

# Bitesize: The past decade's productivity growth in historical context

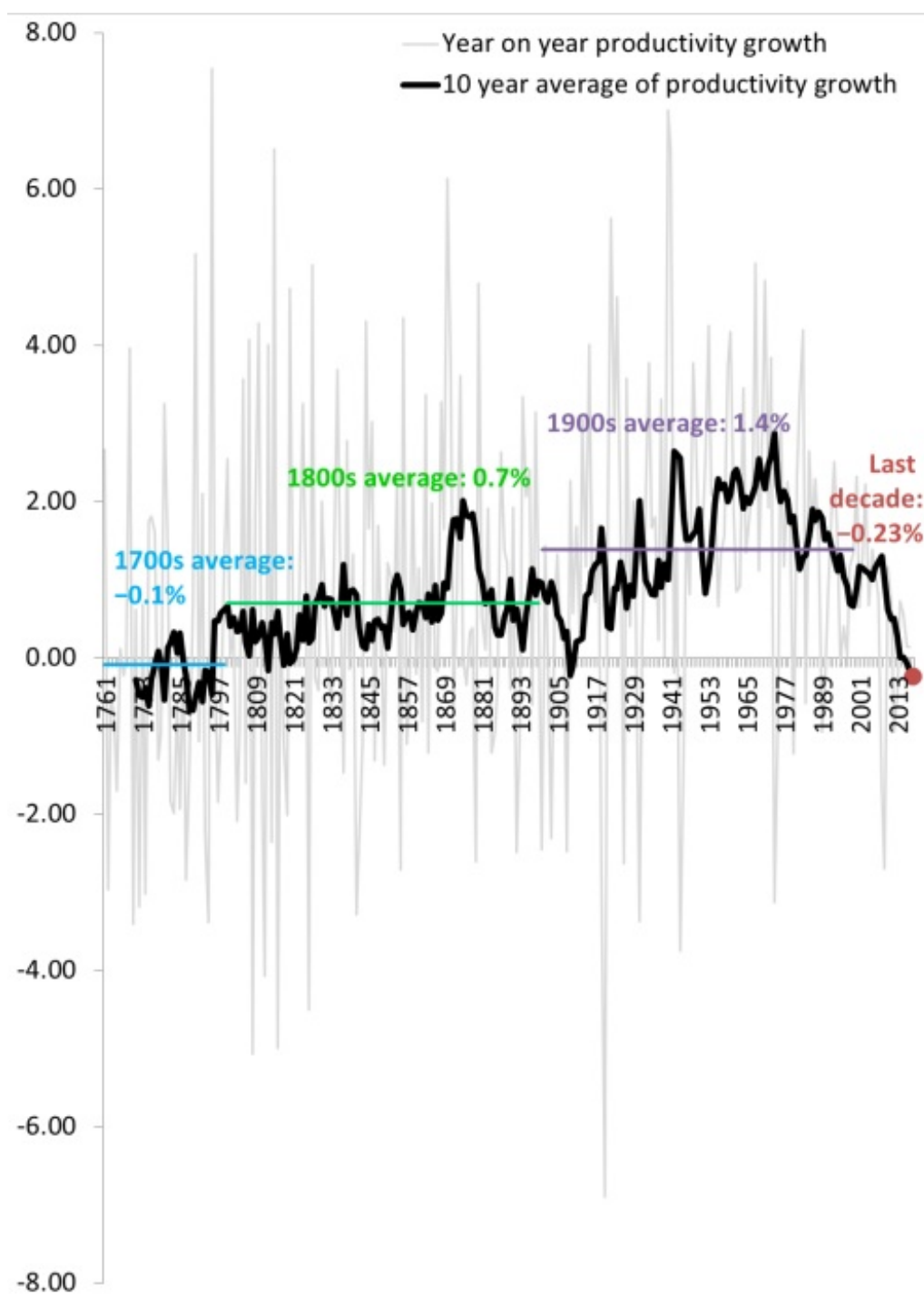
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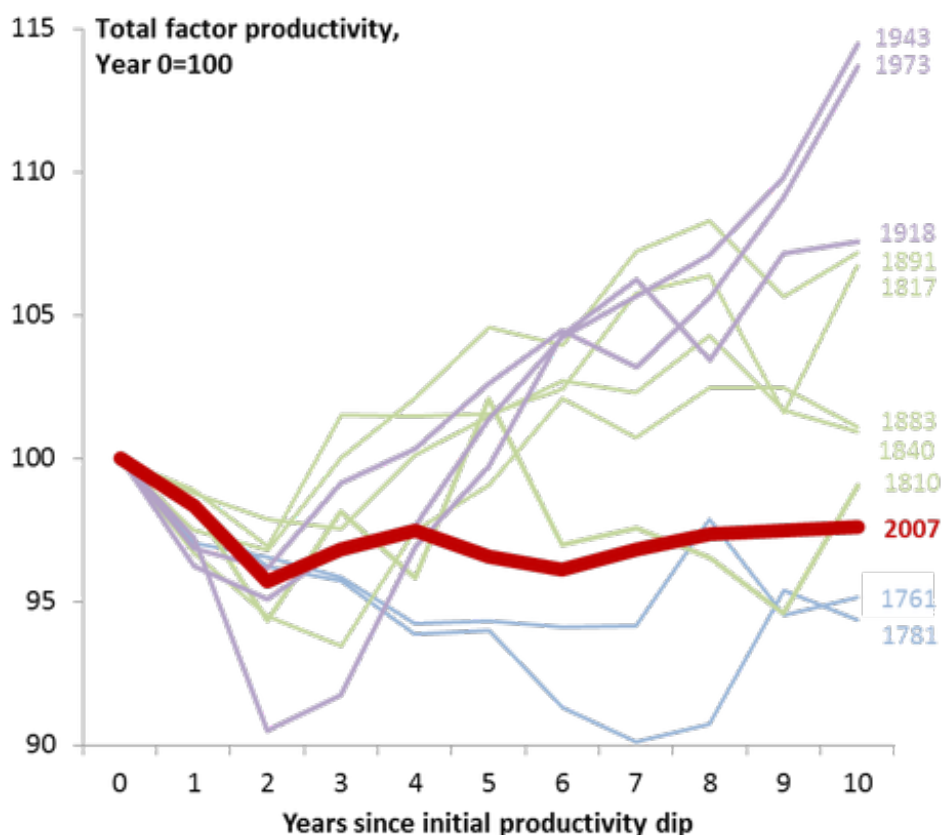
How poor has the past decade of productivity growth been by historical standards?  
Exceptionally.

