

World Economic Situation and Prospects

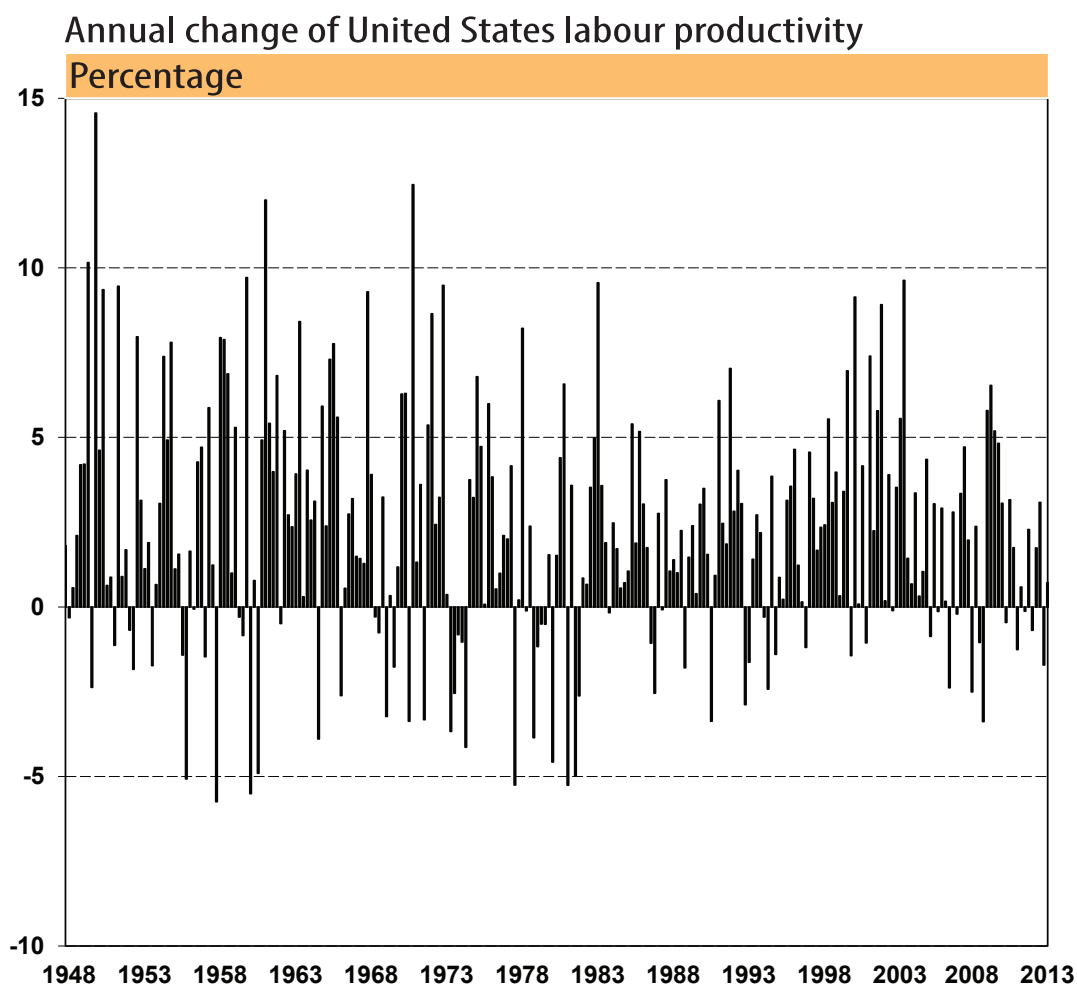
Weekly Highlights

Prepared by: Hung-Yi Li and Pingfan Hong

15 May 2013

A slowdown in US labour productivity growth: cyclical or secular?

According to the United States Bureau of Labor Statistics, labour productivity—measured by non-farm business output per man-hour—increased at an annualized rate of 0.7 per cent in the first quarter of 2013, after a decline of 1.7 per cent in the previous quarter. For the 15 quarters since the economy started to recover from the most recent recession, the average growth of labour productivity is 1.5 per cent, which is much lower than the average growth for the past recoveries. For example, in the recovery phase of the past three recessions, productivity increased at a pace of 1.9 per cent, 2.2 per cent and 2.1 per cent per quarter, respectively.



Source: UN/DESA, based on data from United States Bureau of Labor Statistics.

In the long run, growth of labour productivity is the most important factor for average income improvement. However, the short-run change in labour productivity tends to be very volatile (see figure). Whether the most recent slowdown foretells a shift in long-term productivity growth needs further investigation. Some studies point to the recent diminishing contribution from information technologies to labour productivity. More pessimistic analysts even predict a continuous decline in labour productivity growth for the United States in the next century. This is attributed to much smaller returns to broad technical innovations than in the past 200 years since the start of the industrial revolution.