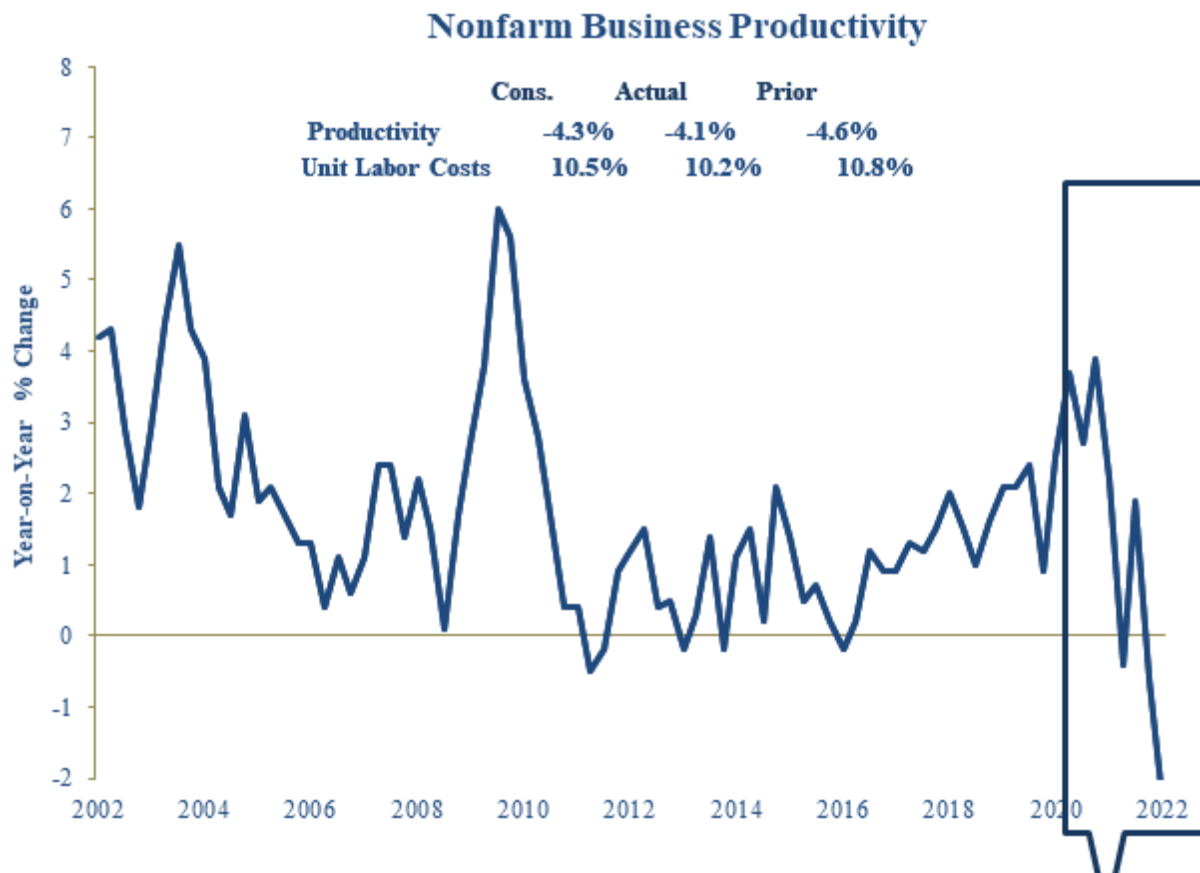
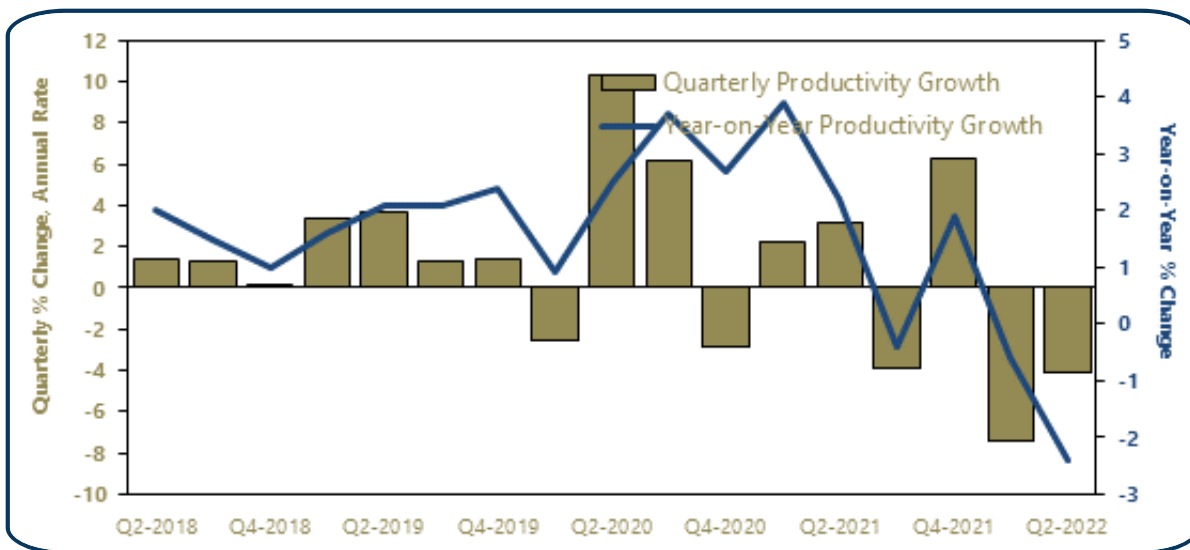


