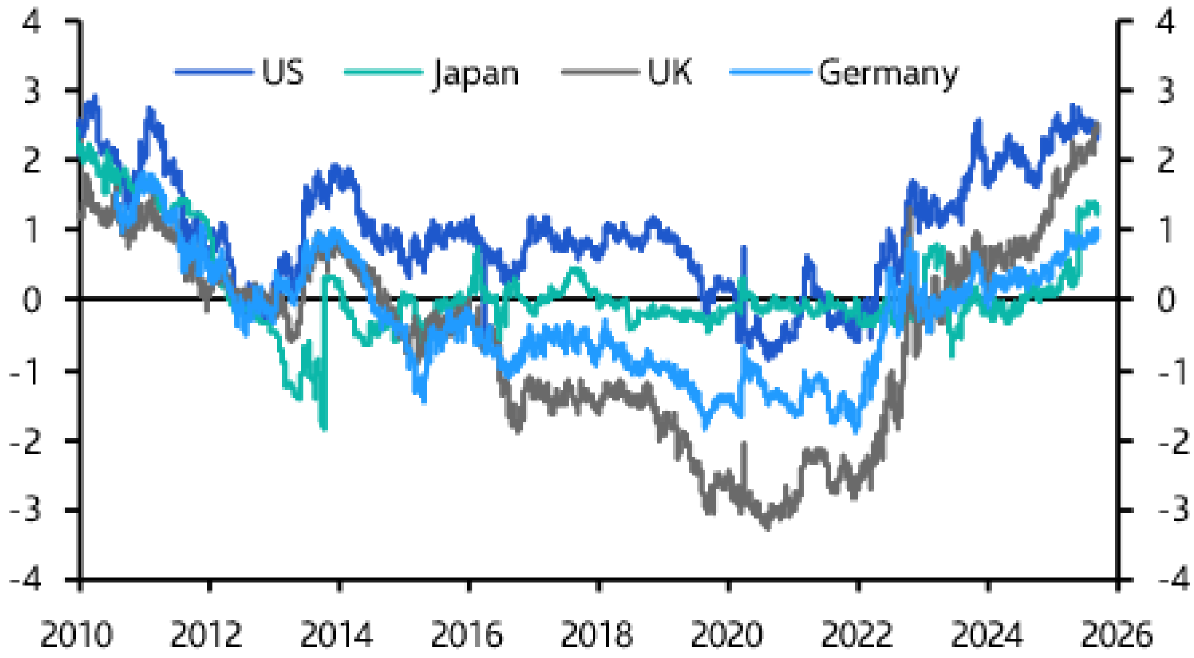
| 9th October 2023

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

Key analysis about r*:



