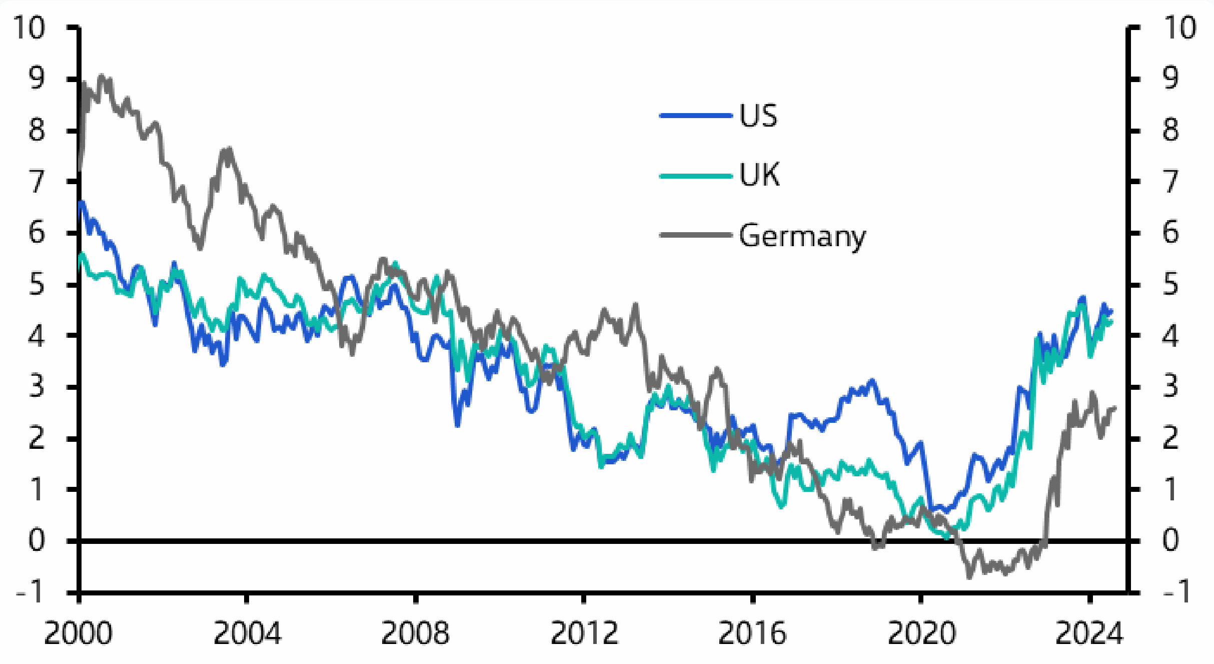
| 9th October 2023

r* and the end of the ultra-low rates era

Where developed market interest rates will settle over the long term

Read 'r* and the end of the ultra-low rates era':

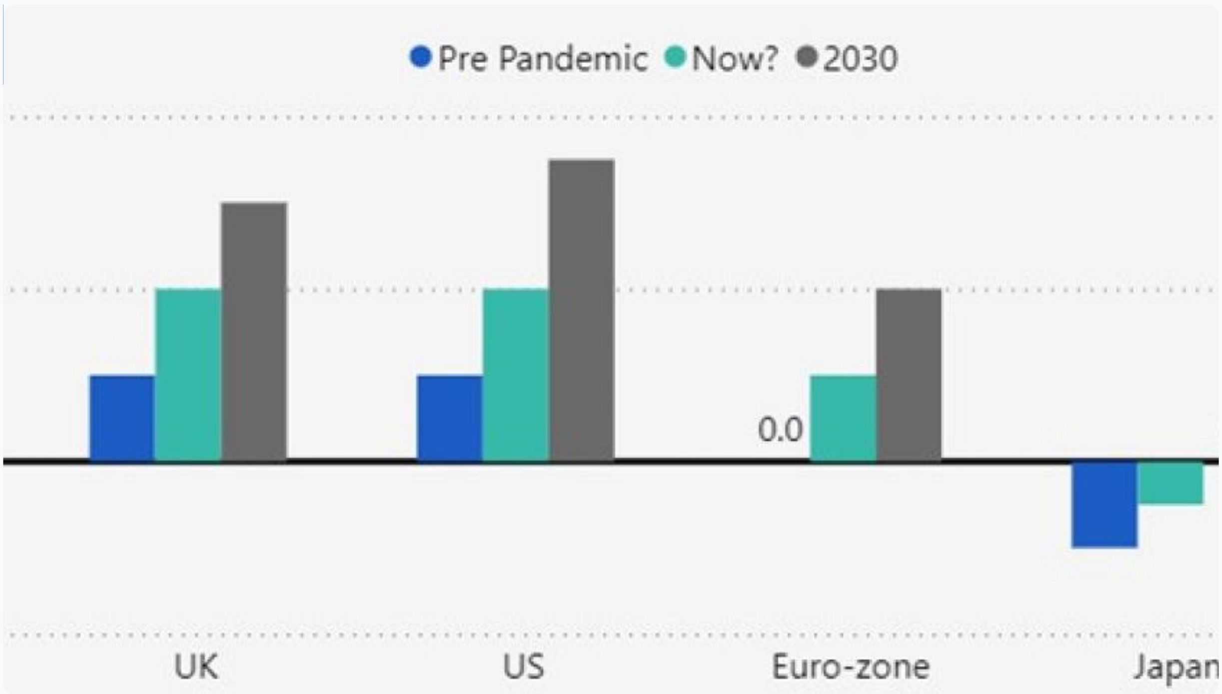


GLOBAL ECONOMICS UPDATE

Latest thoughts on r* and where rates end this cycle

In detailed analysis last year, we concluded that equilibrium nominal interest rates would settle at between 3% and 4% in advanced economies in the next ten years. We maintain that opinion and in fact...

