



Economics Group

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Employment Costs Register Another Modest Gain in Q3

Total compensation costs for civilian workers increased a little less than expected, up 0.4 percent in the third quarter. The pace of benefit costs picked up, rising 0.8 percent, marking its largest gain since Q2 2011.

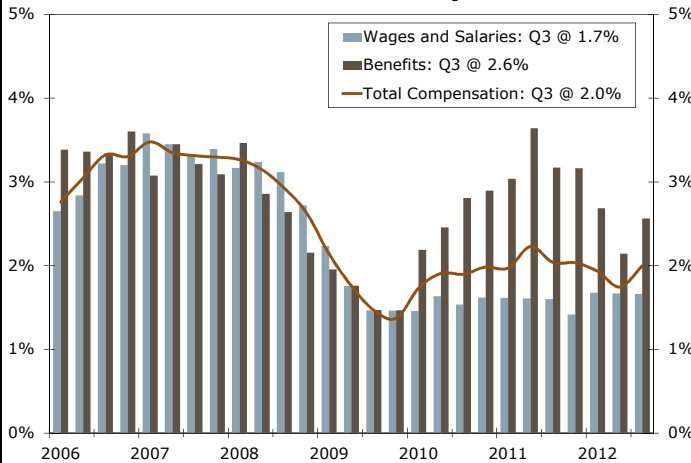
Wage Inflation Remains Tame

- Reflecting a still significant amount of excess slack in the labor market, wage and salary pressures remained tame last quarter, rising 0.3 percent. Year over year, wages and salaries are up 1.7 percent—barely keeping pace with inflation.
- With 24 million persons looking for full-time employment and economic growth expected to remain soft over the forecast horizon, wage inflation should remain in-check during 2013.

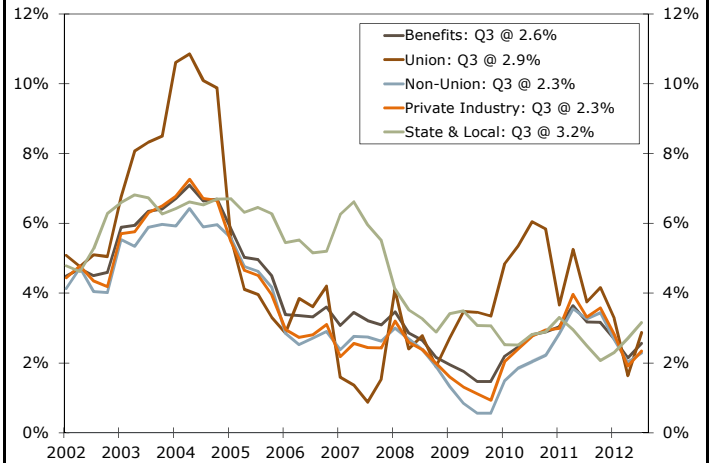
Firms Still Working Hard to Control Benefit Costs

- Benefits inflation has fallen substantially as firms and governments work diligently on containing costs, particularly health care. As the economy strengthens, higher rates of medical care utilization, including the use of more expensive medical technology, should increase, and thereby, place upward pressure on health care costs. Therefore, firms will continue to cost shift and incentivize their employees to stay healthy and productive.

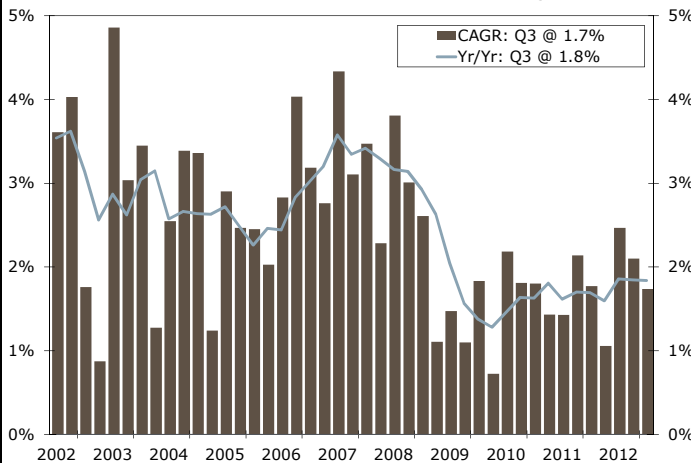
Employment Cost Index
Year-over-Year Percent Change



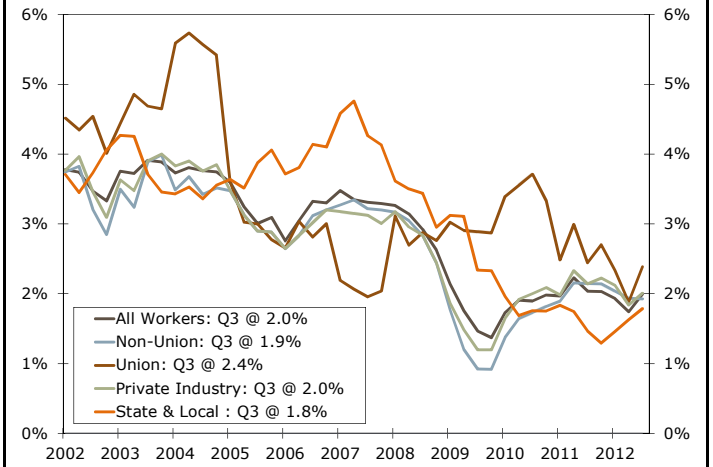
Benefits Comparison
Year-over-Year Percent Change



Wages and Salaries - Private Industry Wages
Bars = CAGR Line = Year-over-Year Percent Change



Compensation Comparison
Year-over-Year Percent Change



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

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