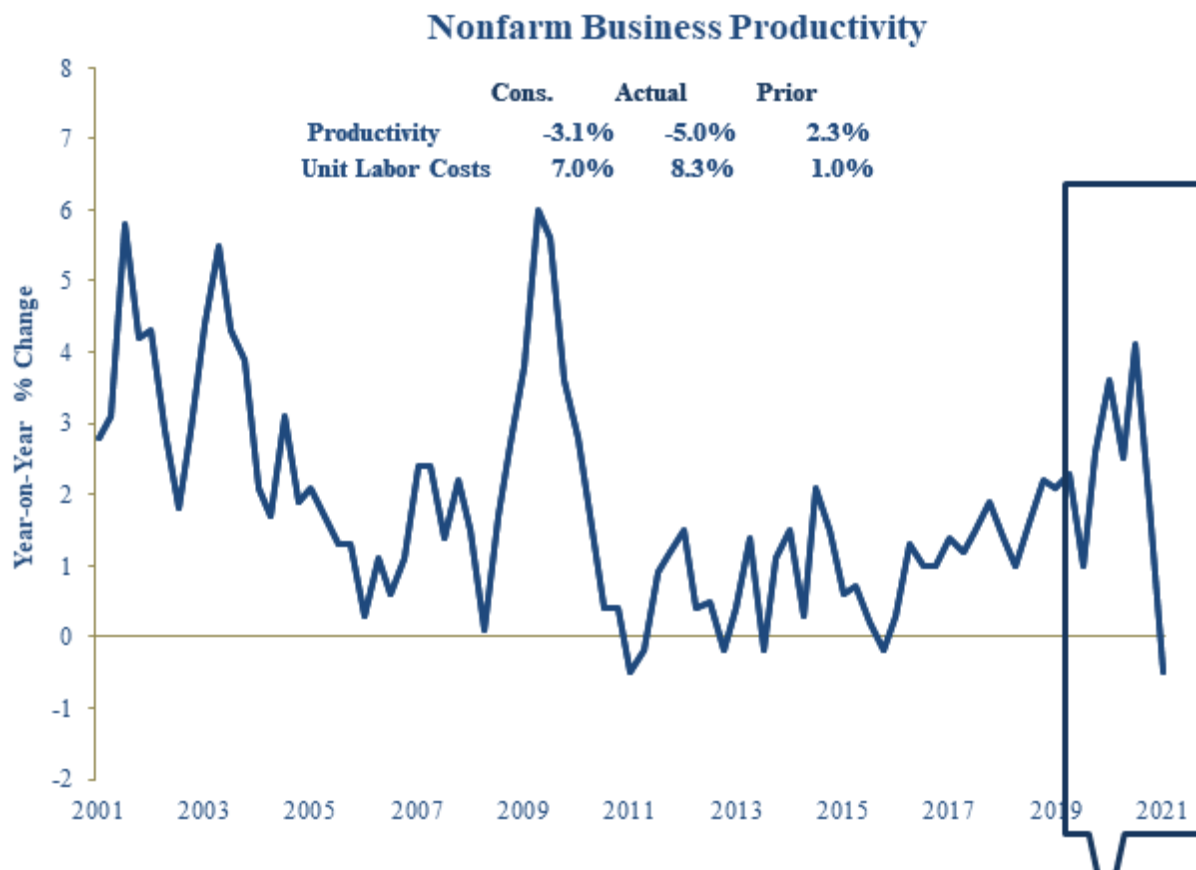
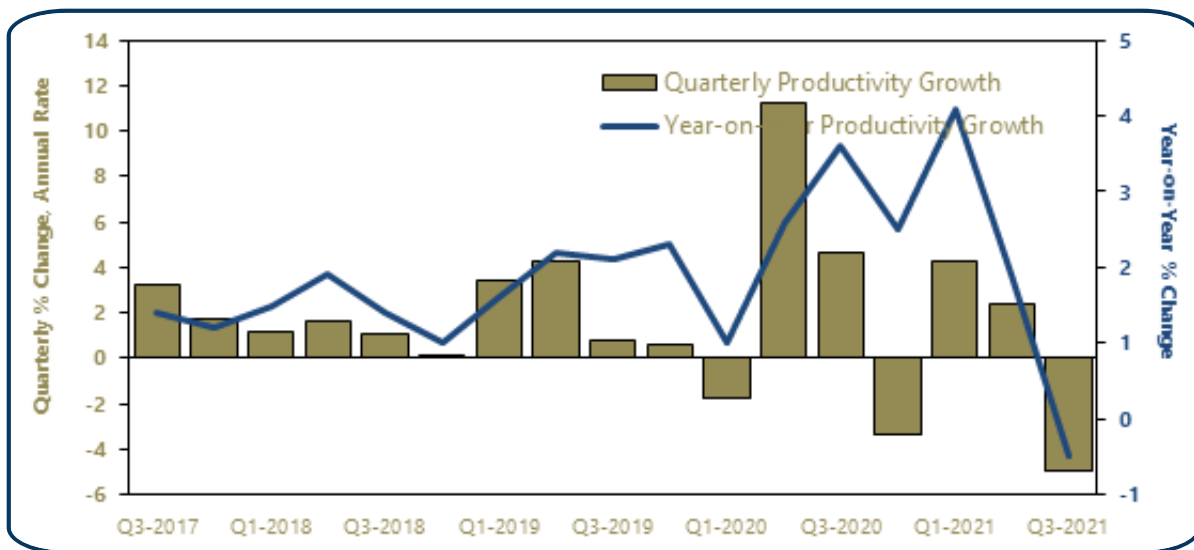


