

02.Mar.2023

Productivity: Revised Sharply Lower

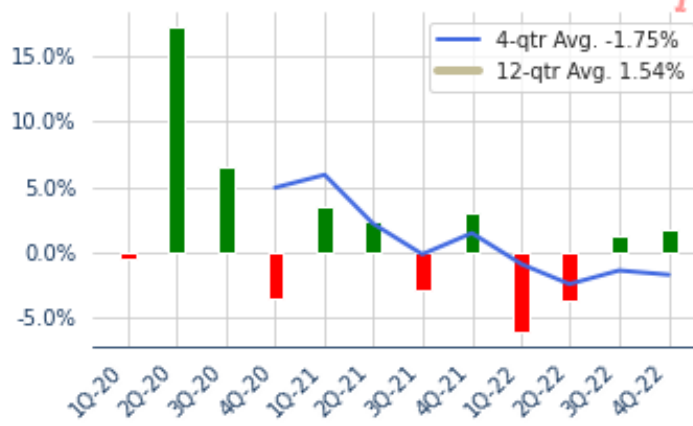
Bottom Line: The Bureau of Labor Statistics' annual benchmark revisions resulted in sharply lower productivity in the 4th Quarter than previously reported. Output growth was only modestly lower, but unit labor costs were sharply higher.

Compensation costs were nearly 200 basis points higher than previously reported, up 6.4% annualized in the 4th Quarter and 7.05% from year-ago levels. Annual average productivity decreased 1.7% from 2021 to 2022. This is the largest annual decline in the measure since 1974. Overall, the 4th Quarter rebound in productivity was even less than previously reported and did little to change the slowing trend.

Businesses have been content to avoid laying off workers (and in many cases have continued to pay them more) as activity has slowed.

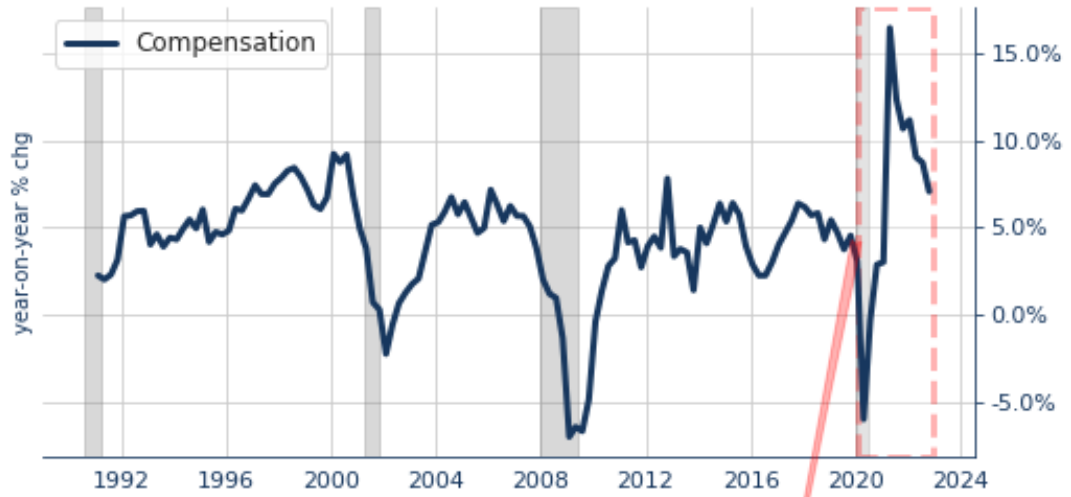
Labor productivity (output per hour)

