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- Could recent moderate growth represent a fundamental change in the economy?
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- Weaker productivity growth: “productivity puzzle”

Productivity growth very modest in recent years

Nonfarm Business Productivity

- q/q % change annualized
  - Q2-2014 = 2.3%
- y/y % change
  - Q2-2014 = 1.1%

Source: Bureau of Economic Analysis/Haver Analytics
Labor force participation rate in decline

Source: Bureau of Labor Statistics/Haver Analytics
Estimates of potential output revised lower

Source: CBO, Revisions to the CBO's Projection of Potential Output Since 2007, February 2014
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  - FOMC longer run projection for real GDP revised from 2.5% in January 2009 to 2.2% in September 2014 (central tendency)
FOMC anticipates increase in real GDP growth

Real GDP Growth

percent change

*Mean forecast excluding the top and bottom 3

FOMC Mean Q4/Q4 Forecast*

Q/Q, annualized

Q2-2014 = 4.2%

year/year

Q2-2014 = 2.5%

Source: Federal Reserve/Bureau of Economic Analysis/Haver Analytics
Surveys indicate strong growth in recent months

Institute for Supply Management (ISM) Surveys

50+ = expansion

Source: Institute for Supply Management/Haver Analytics
Capital goods orders suggests pickup in investment

Core Capital Goods Orders & Shipments*

*nondefense, ex aircraft and parts

Source: Census Bureau/Haver Analytics
Moderate income and consumption growth

Real Personal Income and Real Consumption

percent change, year/year

04 05 06 07 08 09 10 11 12 13 14

real personal income
Jul2014 = 2.7%

real personal consumption
Jul2014 = 2.0%

Source: Bureau of Economic Analysis/Haver Analytics
Strong job growth in 2014

Payroll Employment and Unemployment Rate

- Payroll employment (lhs)
  - Aug 2014 = 142,000

- Unemployment rate (rhs)
  - Aug 2014 = 6.1%

Source: Bureau of Labor Statistics/Haver Analytics
Job hires and separations rate remain subdued

Source: Bureau of Labor Statistics/Haver Analytics
Rise in part-time workers also may indicate slack
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Part-Time Workers for Economic Reasons

Source: Bureau of Labor Statistics/Haver Analytics
Housing market continues to improve

Source: National Association of Homebuilders/Haver Analytics
Housing market continues to improve

**Total Existing Home Sales***

*Includes single-family homes, apartments, condos & co-ops

Aug 2014 = 5,050,000

Source: Census Bureau/Haver Analytics
The views expressed here are those of the author, and do not necessarily represent those of the Federal Reserve Bank of Richmond or the Federal Reserve System.