30th July 2024 · 5 mins read

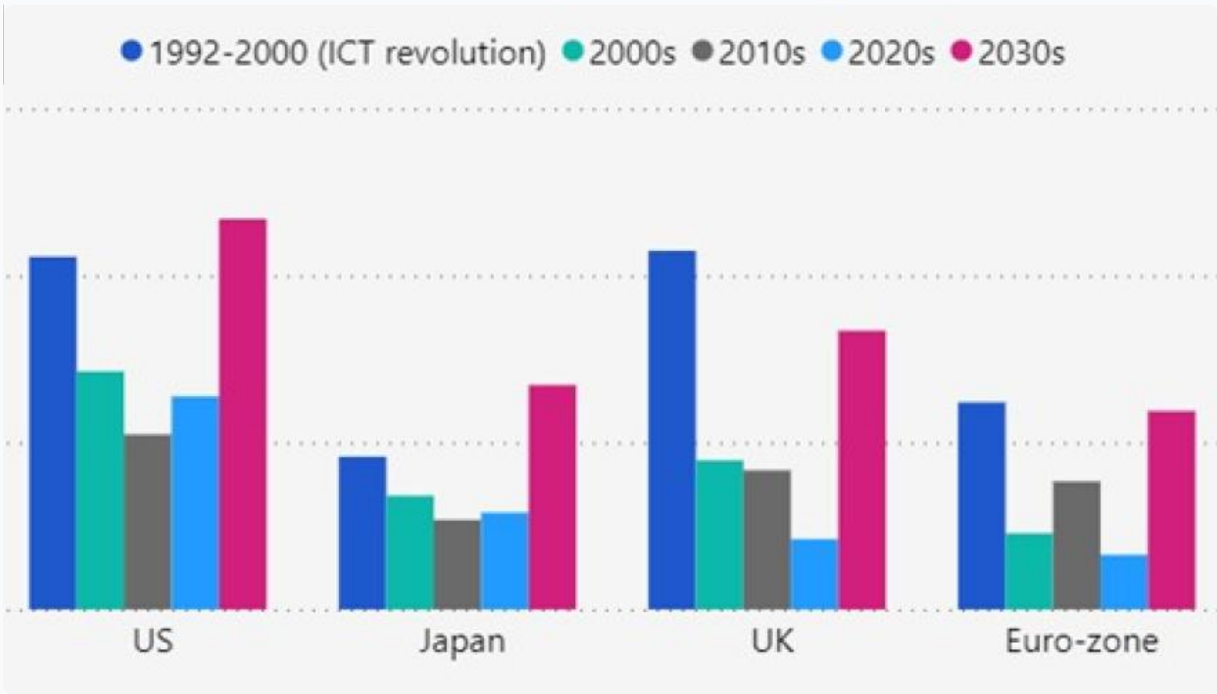


GLOBAL ECONOMICS FOCUS

r* and the end of the ultra-low rates era: executive summary

Highlighting the key takeaways from our in-depth new analysis on equilibrium real interest rates in the post-pandemic global economy.

17th October 2023 · 0 mins read

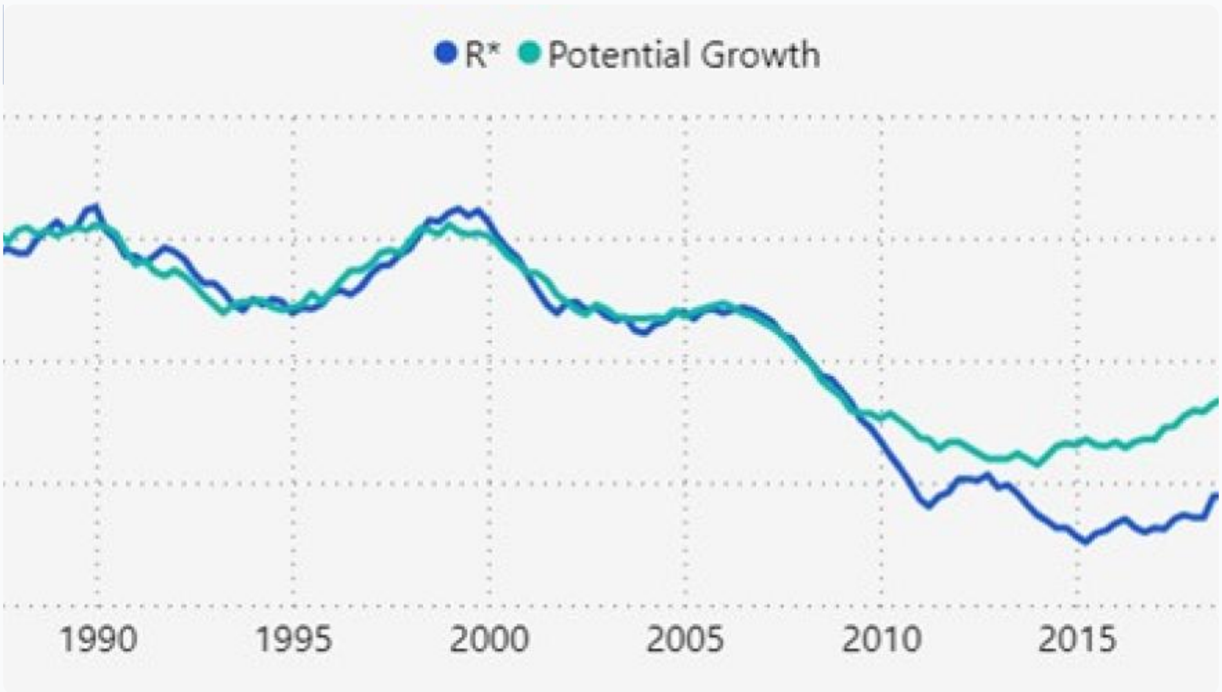


GLOBAL ECONOMICS FOCUS

Chapter 1: Will stronger potential growth boost r*?

