















2015 IGR framework for potential GDP

- No change to the trend GDP methodology
 - Potential output is based on standard growth accounting (3Ps assumptions: population, participation and productivity)
- Population projections
 - The total fertility rate is assumed to remain around the 2013 rate of 1.9 births per woman.
 - Life expectancy at birth (period method) increases to 95.1 years in 2054-55 for men and 96.6 years for women.
 - Net Overseas Migration (NOM) is assumed to be 215,000 people a year beyond the forward estimates.



2015 IGR framework for potential GDP

- Trend average hours worked
 - Aggregate trend average hours worked is based on bottom up analysis by gender, age, and employment type. The projected trend average hours worked for these 64 series is weighted by the trend number of persons employed to give a projection of trend total hours worked.
- Trend employment/unemployment
 - The historical NAIRU is estimated using the Phillips curve approach of Gruen, Pagan and Thompson (1999)
 - In the projection period, the NAIRU is assumed to be 5 per cent
- Trend labour productivity
 - Consistent with the 2010 IGR methodology annual trend productivity growth over the projection period is assumed to equal the 30 year annual average growth rate of labour productivity, currently 1.6 per cent.



Growth rate of potential output







































