

Macro Roundup Article

Headline: [World Economic Outlook Chapter 2 The Natural Rate of Interest: Drivers and Implications for Policy](#)

Article Link: <https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023?cid=bl-com-spring2023flagships-WEOEA2023001>

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Tweet: [. @IMFNews](#) writes that the core drivers of the decline in the natural rate of interest, population aging and slower total factor productivity growth, have not gone away. The IMF expects the natural rate to revert to pre-pandemic levels.

Summary: Looking through cyclical fluctuations and term premiums, real rates have fallen steadily, by about 5 percentage points over the last four decades across all [US Treasuries] maturities. Given that the natural rate of interest is a long-term attractor for real rates, this suggests that the natural rate of interest has also fallen, at least in the United States. Long-term forces driving the natural rate suggest that interest will eventually converge toward pre-pandemic levels in advanced economies. While low natural rates may ease pressure on fiscal policy, they do not negate the need for fiscal responsibility. Important government support during the pandemic has strained public accounts, requiring some budget consolidation to ensure long-term debt sustainability.

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