

Macro Roundup Article

Headline: [Measuring the Natural Rate of Interest: Past, Present, and Future](#)

Article Link: <https://www.newyorkfed.org/newsevents/speeches/2023/wil230519>

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Publication	Federal Reserve Bank of New York
Publication Date	May 19, 2023

Tweet: John Williams announces @NewYorkFed research that finds "there is no evidence that the era of very low natural rates of interest has ended."

Summary: Based on the new r-star estimates for Canada, the Euro Area, and the United States, we see no signs of a significant reversal of the decline in r-star estimates evident in prior decades. In fact, in all three economies, the r-star estimates in 2022 are within two-tenths of a percentage point of the corresponding estimate in 2019. The current Holston-Laubach-Williams model estimates of r-star in the United States are shown in Figure 3. For comparison, the figure also shows estimates using a version of the model that is not adjusted to take into account COVID or outliers and holds the parameter values fixed at estimates using data through the end of 2019. The two sets of estimates are very similar through 2019. They differ sharply during the acute period of the pandemic, however, when the estimates from the unmodified model exhibit large swings due to the presence of sizeable outliers. Interestingly, the two estimates are very close to each other at the end of the sample.

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