

# From the natural rate towards a natural yield curve: a first step to benchmarking the term structure

Gavin Goy\* Yuto Iwasaki†

September 18, 2024

## Abstract

This paper introduces a novel methodology for estimating the natural yield curve (NYC), a comprehensive measure for assessing monetary policy stance, and applies it to U.S. and euro area data. Our approach makes two key contributions to the literature. First, it enables the simultaneous estimation of nominal and real NYC by incorporating both nominal and real yield curve data. Second, in contrast to the semi-structural methods prevalent in existing research, we employ a time-series framework. Our findings reveal significant shifts in the level and slope of the NYC. Specifically, we observe a decline in the natural rate of interest and a pronounced flattening of the natural yield curve slope, indicative of a persistent compression of the risk premium. While further investigation is necessary to elucidate the underlying drivers of these trends, this study offers valuable insights into the evolving structure of the yield curve and its implications for monetary policy evaluation.

**Keywords:** E43, E52, E58

**JEL Codes:** Natural yield curve; Natural rate of interest; Term structure

---

\*De Nederlandsche Bank. Contact: g.w.goy@dnb.nl

<sup>†</sup>Deloitte Tohmatsu Financial Advisory. Contact: yuto.iwasaki@tohmatsu.co.jp