

Macro Roundup Article

Headline: [Global Natural Rates in the Long Run: Postwar Macro Trends and the Market-Implied \$r^*\$ in 10 Advanced Economies](#)

Article Link: <https://www.nber.org/papers/w31787>

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Tweet: A new @nberpubs analysis documents that the natural interest rate moves in a very wide range of 400-500 basis points across advanced economies. There is a strong global factor in r^* , such that natural rates tend to move together across countries.

Summary: The top panel in Figure 7 shows the r^* estimates. Natural rates have fallen over time in all countries, but not monotonically, consistent with previous works documenting the decline of real rates over the long run. As recently as the 1990s, natural rates in these countries were between 100 and 600 bps. By the end of the sample 4 out of 10 countries have a negative r^* , and most others are between 0 and 50 bps. There is cross-country correlation, and natural rates have a positive correlation with the “global” component, and a considerable local component at high frequency. These comovements may reflect forces of market integration to some degree, as well as the effects of common factors.

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Primary Topic: Financial Markets

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