Examining how the drivers that have been pulling down equilibrium rates are fading, and the strengthening forces that will push rates higher in the coming decade.

17th October 2023 · 0 mins read

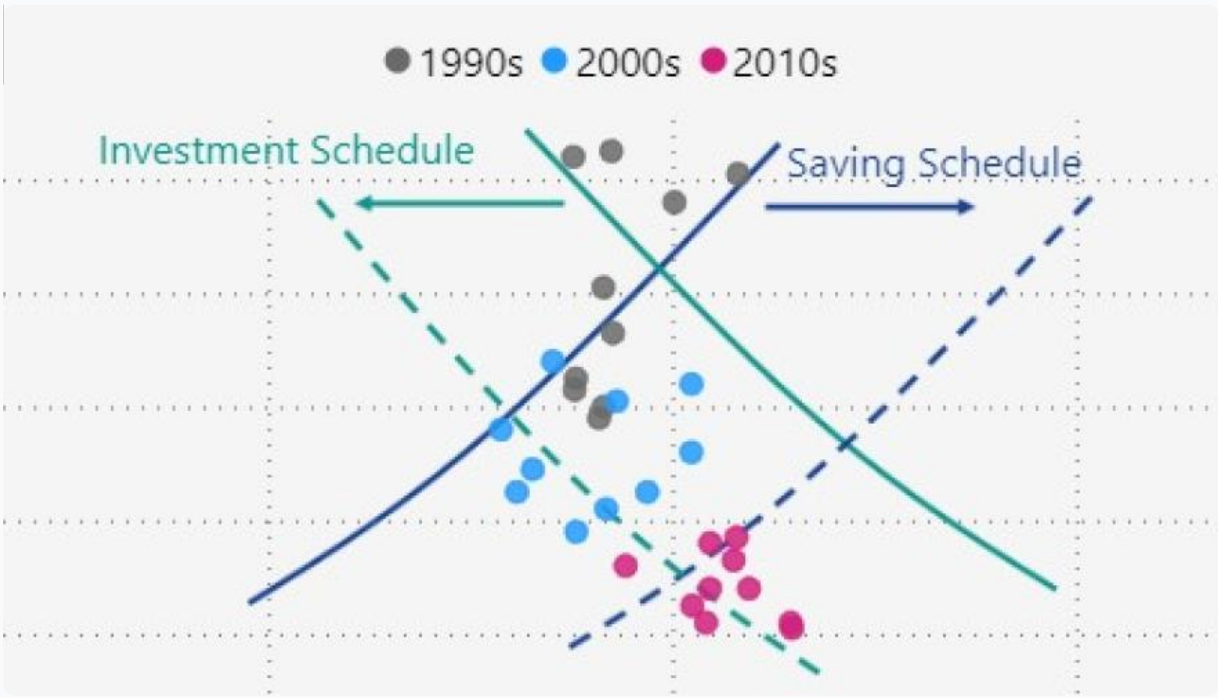


GLOBAL ECONOMICS FOCUS

Introduction and framework

The analytical framework for our r* research, where equilibrium interest rates are determined by the potential rate of GDP growth and other factors which influence the desire to save or invest.

