

[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



## Download Citation



# 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 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 Retirement and Disability](#), the [Bulletin on Health](#), and the [Bulletin on Entrepreneurship](#) — as well as online [conference reports](#), [video lectures](#), and [interviews](#).



15<sup>th</sup> Annual Martin Feldstein Lecture:

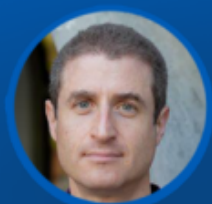
## **The Next Flight of the Bumblebee: The Path to Common Fiscal Policy in the Eurozone**

Mario Draghi, former President, European  
Central Bank and former Prime Minister, Italy  
Summer Institute, 2023

**2023, 15th Annual Feldstein Lecture, Mario Draghi, "The Next Flight of the Bumblebee: The Path to Common Fiscal Policy in the Eurozone"**

LECTURE

Dr. Mario Draghi, who served as President of the European Central Bank and Prime Minister of Italy, presented the 2023...



Methods Lecture:

## **Linear Panel Event Studies**

Jesse M. Shapiro, Harvard University and NBER  
Liyang Sun, CEMFI  
July 28, 2023

**2023 Methods Lectures, Jesse Shapiro and Liyang (Sophie) Sun, "Linear Panel Event Studies"**

Overview: Linear panel event studies are increasingly used to estimate and plot causal effects of changes in policies...



Panel Discussion:

## Long-Term Dynamics of the Employment-to-Population Ratio

Karen Glenn, Social Security Administration  
Stephen Goss, Social Security Administration  
Nicole Maestas, Harvard University and NBER  
Julie Topoleski, Congressional Budget Office  
July 26, 2023

**2023, SI Economics of Social Security, Panel, "Long-Term Dynamics of the Employment-to-Population Ratio"**

Supported by the Alfred P. Sloan Foundation, the National Science Foundation, and the Lynde and Harry Bradley...

### National Bureau of Economic Research

Contact Us

1050 Massachusetts Avenue

Cambridge, MA 02138

617-868-3900

info@nber.org

webaccessibility@nber.org

[HOMEPAGE](#)

[Accessibility Policy](#)

[Diversity Policy](#)

[Privacy Policy](#)

FOLLOW



© 2024 NATIONAL BUREAU OF ECONOMIC RESEARCH. ALL RIGHTS RESERVED.