

[Working Papers](#)

# A Re-examination of the Predictability of Economic Activity Using the Yield Spread

James D. Hamilton & Dong Heon Kim

SHARE       

WORKING PAPER 7954

DOI 10.3386/w7954

ISSUE DATE October 2000

This paper revisits the yield spread's usefulness for predicting future real GDP growth. We show that the contribution of the spread can be decomposed into the effect of expected future changes in short rates and the effect of the term premium. We find that both factors are relevant for predicting real GDP growth but the respective contributions differ. We investigate whether the cyclical behavior of interest rate volatility could account for either or both effects. We find that while volatility displays important correlations with both the term structure of interest rates and GDP, it does not appear to account for the yield spread's usefulness for predicting GDP growth.

[Download a PDF](#)

[Information on access](#)

## Acknowledgements and Disclosures



## Citation and Citation Data



# Published Versions

Hamilton, James D. and Dong Heon Kim. "[A Reexamination Of The Predictability Of Economic Activity Using The Yield Spread](#)," Journal of Money, Credit and Banking, 2002, v34(2,May), 340-360. citation courtesy of ~~RePEc~~

# Related

### TOPICS

Macroeconomics

Business Cycles

### PROGRAMS

Economic Fluctuations and Growth

## More from the NBER

In addition to [working papers](#), the NBER disseminates affiliates' latest findings through a range of free periodicals — the [NBER Reporter](#), the [NBER Digest](#), the [Bulletin on Health](#), and the [Bulletin on Entrepreneurship](#) — as well as online [conference reports](#), [video lectures](#), and [interviews](#).



Martin Feldstein Lecture, Summer Institute 2025  
**The Fiscal Future**

N. Gregory Mankiw, Harvard University and NBER  
July 10, 2025

**2025, 17th Annual Feldstein Lecture, N. Gregory Mankiw, "The Fiscal Future"**

FELDSTEIN LECTURE

PRESENTER: [N. GREGORY MANKIW](#)

N. Gregory Mankiw, Robert M. Beren Professor of Economics at Harvard University, presented the 2025 Martin Feldstein...



Methods Lecture, Summer Institute 2025  
**Uncovering Causal Mechanisms:  
Mediation Analysis and  
Surrogate Indices**

Raj Chetty, Harvard University and NBER  
Kosuke Imai, Harvard University  
July 24, 2025



**2025, Methods Lecture, Raj Chetty and Kosuke Imai, "Uncovering Causal Mechanisms: Mediation Analysis and Surrogate Indices"**

PRESENTERS: [RAJ CHETTY](#) & [KOSUKE IMAI](#)

SlidesBackground materials on mediationImai, Kosuke, Dustin Tingley, and Teppei Yamamoto. (2013). "Experimental Designs...



**2025, International Trade and Macroeconomics, "Panel on The Future of the Global Economy"**

PANEL DISCUSSION

PRESENTERS: [OLEG ITSKHOKI](#), [PAUL R. KRUGMAN](#) & [LINDA TESAR](#)

Supported by the Alfred P. Sloan Foundation grant #G-2023-19633, the Lynde and Harry Bradley Foundation grant #20251294...

**National Bureau of Economic Research**

[Contact Us](#)

1050 Massachusetts Avenue

Cambridge, MA 02138

[617-868-3900](tel:617-868-3900)

[info@nber.org](mailto:info@nber.org)

[webaccessibility@nber.org](mailto:webaccessibility@nber.org)

[HOMEPAGE](#)

[Accessibility Policy](#)

[Diversity Policy](#)

[Privacy Policy](#)

FOLLOW



© 2026 NATIONAL BUREAU OF ECONOMIC RESEARCH. ALL RIGHTS RESERVED.