17th October 2023 · 0 mins read

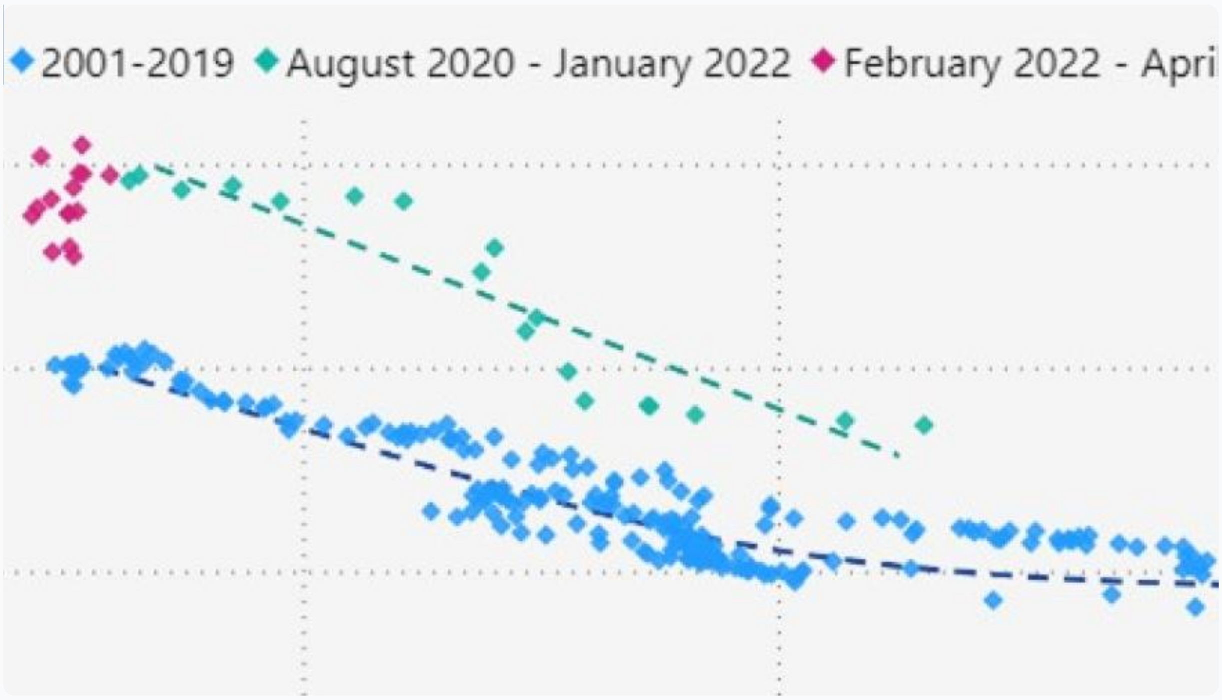


GLOBAL ECONOMICS FOCUS

Chapter 2: How will the savings/investment balance affect r*?

Why savings and investment incentives will become better aligned in the next decade than over the past 20 years, causing r* to rise.

17th October 2023 · 0 mins read

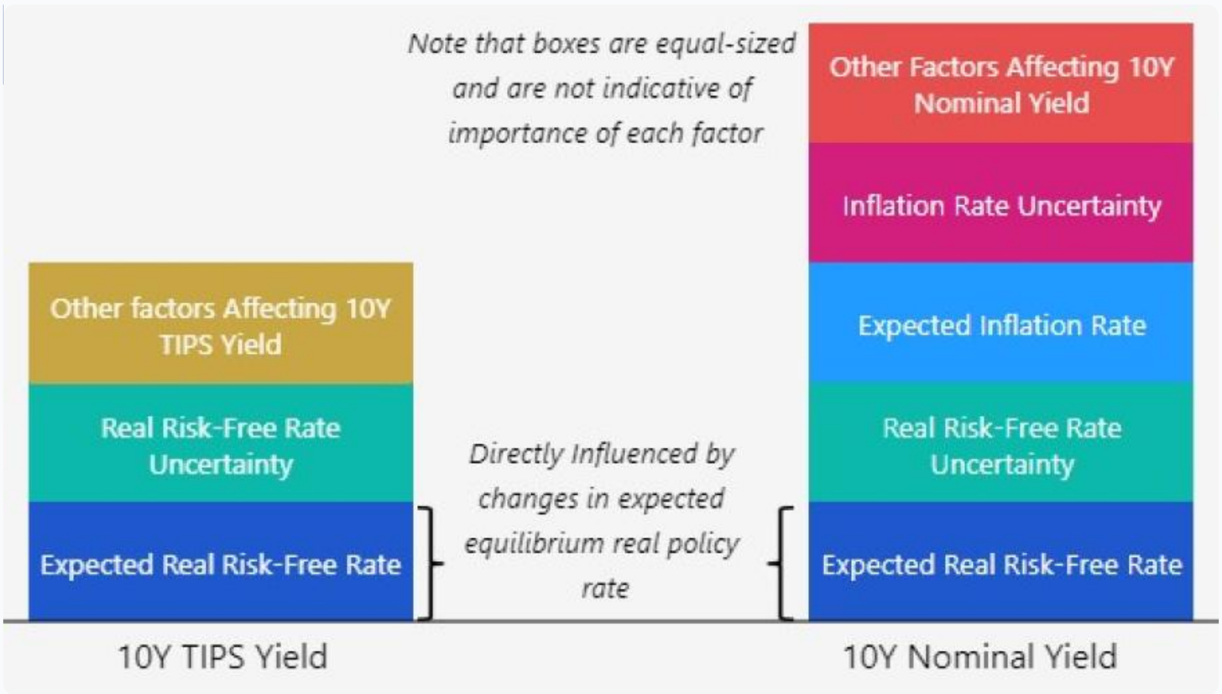


GLOBAL ECONOMICS FOCUS

Chapter 3: Where will inflation (and nominal rates) settle?

Why we expect a more volatile inflation outlook in the coming years, and how central banks are likely to respond in setting nominal rates in this new normal.

17th October 2023 · 0 mins read



GLOBAL ECONOMICS FOCUS

Chapter 4: Financial market implications

Higher real and nominal Treasury yields in 2030, relative to the past decade, are one reason why we expect investors to be demanding a greater real return from risky assets in 2030 than they are now.

17th October 2023 · 0 mins read

GLOBAL ECONOMICS FOCUS

r* and the end of the ultra-low rates era

17th October 2023 · 1 min read

r* Dashboard

This interactive guide to r* in the post-pandemic economy includes our forecasts for the major advanced economies out to 2030.

Explore the full dashboard

r* in the Post-Pandemic Economy

Get the key takeaways from our new analysis showing how equilibrium real interest rates will rise in the coming decade as new structural forces reshape the global economy and markets

Get your complimentary report

Several of the structural forces which have weighed on equilibrium interest rates over the past two decades are easing, and there are good reasons to think that equilibrium rates have risen and will rise further. These add up to a significant increase in equilibrium interest rates, in both real and nominal terms, relative to the rock bottom levels which prevailed during the 2010s.

