

# Economics Group

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## Productivity Remains Sluggish in the Fourth Quarter

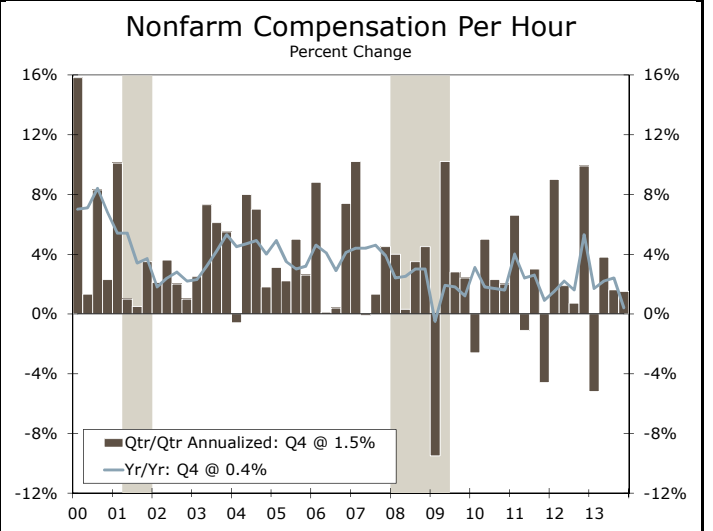
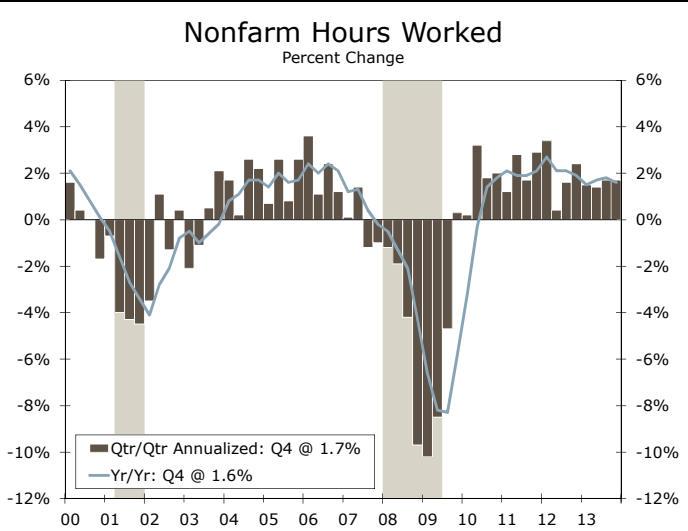
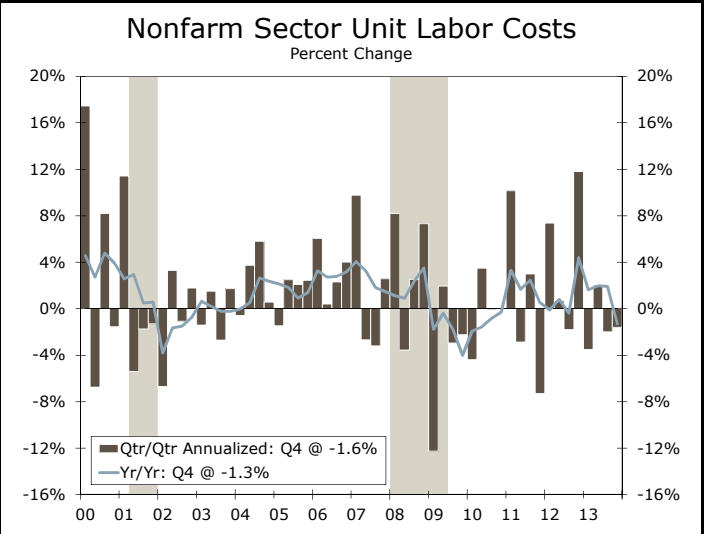
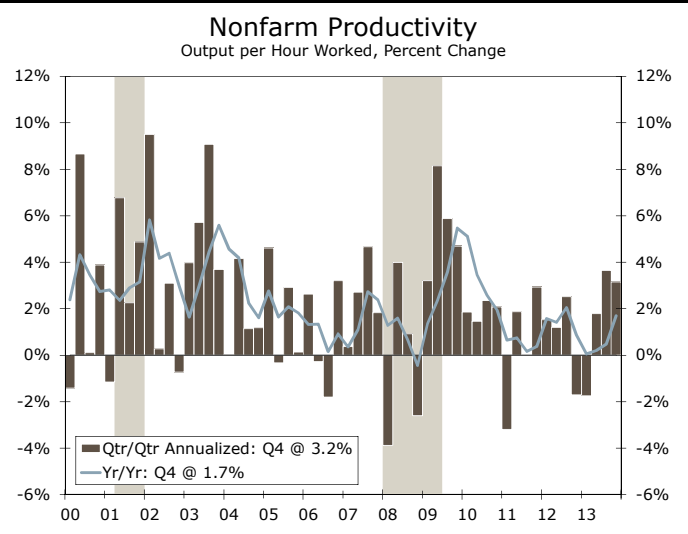
*Nonfarm productivity rose at a 3.2 percent annualized rate in the fourth quarter, while hours worked increased at a 1.7 percent pace. Over the past year productivity has climbed 1.7 percent, but remains sluggish.*

### Productivity Making Progress, but Still Slow

- Output of nonfarm businesses increased at a 3.2 percent annualized pace in the fourth quarter, which is in line with growth seen in the previous quarter. Productivity growth in the third quarter was upwardly revised to a 3.6 percent pace from an initial estimate of 3.0 percent. However, quarterly movements in productivity have not been terribly meaningful. Productivity is now up almost 2 percent year-over-year.

### Wage Pressure Remains Subdued

- Rising productivity helped lower unit labor costs. Unit labor costs, which are calculated as compensation per hour divided by output per hour, fell at a 1.6 percent rate. Compensation per hour rose only 0.4 percent over the last year with real compensation down 0.9 percent. Overall, productivity growth is a key factor in determining corporate profitability, and with final demand and investment modest; we do not expect a big pick up.



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

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