

Macro Roundup Article

Headline: [The Mysterious Slowdown in U.S. Manufacturing Productivity](#)

Article Link: <https://libertystreeteconomics.newyorkfed.org/2024/07/the-mysterious-slowdown-in-u-s-manufacturing-productivity/>

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Tweet: Labor productivity in the US manufacturing sector grew 3.4% annually between 1987-2007 but declined 0.5% annually between 2010-2022. Even the fastest-growing industries and the largest firms experienced a slowdown.

Summary: Most manufacturing industries, even those exhibiting stellar productivity gains in the 1990s, suffered a sustained productivity slowdown after the Great Recession, particularly puzzling in light of the widespread adoption of automation and robots. [The four largest firms in each industry] appear to have played a larger role in the productivity boom in the 1990s. For these firms, the average labor productivity growth in the 1987-2007 period was 3.7%, while follower firms in Compustat experienced growth of 2.9% in the same period. From 2010 to 2022, both leading firms and following firms experience similar productivity growth declines. Leading firms show an average growth rate of -0.5% in the second period, a 4.2pp reduction, while follower firms experience -1.3% growth, also a 4.2pp reduction. Thus the productivity slowdown appears to be a broad phenomenon affecting all industries and all firms in each industry. These findings diverge from recent findings in the literature that focus on large firms separating from smaller firms. While there is evidence of this separation, this looks to be mostly coming from growth in the 1990s and early 2000s.

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Primary Topic: Growth

Topics: Database, GDP, Growth, Important!, Investment, Op-Ed/Blog Post, Productivity, Weekly

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