Jennifer McKeown
Chief Global Economist

Events:

Drop-In: r* and the end of the ultra-low rates era

31st October 2023

Watch the recording

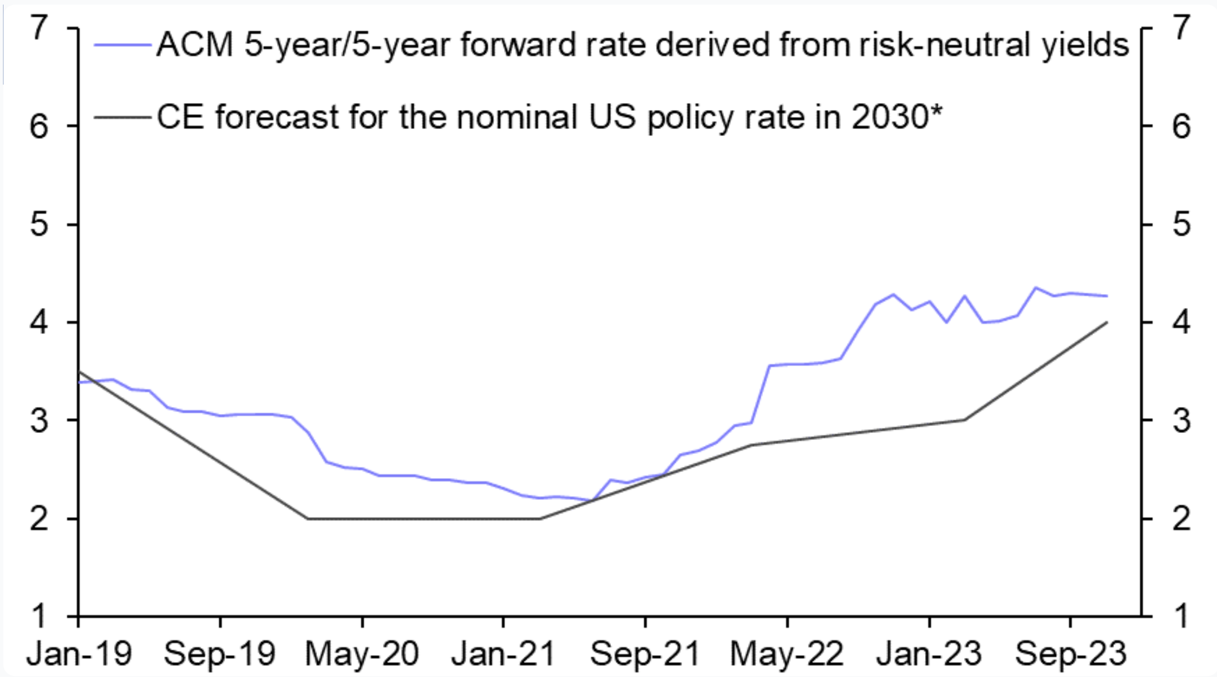
Related research:

GLOBAL ECONOMICS FOCUS

Financial stability in a world of higher interest rates

Although the recent transition to a higher interest rate climate has not caused any lasting or systemic financial flare ups, it is probably too soon to sound the all-clear. And while a higher interest...

8th February 2024 · 19 mins read

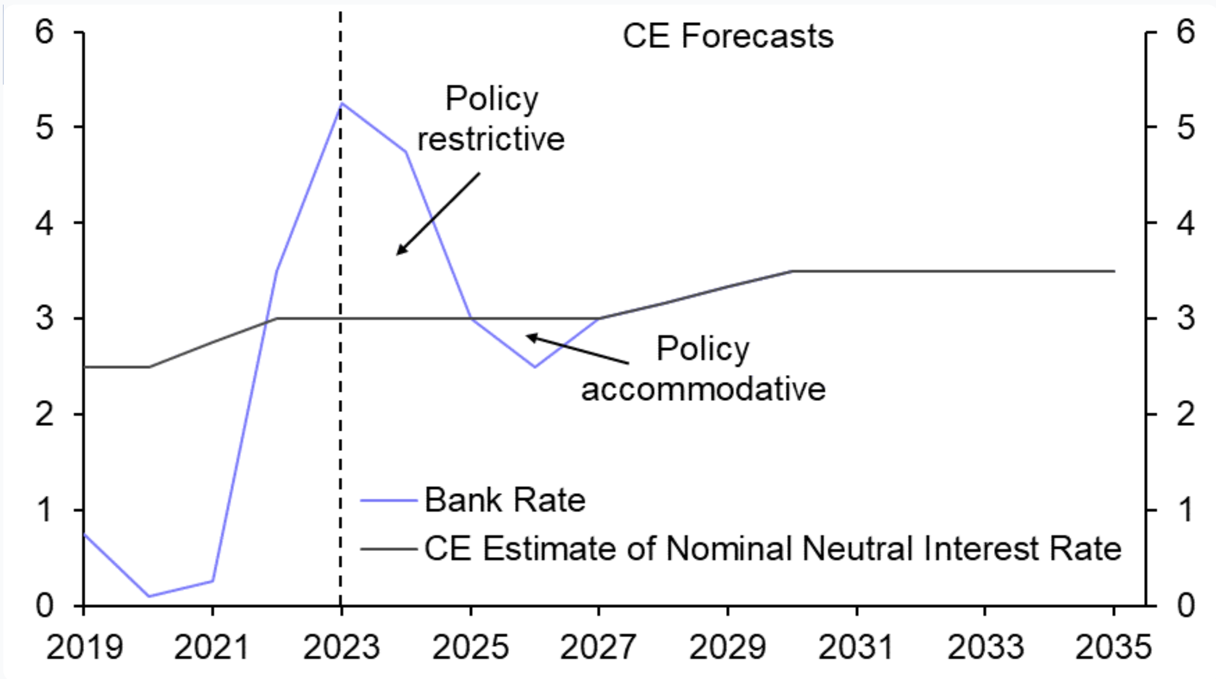


GLOBAL MARKETS UPDATE

Raising our forecasts for the 10-year Treasury yield

We still expect the 10-year Treasury yield to fall in the coming quarters. But we've revised up our projections for that yield from now to end of 2025, and now think it will reach its cyclical low in...

