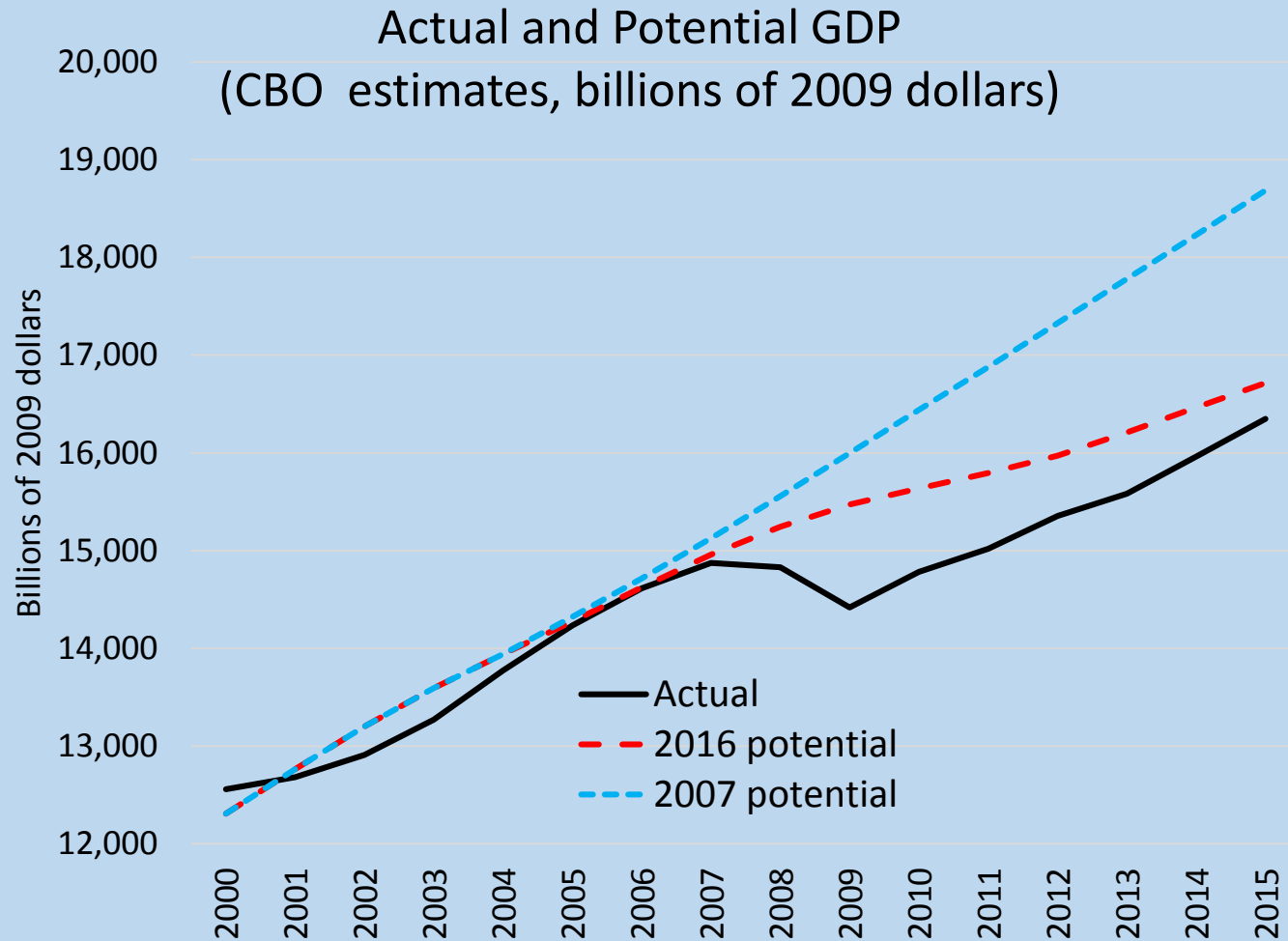
U.S. LFPR for ages 25 to 54 is at the lower end of the OECD



Source: Organisation for Economic Co-operation and Development, Labour Force Statistics.

Figure 7

Potential GDP is lower



Level of potential GDP in 2015 is 10% lower than projected in 2007

Potential GDP growth, 2005-15:

In 2007: 2.8%

Now: 2.0%