01.Sep.2022

Productivity: Declined As Labor Costs Jumped

Bottom Line: The final reading of productivity and costs for the 2nd Quarter showed the second consecutive Quarter of productivity declines was a bit less negative than previously reported. Output declines were modestly less than previously reported, with compensation costs still high but nearly unchanged, resulting in lower unit labor costs. **Overall, slower economic activity has hurt productivity, but businesses are uncertain about the outlook and reluctant to reduce payrolls or cut hours coming off a very tight labor market.**

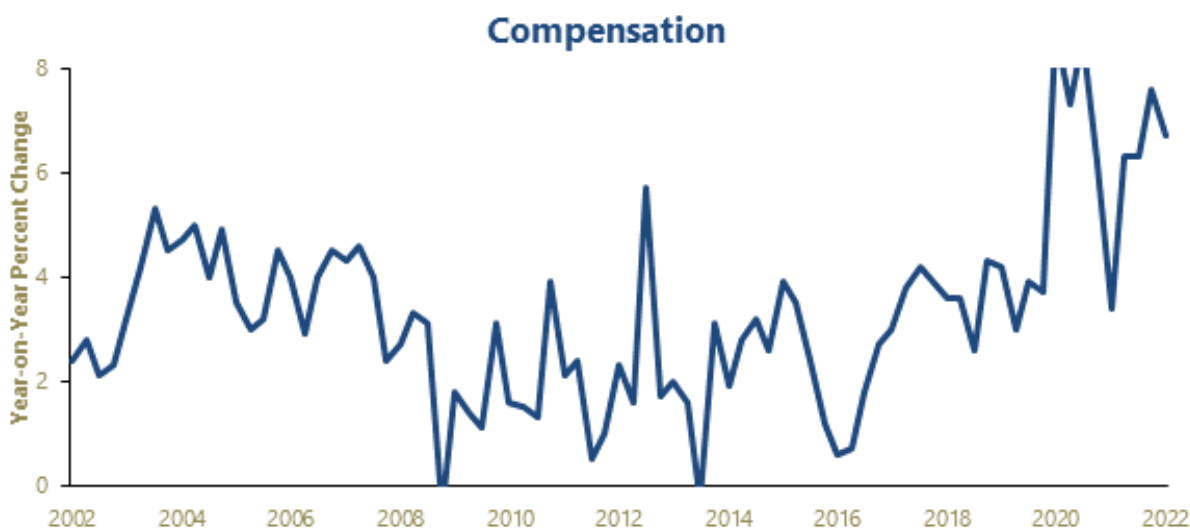




Nonfarm Business Productivity was REVISED UP by 0.5 percentage points and fell by 4.1% in 2022 Q2, compared with market expectations for an upward revision to a decline of 4.3%. This revision pushed the year-on-year growth rate of labor productivity to -2.4%.

Output was revised modestly higher, from -2.1% to -1.4%, reflecting the recent adjustment in 2022 Q2 nonfarm business GDP.

Hours Worked was revised up to 2.7% from 2.6%, reflecting the recent revisions to employment. **Compensation** was revised slightly higher, from 5.7% to 5.7%. Over the past year, compensation has risen by 6.7%. As a result of these adjustments, **Unit Labor Costs** were REVISED DOWN from 10.8% to 10.2%. Over the past year, unit labor costs have increased by 9.3%.



Unit Labor Costs



	% Change at Annual Rate					Year-on-Year % Change			
	Q2-2022		Q1-2022	Q4-2021	Q3-2021	Q2-2022	Q1-2022	Q4-2021	Q3-2021
	Final	Prelim.							
Nonfarm Business									
Productivity	-4.1	-4.6	-7.4	6.3	-3.9	-2.4	-0.6	1.9	-0.4
Output	-1.4	-2.1	-2.5	9.0	2.0	1.7	4.1	6.9	6.2
Hours Worked	2.7	2.6	5.3	2.5	6.2	4.2	4.8	4.9	6.6
Compensation	5.7	5.7	4.4	10.5	6.3	6.7	7.6	6.3	6.3
Real Compensation	-4.4	-4.4	-4.4	2.4	-0.4	-1.7	-0.4	-0.4	1.0
Unit Labor Costs	10.2	10.8	12.7	3.9	10.6	9.3	8.2	4.3	6.7
Non-labor Costs	8.0	7.3	2.1	13.7	-0.4	5.7	5.3	8.9	1.2
Implicit Deflator	9.3	9.4	8.3	7.8	6.0	7.8	7.0	6.1	4.4

Source: Bureau of Labor Statistic, Department of Labor via Bloomberg. Our calculations.

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September 1, 2022

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