19th October 2023 · 3 mins read

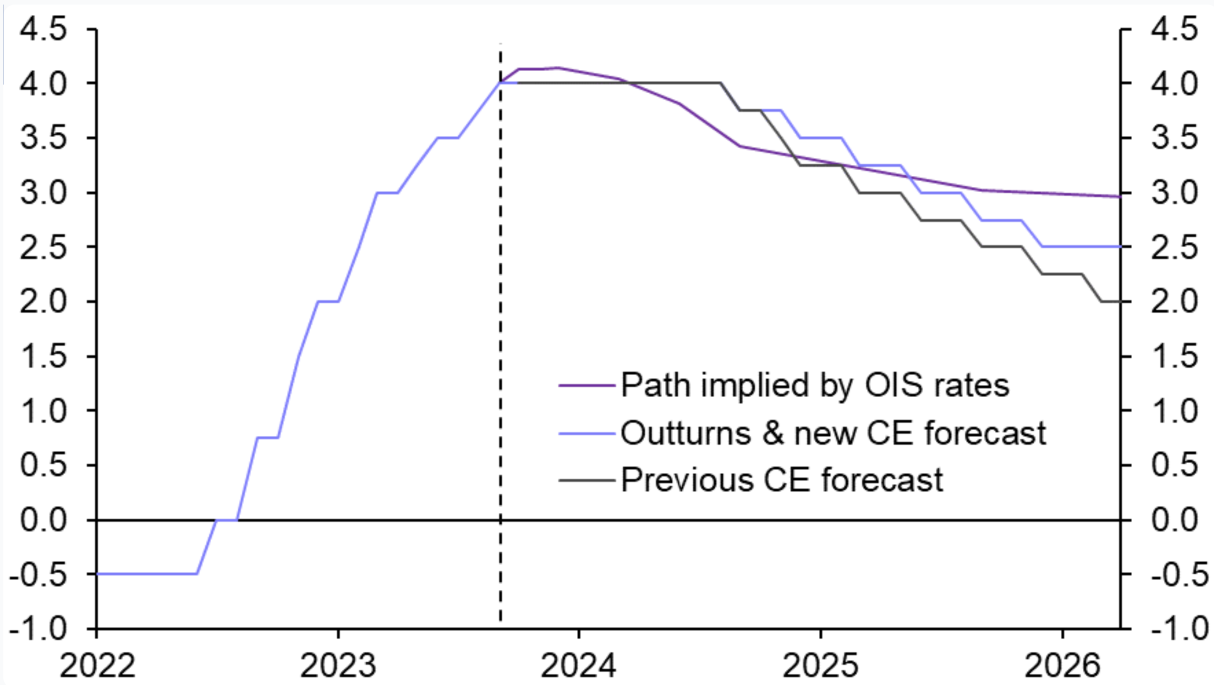


UK ECONOMICS UPDATE

Higher r* - bigger fiscal challenge, headwind for real asset prices

As our new higher estimate of the real neutral interest rate, or r*, for 2030 appears to be above the assumption priced into the financial markets, we think that in the 2030s 10-year gilt yields will...