GLOBAL ECONOMICS UPDATE

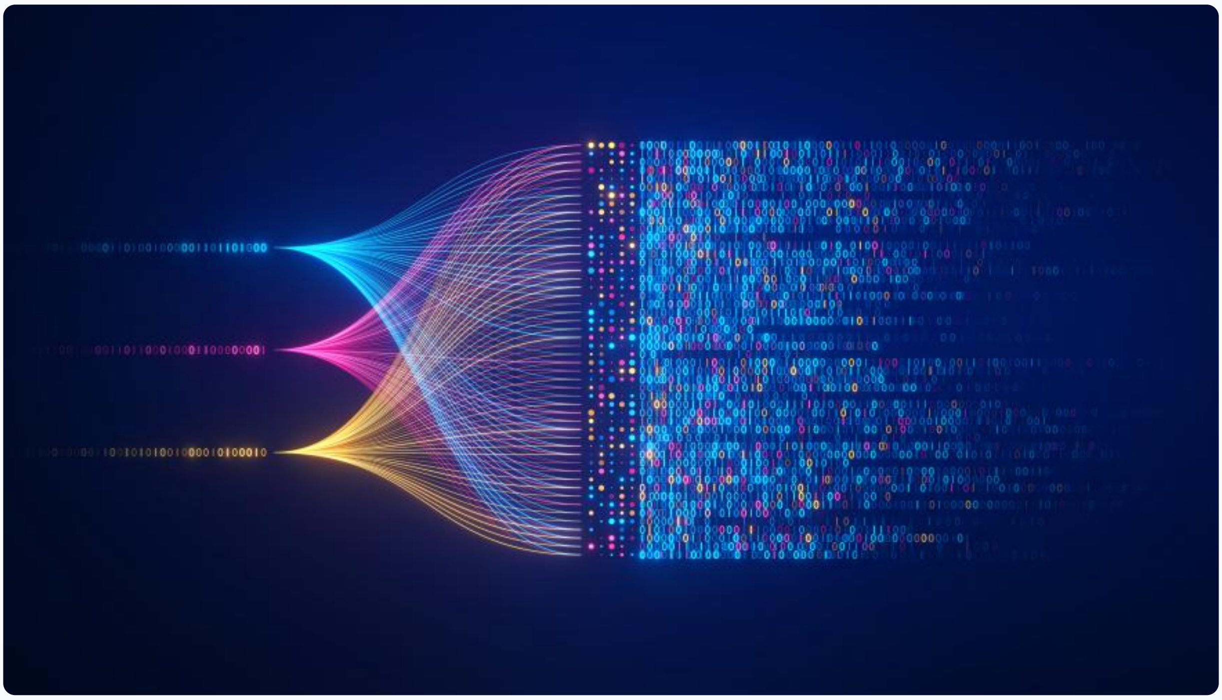
Why r* is still heading to 2%

Recent increases in long bond yields and an AI drive point to even higher equilibrium real interest rates. But with tariffs and immigration curbs weighing on potential growth, we defend our 2% estimate.

11th September 2025 · 6 mins read

The causes and consequences of waning demand for very-long-dated bonds

We explain why higher term premia are here to stay, meaning that bond yields will stay some distance above estimates of equilibrium interest rates.

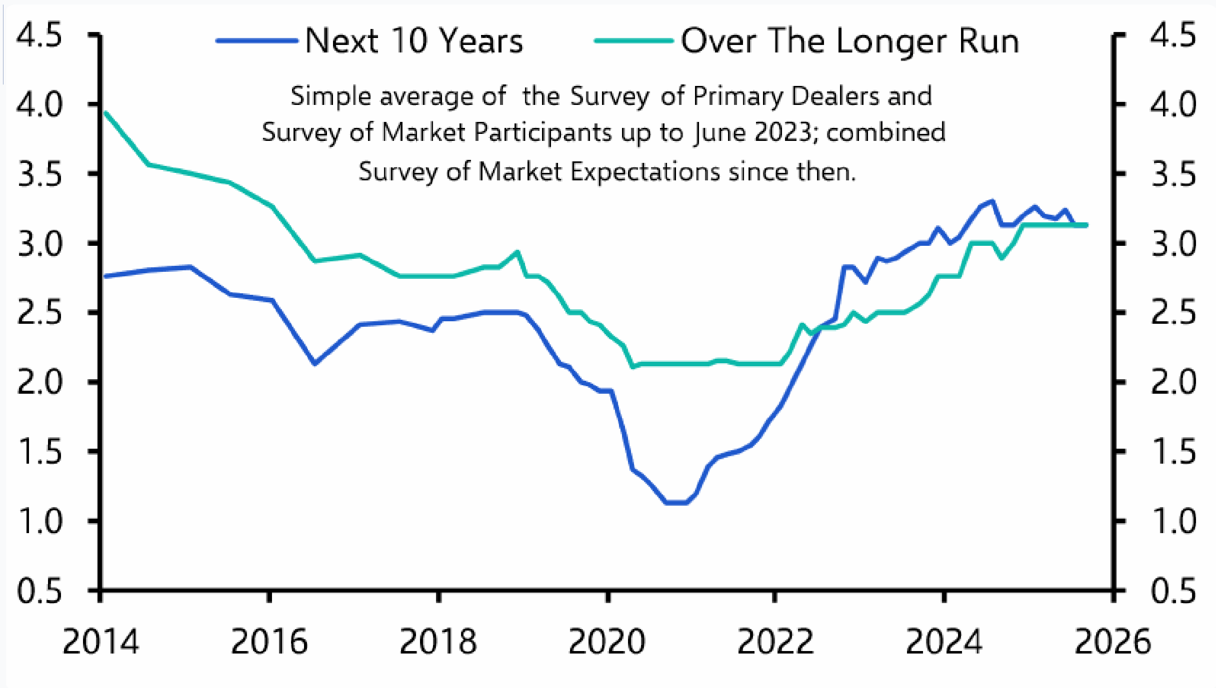


The economic and market impact of AI

The key driver of our above consensus take on r* is our positive assessment of the effects of AI on productivity growth. Explore that view in detail here.

