



# Economics Group

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## Employment Costs Accelerate in Q2

*Propelled higher by solid gains in wages & salaries and benefit costs, the Employment Cost Index (ECI) increased a stronger-than-expected 0.7 percent in the second quarter. The Fed will notice this pickup.*

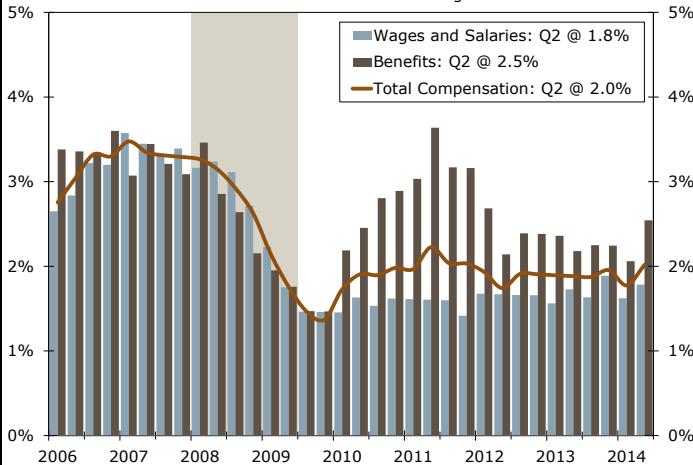
### Wages & Benefit Costs Jump

- Following a soft Q1 performance, total employment costs accelerated in Q2, rising at the fastest quarterly pace since Q3 2008. Year over year, ECI rose at a 2.0 percent pace, consistent with the run-rate over the past four years. Private wages & salaries quadrupled the gain in Q1, rising 0.8 percent on the quarter. Benefit costs jumped 1.0 percent, bringing the year-over-year rate to 2.5 percent, its highest pace since Q1 2012.

### An Inflection Point?

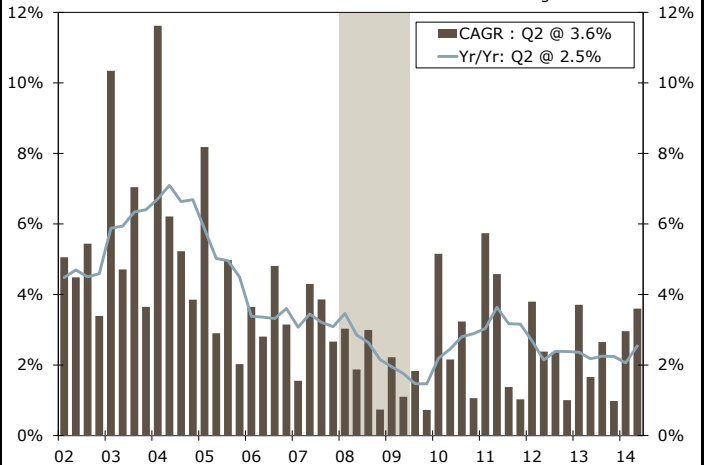
- The U.S. labor market has improved in the first half of the year with a stronger pace of hiring and an unemployment rate moving closer to full employment. Despite this improvement, the Fed continues to highlight wage inflation's below-trend performance as evidence that labor market slack is still plentiful. While not currently problematic, Q2's ECI performance will require the Fed to reassess its labor market and inflation assessment.

**Employment Cost Index**  
Year-over-Year Percent Change

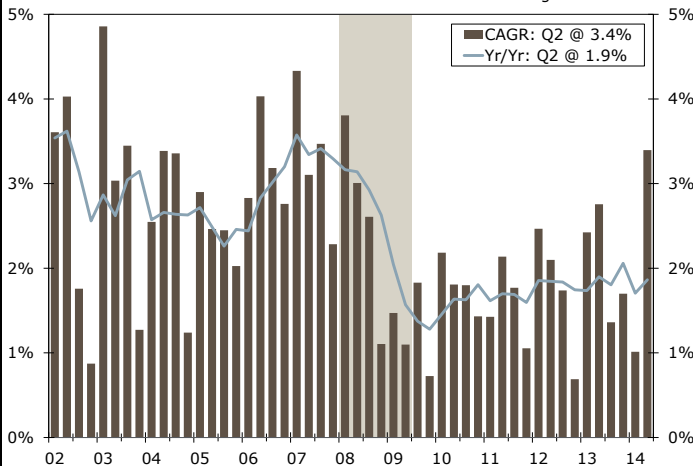


**Benefits - All Workers**

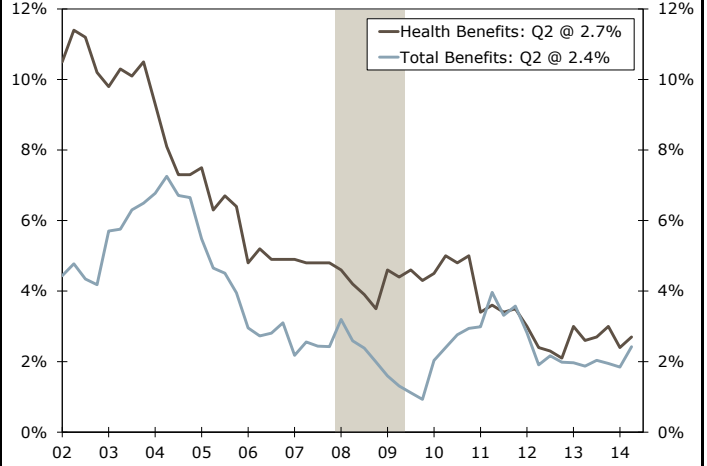
Bars = CAGR Line = Year-over-Year Percent Change



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



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



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