19th October 2023 · 6 mins read

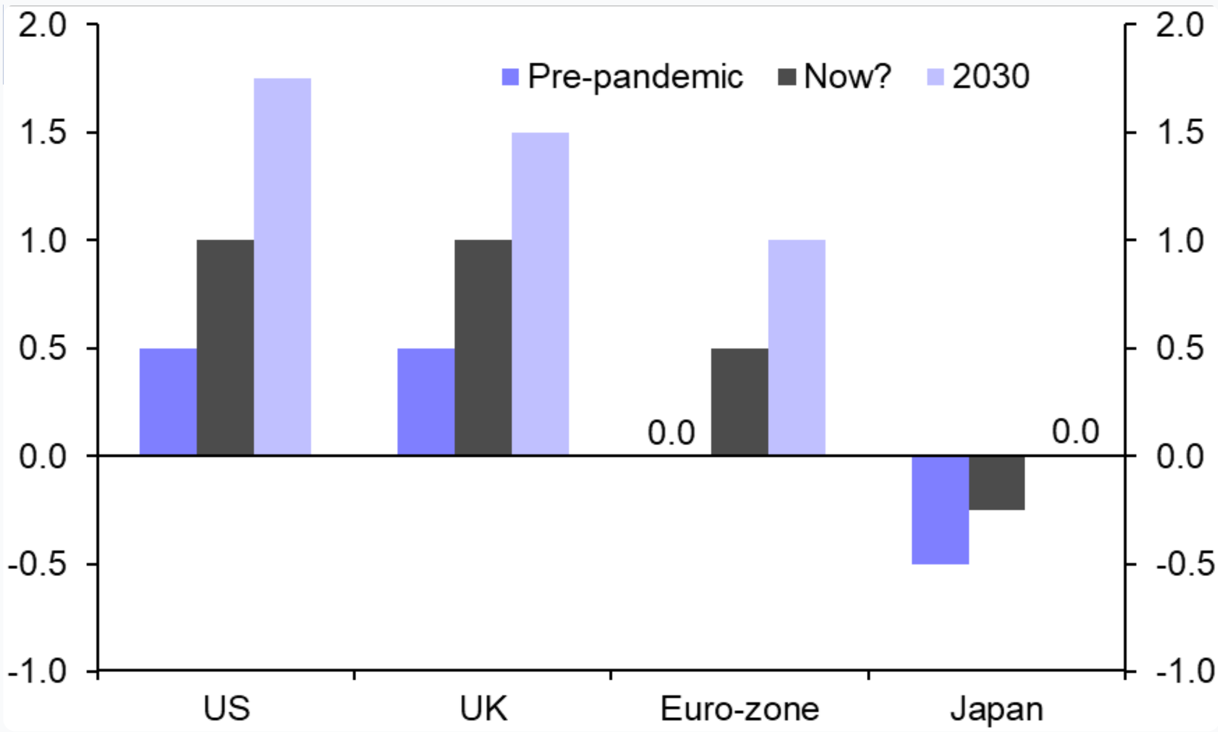


EUROPE ECONOMICS UPDATE

??Raising our long-run ECB interest rate forecast?

We have recently published detailed analysis arguing that equilibrium interest rates in advanced economies are now higher than they were before the pandemic, and that they will continue to rise over...

17th October 2023 · 3 mins read

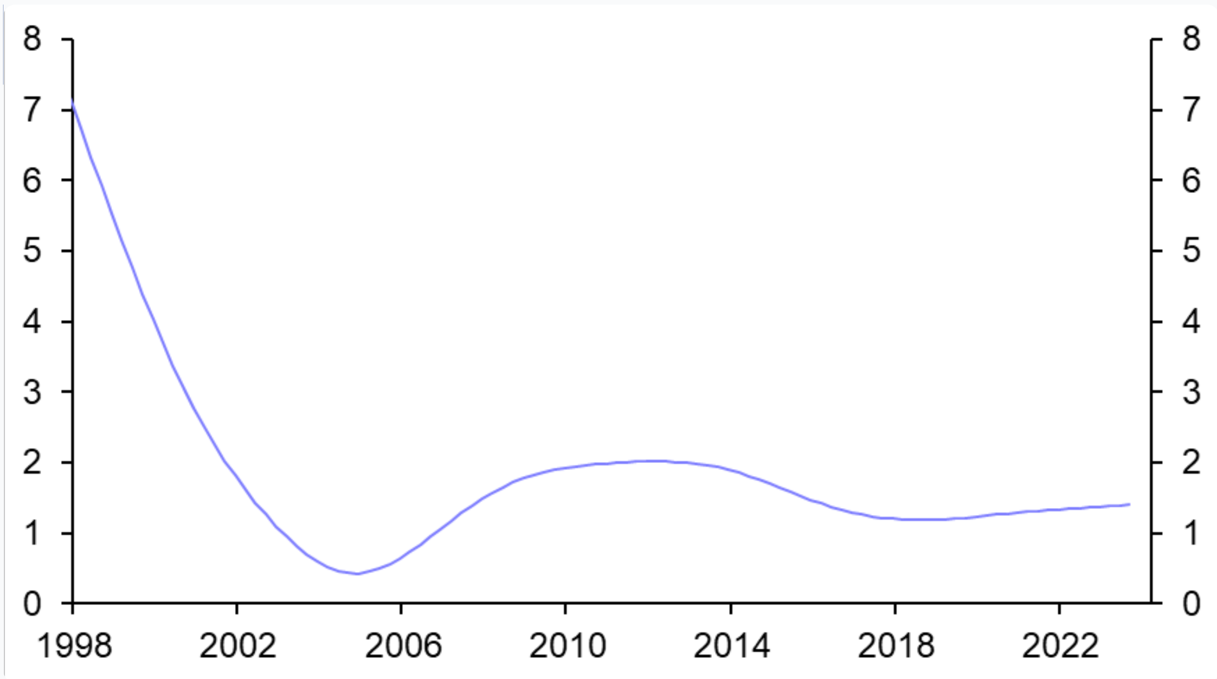


CAPITAL DAILY

Cyclically higher for shorter; structurally higher for longer

We think equilibrium real policy rates in advanced economies will continue to rise over the next decade or so. That has profound implications for government bond yields and risky asset valuations.

