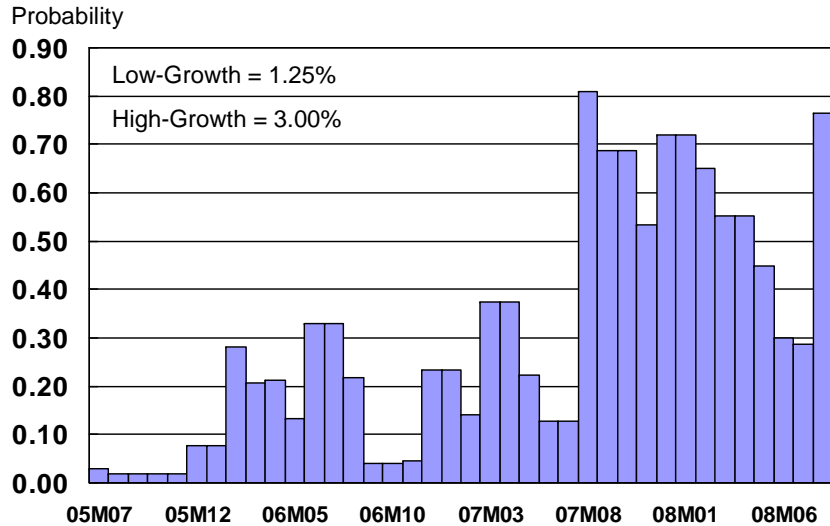


Kahn-Rich Productivity Model Update (August 2008)

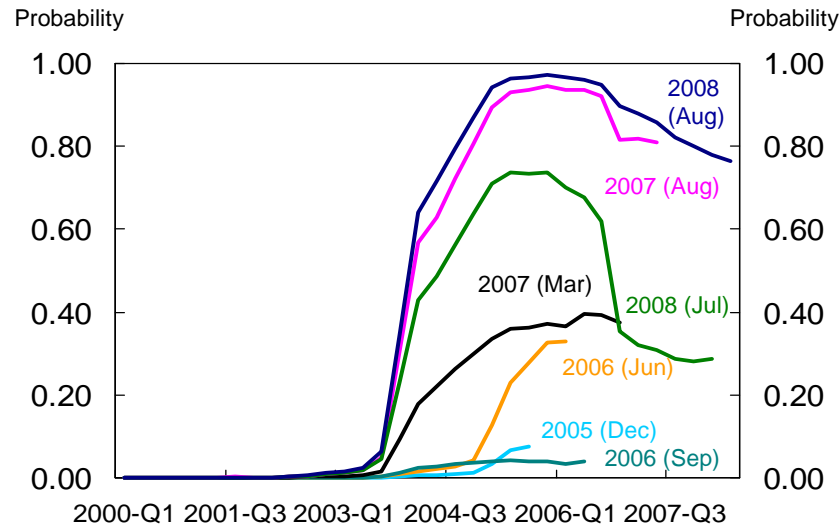
Low-Growth Regime Probabilities (Chart 1)

Real-Time Assessments for the Most Recent Quarter



Low-Growth Regime Probabilities (Chart 3)

Retrospective Assessments in Real Time

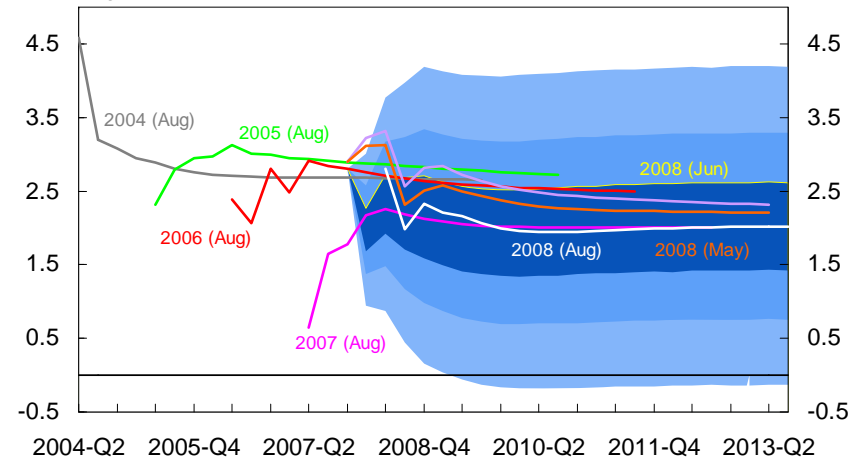


Five-Year Forecasts of Productivity Growth (Chart 2)

4Q moving average

% Change -- Annual Rate

% Change -- Annual Rate



Note: The shading represents the 25,50, and 75% probability bands around the August 2008 forecast.

Key Points

- Preliminary estimates indicate that nonfarm productivity grew at a 2.2% annual rate in 2008Q2, with a strong growth rate of 2.8% over the past year. Revisions to the data for the past three years, however, led to a modest reduction in both productivity and consumption growth and a larger reduction in real labor compensation growth.
- The downward revisions have raised the low-growth regime probability for Q2 from its recent middle range to 0.77 (Chart 1). In addition, there has been a decrease in the near-term forecast (Chart 2).
- Developments in the second quarter have resulted in the productivity growth outlook now resembling the less optimistic one from a year ago (Chart 3). Upcoming releases will be critical for monitoring the productivity growth outlook and gauging the persistence of the recent weakening in trend.

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 ("08M08") is based on 2008:Q1 data. The reading labeled "07M06" reflects the model's estimate as of last June, reflecting data through 2007: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.