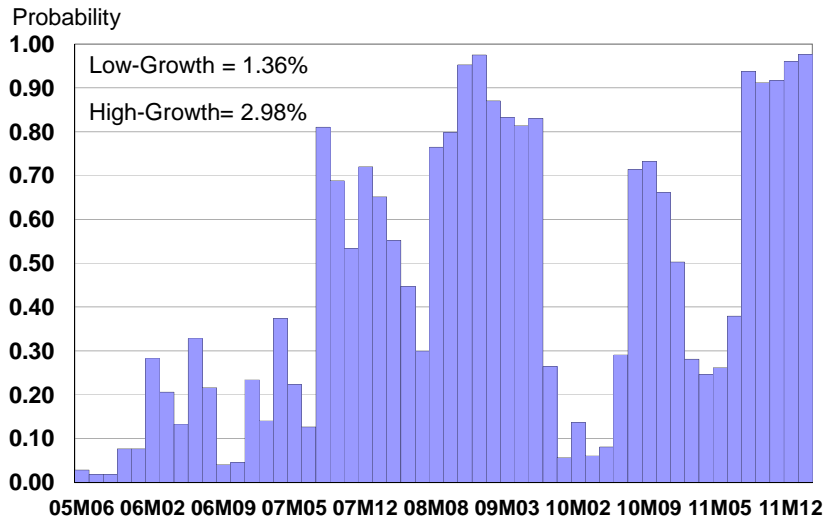


Kahn-Rich Productivity Model Update (February 2012)

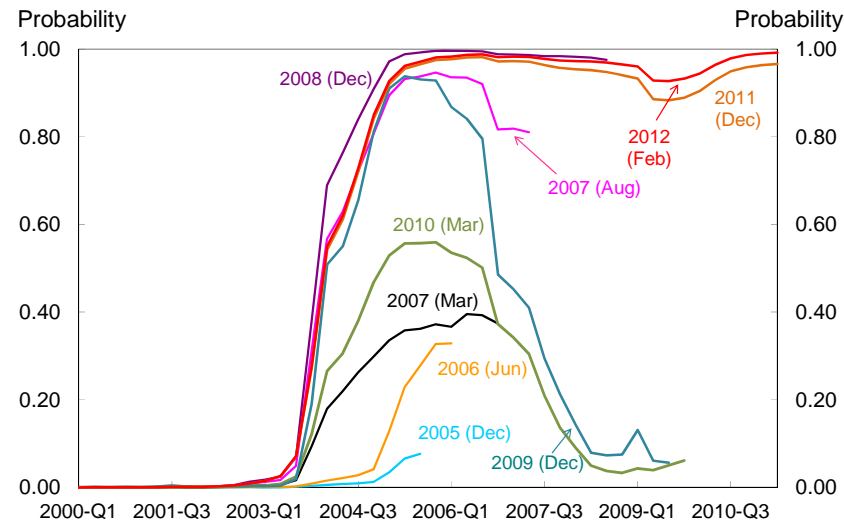
Low-Growth Regime Probabilities (Chart 1)

Real-Time Assessments for the Most Recent Quarter



Low-Growth Regime Probabilities (Chart 3)

Retrospective Assessments in Real Time

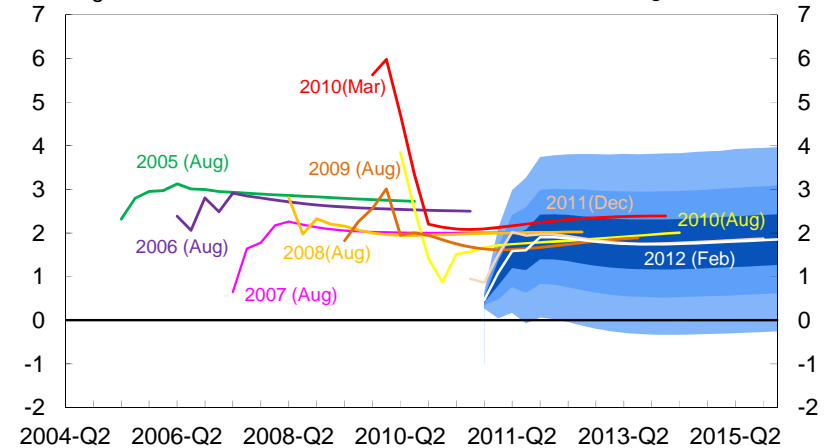


Five-Year Forecasts of Productivity Growth (Chart 2)

4Q moving average

% Change -- Annual Rate

% Change -- Annual Rate



Note: The shading represents the 25, 50, and 75% probability bands around the February 2012 forecast.

Key Points

- Preliminary estimates indicate that productivity in the nonfarm business sector grew 0.7% (annual rate) in 2011Q4, reflecting a 3.6% increase in output and a 2.9% increase in hours. With regard to the other model inputs, real compensation rose 1.7%, while real consumption (relative to hours worked) declined by 0.8%.
- The initial 2011Q4 data release increased the low-growth regime probability from 0.96 for Q3 to 0.98 for Q4, the highest current quarter reading since December 2008 which was associated with the same probability value (Chart 1). There was very little change in the forecast profile from December 2011 to February 2012 (Chart 2).
- The model remains very firm in its conclusion that productivity has been in a low growth regime since 2004, and that the burst of strong productivity growth in 2009 was only cyclical and transitory. As previously discussed, this view largely resulted from the sizeable data revisions to the national income and product data in August 2011. Future data releases will remain important to monitor this development.

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 ("09M11") is based on 2009:Q3 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.