The “Subpar” Recovery: A Longstanding Misunderstanding

Presented to the
24th Annual Hyman P. Minsky Conference

April 2015

Lakshman Achuthan
Co-Founder & Chief Operations Officer
Falling U.S. GDP Growth (%) During Expansions
First Year of Recovery, Two Independent Variables

<table>
<thead>
<tr>
<th>Estimated USCI Growth (%)</th>
<th>Actual USCI Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>01</td>
</tr>
<tr>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td>82</td>
<td>82</td>
</tr>
<tr>
<td>61</td>
<td>61</td>
</tr>
<tr>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>91</td>
<td>91</td>
</tr>
<tr>
<td>09</td>
<td>09</td>
</tr>
</tbody>
</table>

- The scatter plot shows the relationship between estimated and actual USCI growth over various years.
Falling U.S. GDP Growth (%) During Expansions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth</td>
<td>6.7</td>
<td>4.3</td>
<td>5.4</td>
<td>4.8</td>
<td>5.0</td>
<td>4.8</td>
<td>4.6</td>
<td>4.6</td>
<td>3.8</td>
<td>3.5</td>
<td>2.5</td>
</tr>
</tbody>
</table>

© 2015 Economic Cycle Research Institute
Growth in Labor Productivity and Hours Worked (%)

Shaded areas represent U.S. business cycle recessions.
World Export Volume and Price, Growth Rates (%)
Actual and Trend Nominal GDP Growth (%) in Advanced Economies

U.S.
Canada
U.K.
Germany
France
Italy
Spain
Japan

Actual and Trend Nominal GDP Growth (%) in Emerging Economies

India
China
Korea
Mexico
Actual and Trend U.S. Nominal GDP Growth (%)
A Stylized View of Recession

Effect of Lower Cyclical Volatility

Effect of Higher Trend Growth

Recessions
Japanese GDP, Growth Rate (%)

Shaded areas represent Japanese business cycle recessions.

German GDP, Growth Rate (%)

Shaded areas represent German business cycle recessions.
U.S. Coincident Index Growth (%)

Shaded areas represent U.S. business cycle recessions.
Volatility of U.S. Economic Growth (%)
Volatility of Crude Oil and Stock Price Growth (%)
Diffusion Indexes of 20-Country Long Leading and Coincident Index Growth

20LLIGDI

20CIGDI
Thank you.

businesscycle.com