To investigate this I take Total Factor Productivity data from the Bank's Millennium of Macroeconomic Data dataset and add on my estimate of 2017 growth (0.14%)



From 2007, 10-year average productivity growth was negative for the first time in almost a century. Overall, it was the worst decade since the late 18<sup>th</sup> century.

I then compare productivity performance after previous “big dips” in TFP growth: Defined here as two consecutive years of negative TFP growth over which the total fall was at least 2%. I identify 10 previous episodes since 1760.



For the first few years, the post-2007 dip (red) looks roughly average. The relative weakness only really emerges after about 3-4 years.

A decade after the big dips in the 19<sup>th</sup> century (green), productivity on average recovered to a level 3% higher than before; and in the 20<sup>th</sup> century (mauve) to about 12% higher.

10-year productivity growth averaged 0.7% in the 19<sup>th</sup> century and 1.4% in the 20<sup>th</sup>. So after 20<sup>th</sup> century productivity dips, the economy recovered (on average) almost all the “lost ground” relative to the century average, and about half the ground in the 19<sup>th</sup>. By 2017 however, productivity had barely grown from its post-crisis trough.

Productivity growth was worse after the 18<sup>th</sup> century episodes (blue), but in that century average productivity growth was around zero.

Whatever the cause, productivity growth over the past decade has been remarkably poor by most historical standards.

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