17th October 2023 · 5 mins read

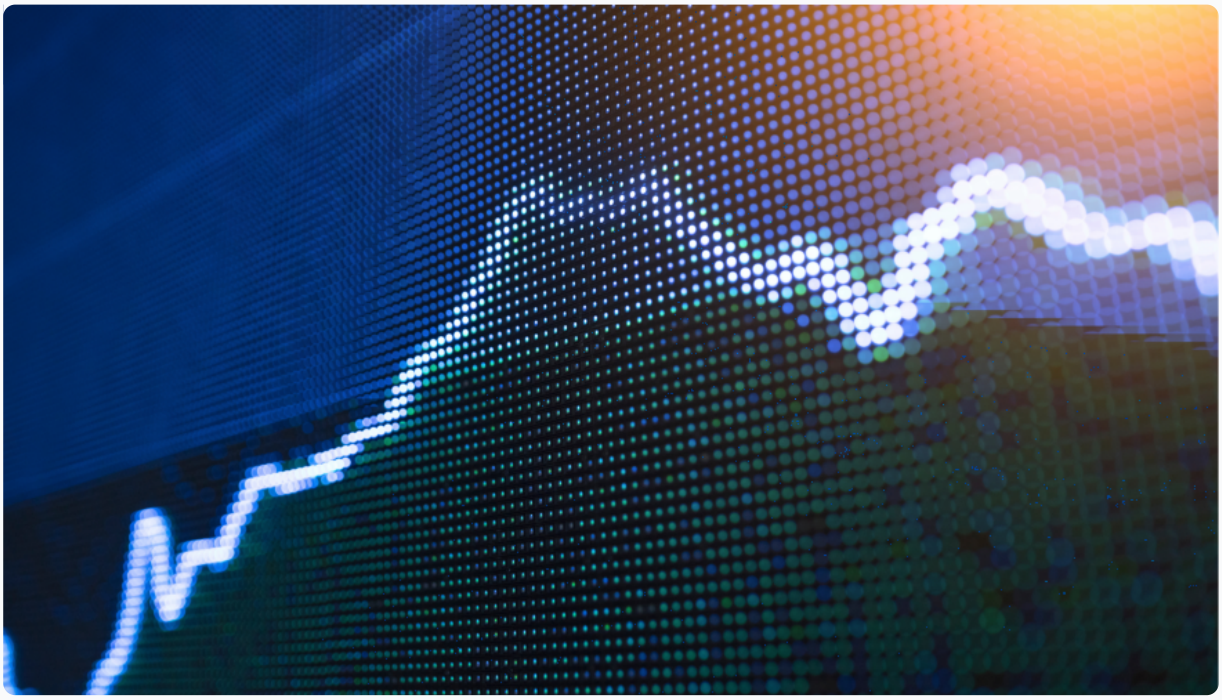


CHINA ECONOMICS UPDATE

China to buck the trend of rising equilibrium rates

In much of the world, interest rates are likely to settle at higher levels than was the case prior to the pandemic. But China is a key exception, with its shrinking population, slowing productivity...

29th November 2023 · 5 mins read

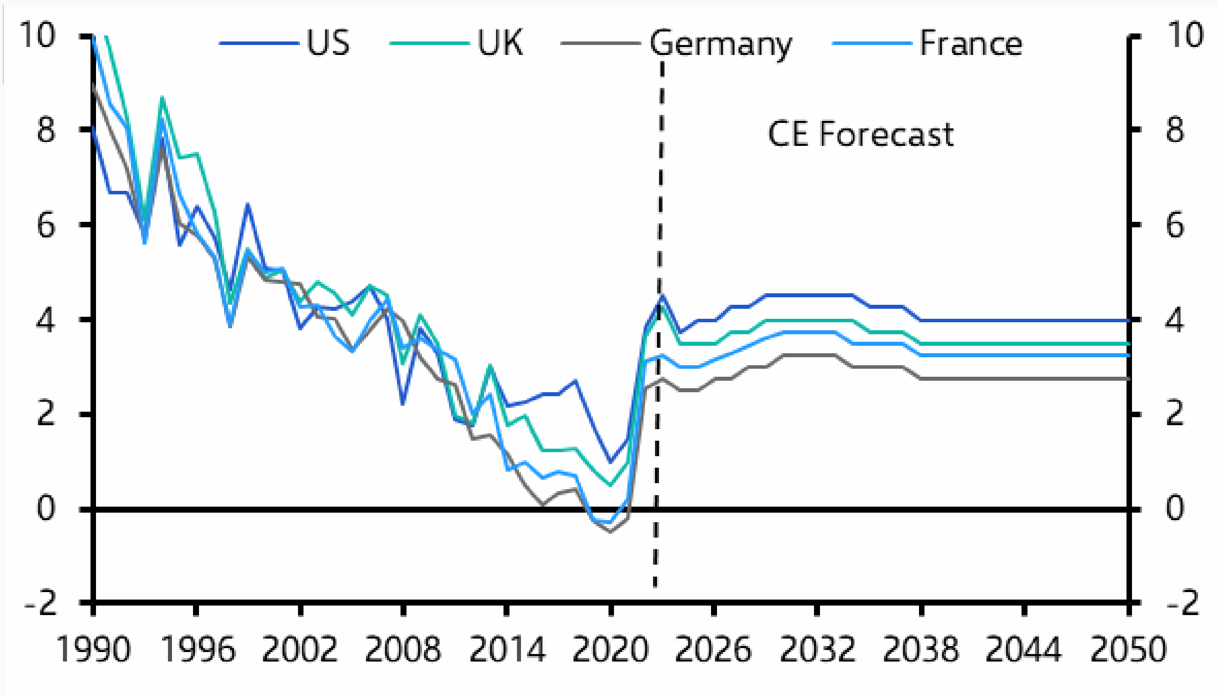


EMERGING MARKETS ECONOMICS UPDATE

The end of ultra-low rates and what it means for EMs

In our flagship report on the neutral interest rate (r*), we argued that r* in developed markets will rise and be higher than is widely assumed. (The full report can be accessed here.) For most EMs, r...

20th November 2023 · 4 mins read



UK COMMERCIAL PROPERTY UPDATE

Higher r* means more pain for property

Our recent r* work reinforces the view that property yields will stay relatively high longer term. That implies global returns in low single digits over the next decade or so, well below pre-pandemic...

27th November 2023 · 4 mins read