Counting the cost of a crackdown on immigration

Here, we examine the effects of Trump's immigration policies on US potential growth. We anticipate a drag which will partly offset the positive impact of AI and limit the rise in r*.



BONDS UPDATE

What long-run r* are investors pricing in?

While market pricing already looks consistent with our view that r* will rise to around 2% in the US over the coming decade, a deeper look suggests that there is still room for investors' rate...

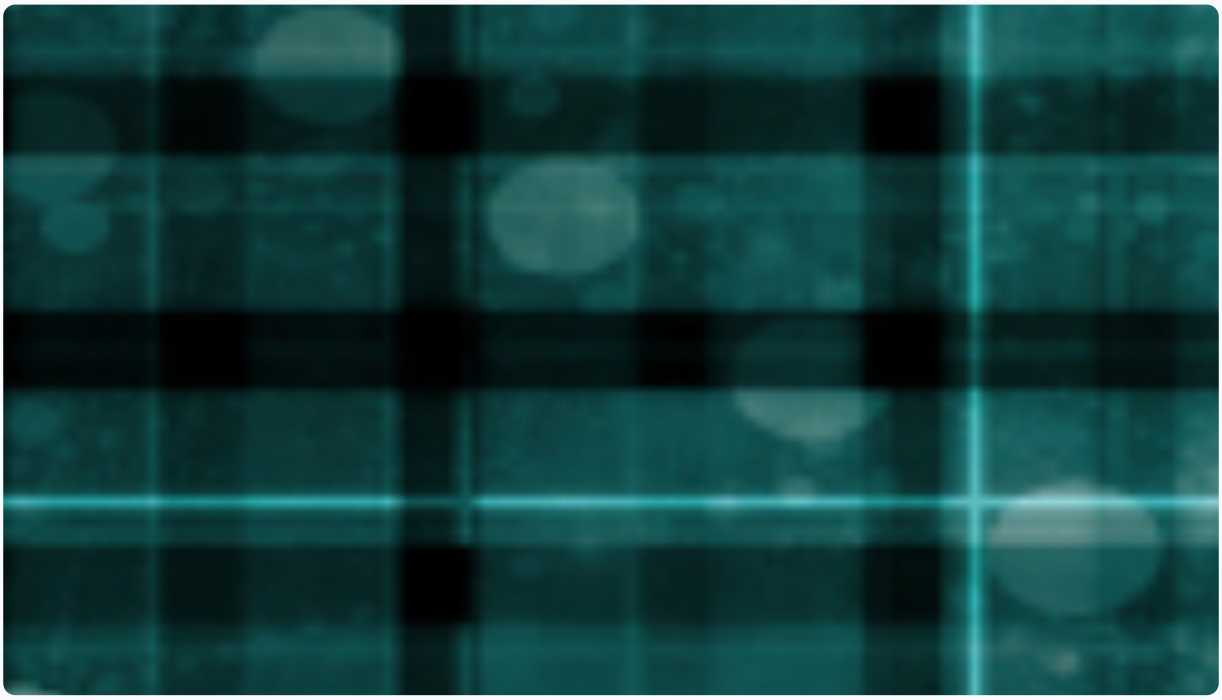
15th October 2025 · 4 mins read

Will defence spending turbocharge economic growth?

This Focus describes our cautiously optimistic view that higher defence spending will boost potential growth and hence r* in advanced economies in the decade ahead.

Transition impacts in the spotlight

An assessment of how the green transition could influence macroeconomic outcomes including potential growth, investment incentives and hence long-run interest rates.



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

Our in-depth analysis in 2023 concluded long before the consensus that r* had risen and was set to rise towards 2% in real terms. Explore the reasons for that view here.

r* Dashboard

This interactive guide to r* includes our forecasts for the major advanced economies out to 2030.

Explore the full dashboard

r* in the global 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