



Economics Group

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The Productivity Slump Continues

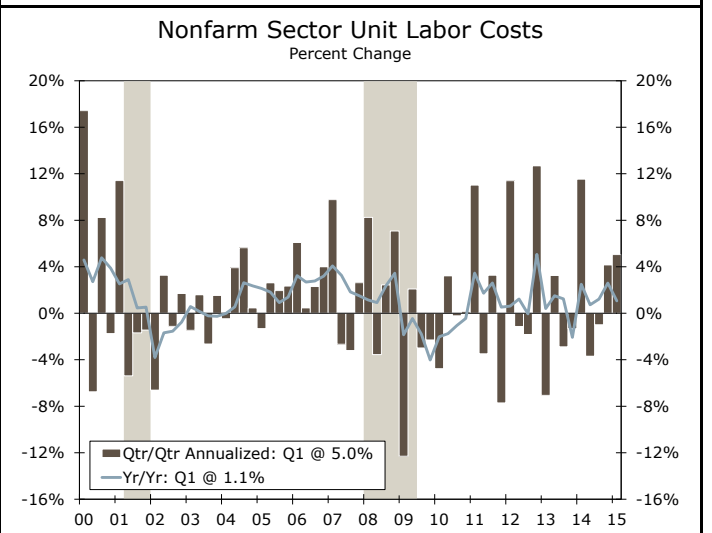
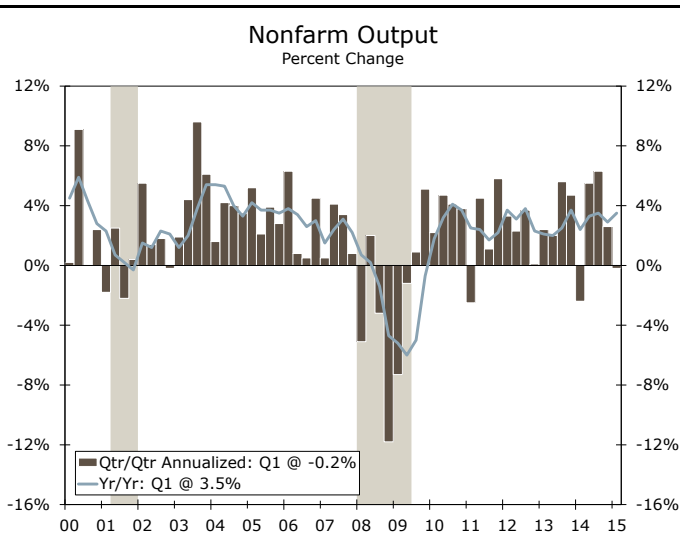
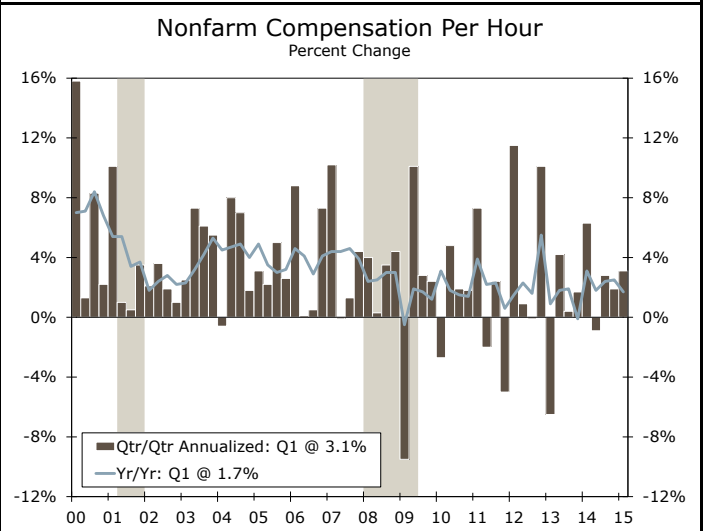
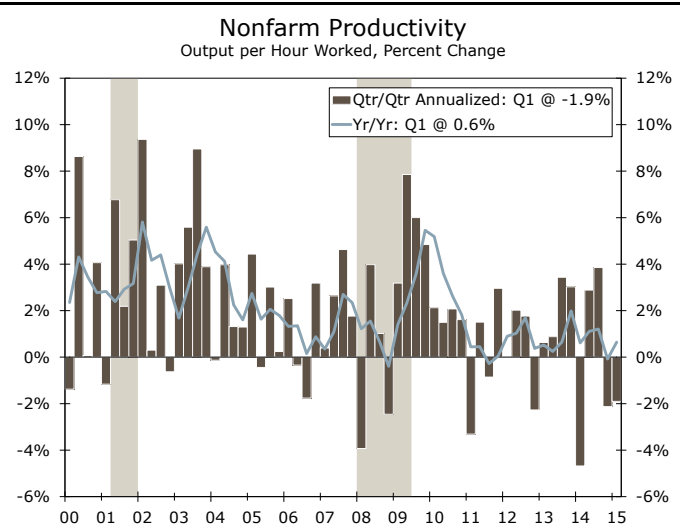
Nonfarm productivity fell at a 1.9 percent annualized rate in the first quarter, the second-straight decline. With a strong increase in compensation costs, unit labor costs jumped 5.0 percent.

Another Weak Turnout for Productivity

- Nonfarm productivity slumped in the first quarter, declining at a 1.9 percent rate. The decline comes as nonfarm output edged lower in the first quarter while hours worked rose 1.7 percent.
- The latest quarterly figure continues what has been an anemic rate of productivity growth throughout the expansion. Nonfarm productivity growth has averaged just 1.1 percent since the recession ended, compared to 2.6 percent from 2001-2006.

Unit Labor Costs Climbing

- Compensation per hour rose at a 3.1 percent annualized rate in the first quarter, the largest increase since this time last year.
- Unit labor costs (ULC) jumped 5.0 percent. Over the past year, ULC are up a more modest 1.1 percent, as an 11.5 percent surge followed a similarly weak first quarter last year. Even as the economy rebounds, the weak trend in productivity will continue to pressure ULC as the labor market tightens further.



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

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