

Macro Roundup Article

Headline: [Why is the U.S. GDP Recovering Faster Than Other Advanced Economies?](#)

Article Link: <https://www.federalreserve.gov/econres/notes/feds-notes/why-is-the-u-s-gdp-recovering-faster-than-other-advanced-economies-20240517.html>

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Publication	Federal Reserve Board
Publication Date	May 20, 2024

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Summary: The gap in output performance between the U.S. and advanced foreign economies (AFE) can be traced to a divergence in labor productivity, and, to a lesser degree, the number of hours worked per employee. Many AFEs have more rigid labor markets, with more stringent employment protection as well as higher unemployment rates. During the pandemic recession, there has been three times more sectoral reallocation of workers in the U.S. than in the euro area. Policies preserving the firm-employee link in some AFEs led to adjustments along the intensive margin [hours and effort] as firms retain employees without producing goods and services up to their full potential. Hence, as aggregate demand recovers, one might see a mechanical increase in labor productivity in advanced foreign economies, as firms are able to produce more without a comparable increase in their labor force. Another aspect is the stark difference in business dynamisms. The U.S. experienced an impressive increase in new firms' formation since the second half of 2020. Together with the high increase in unemployment discussed above, this surge in firms' creation likely supported the strong rebound in U.S. aggregate activity.

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Primary Topic: Growth

Topics: Business Cycle, GDP, Growth, Op-Ed/Blog Post, Productivity

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