



Economics Group

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Another Steady Gain in Q4 Total Employment Costs

Total compensation costs for civilian workers increased as expected in the fourth quarter. Ongoing soft wage inflation should allow the Fed to maintain current, highly accommodative monetary policy in 2013.

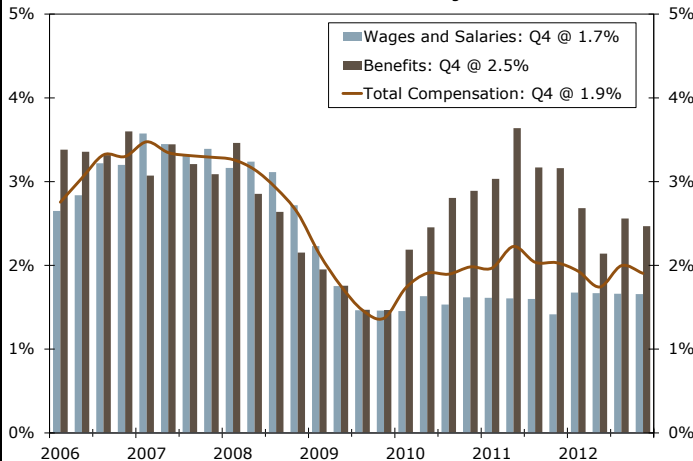
Health Benefits Inflation Moderated in 2012

- Total compensation costs increased 0.5 percent last quarter with wages & salaries registering a 0.3 percent gain.
- Driven in part by lower health insurance costs, the pace of benefits inflation has fallen in recent quarters. Health benefits costs decelerated in 2012, registering a 2.8 percent year-over-year gain. That is down from the 3.5 percent and 5.0 percent paces registered in 2011 and 2010, respectively.

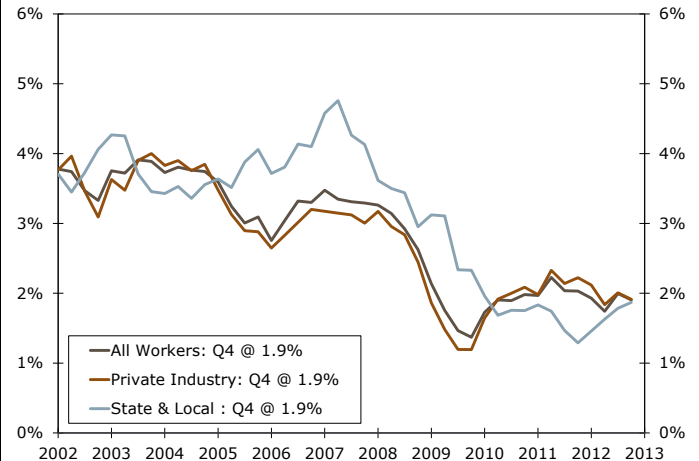
Wage Inflation Outlook Remains Tame

- Matching the headline number, the private sector and government sector registered 1.9 percent year-over-year gains.
- Looking at the bigger picture, wage inflation remains contained in this still-challenged economic environment. As such, the Fed expects inflation to run below its long-run target for the foreseeable future and allow current, highly accommodative monetary policy to be maintained.

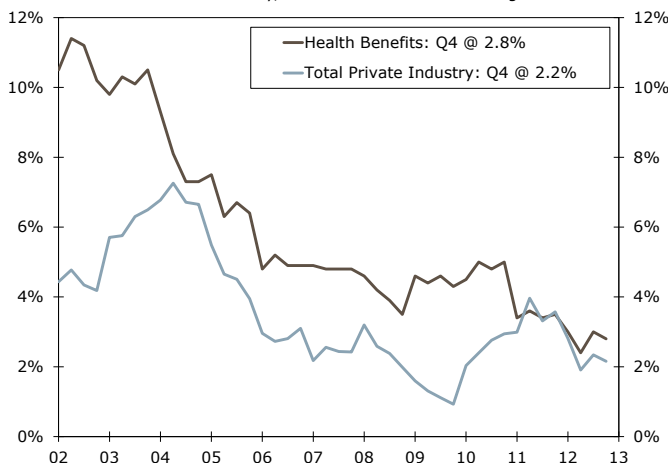
Employment Cost Index
Year-over-Year Percent Change



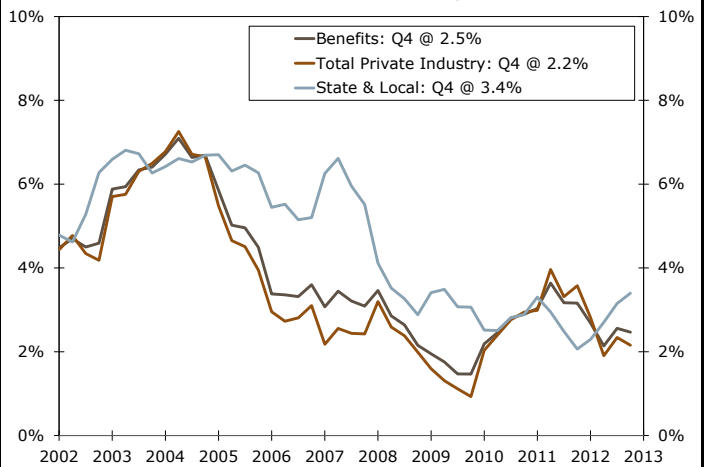
Compensation Comparison
Year-over-Year Percent Change



Total Benefits vs. Health Benefits
Private Industry, Year-over-Year Percent Change



Benefits Comparison
Year-over-Year Percent Change



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

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