

Research [in] Brief

Is the Recent Pickup in Productivity Growth Sustainable?



Primary issue

Productivity growth is an important factor in determining how quickly an economy can grow without putting pressure on inflation to rise. But economic forecasters struggle to identify when a pickup in productivity growth signals a change in trend or simply reflects a blip.



Key findings

Since World War II, the US economy has occasionally moved between periods of high and low productivity growth. While the latest readings are ambiguous, they show an increased likelihood that since 2022, the economy has returned to a regime of high productivity growth.

- The case for higher growth: Improvements in artificial intelligence, efficiency gains from remote work, and evidence of increased new-business formation suggest that higher productivity growth may be sustainable. Gains in productivity also may be being undercounted because progress in tech creates measurement problems related to difficulties judging quality changes in new products.
- Reasons for caution: Strong growth starting in 2023 could be the result of postpandemic easing of supply chain disruptions, a temporary gain. Remote work efficiencies are also temporary, and it's possible that increased new-business formation may be temporary, as well.



The bottom line

The findings provide tentative support for the view that productivity has shifted to a higher trend growth rate, but researchers will need several more quarters of data to be more confident in drawing that conclusion.

Want to find out more? Read “Is High Productivity Growth Returning?” at clefed.org/ec202501.

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