**Structural Breaks in Potential GDP of Four Major Economies: just impaired credit or the «New Normal»?[[1]](#footnote-1)
A. Apokin, I. Ipatova**

**Abstract**

This paper investigates the factors behind the recent growth slowdown (so-called «the Secular Stagnation») in the US, euro area, China, and Japan using the metrics of potential output growth. Specifically, our results offer limited support for a supply slowdown hypothesis (Gordon, 2012), while not supporting an impaired credit transmission channel hypothesis (Reinhardt and Rogoff, 2009a). We estimate potential output growth with a variety of multivariate Kalman filters accounting for inflation, unemployment, and private credit dynamics («finance-neutral» estimates) and subject our estimates to structural breaks tests. We detect structural breaks between 2008 and 2010 for all countries with Bai-Perron search procedure, the result being robust to the filter, specification and sample choices, with no significant difference between ordinary and «finance-neutral» estimates. We proceed with Chen-Liu test to detect negative level shift outliers in The Great Recession for euro area and Japan. Moreover, Chen and Liu test finds scarce evidence of temporary change outliers during The Great Recession if estimates account for labour market indicators.

**Keywords:** New Normal, Secular Stagnation, Great Slump, potential GDP, Kalman filter, Bai-Perron test, Chen-Liu test

**JEL classification:** C53, E17, F44, O57.

1. Apokin: Head, Global Research Unit, CMASF (Moscow), Senior Research Fellow, NRU-HSE, (Moscow), AApokin@forecast.ru. Ipatova: Expert, CMASF (Moscow), NRU-HSE, (Moscow), IIpatova@forecast.ru [↑](#footnote-ref-1)