4Q-22: +1.7%, consensus: +2.5%

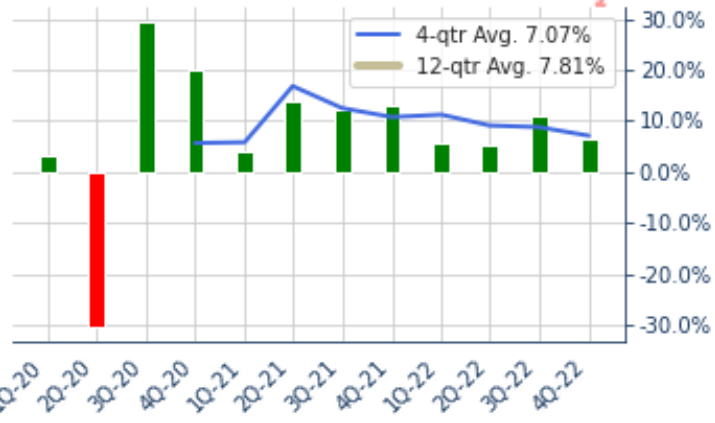


Contingent Macro Advisors 2023 source: US BLS

Compensation



quarter over quarter annualized change



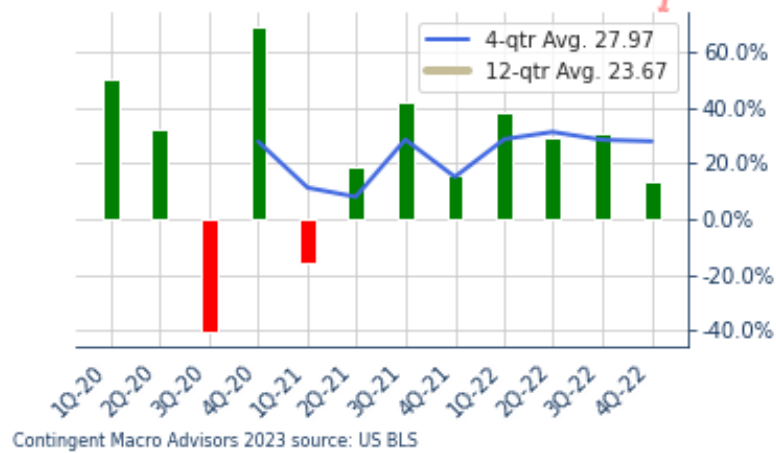
Contingent Macro Advisors 2023 source: US BLS



Unit labor costs



quarter over quarter annualized chg



Productivity = Output/Hrs. Worked	4Q22qoq ann.	3Q22	2Q22	1Q22	4Q22 yoy	3Q22 yoy	3y Avg.	5y Avg.
Labor productivity (output per hour)	1.66%	1.18%	-3.76%	-6.09%	-1.81%	1.40%	1.54%	1.42%
Output	3.08%	3.64%	-1.24%	-2.47%	0.72%	7.26%	3.58%	2.31%
Hours worked	1.39%	2.44%	2.61%	3.86%	2.57%	5.78%	2.50%	1.00%

Labor productivity, or output per hour, is calculated by dividing an index of real output by an index of hours worked by all persons, including employees, proprietors, and unpaid family workers.

Unit Labor Costs = Comp/Output	4Q22qoq ann.	3Q22	2Q22	1Q22	4Q22 yoy	3Q22 yoy	3y Avg.	5y Avg.
Unit labor costs	3.21%	6.91%	6.62%	8.50%	6.29%	3.16%	4.85%	1.95%
Compensation	6.39%	10.80%	5.29%	5.82%	7.05%	10.65%	7.81%	4.12%

Output	3.08%	3.64%	-1.24%	-2.47%	0.72%	7.26%	3.58%	2.31%
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The BLS calculates unit labor costs as the ratio of hourly compensation to labor productivity. Increases in hourly compensation tend to increase unit labor costs and increases in productivity tend to reduce them. Real hourly compensation takes into account consumer prices.

Output and Cost Details	4Q22qoq ann.	3Q22	2Q22	1Q22	4Q22 yoy	3Q22 yoy	3y Avg.	5y Avg.
Employment	2.25%	2.63%	3.74%	4.66%	3.31%	5.50%	2.22%	1.02%
Avg weekly hours worked	-0.84%	-0.18%	-1.09%	-0.76%	-0.72%	0.26%	-0.10%	-0.11%
Hours worked	1.39%	2.44%	2.61%	3.86%	2.57%	5.78%	2.50%	1.00%
Current dollar output	6.42%	7.56%	8.34%	4.95%	6.81%	14.29%	8.45%	4.44%
Nonlabor payments	6.46%	3.38%	12.53%	3.79%	6.48%	19.53%	10.69%	5.47%
Hourly compensation	4.93%	8.16%	2.61%	1.89%	4.37%	4.61%	6.31%	3.32%
Unit nonlabor payments	3.28%	-0.25%	13.95%	6.41%	5.72%	11.44%	4.98%	2.65%
Implicit price deflator	3.24%	3.78%	9.70%	7.60%	6.05%	6.55%	4.43%	2.02%
Real hourly compensation	0.73%	2.48%	-6.43%	-6.04%	-2.39%	-1.95%	1.56%	0.99%
Output per job	0.81%	0.99%	-4.80%	-6.80%	-2.51%	1.67%	1.40%	1.30%
Labor share	-0.03%	3.01%	-2.81%	0.83%	0.23%	-3.18%	0.57%	-0.02%

source = Bureau of Labor Statistics