04.Nov.2021

### Productivity: Sharp Decline Masks Solid Post-Pandemic Trend

**Bottom Line:** Productivity fell sharply as hours worked jumped, according to the preliminary 3rd Quarter reading. Productivity had been moving higher throughout the recovery as businesses did more with fewer employees. Labor productivity, or output per hour, is calculated by dividing an index of real output by an index of hours worked by all persons. 3Q21 was the fifth consecutive quarter with increases in both output and hours worked, following historic declines in 2Q20. The output index was 1.8 percent above the level seen in the fourth quarter of 2019, the last quarter not affected by the COVID-19 pandemic, while the hours worked index remained 1.0 percent below its fourth-quarter 2019 level, suggesting productivity continues to trend higher, despite this "catch-up" data for Q3.



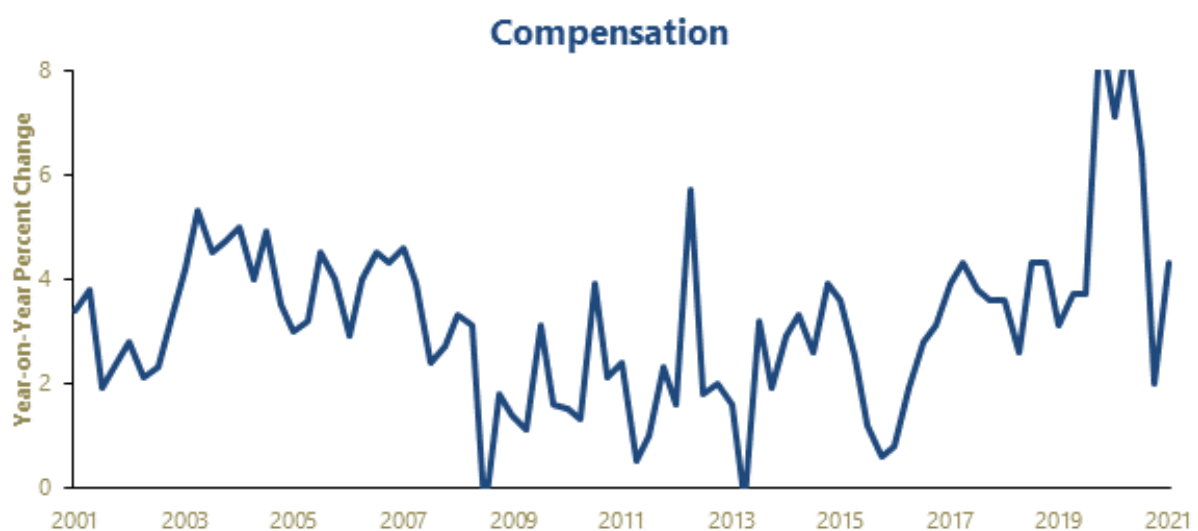


**Nonfarm Business Productivity** FELL by 5.0% in 2021 Q3, compared with market expectations for a decrease of 3.1%. Productivity is now 0.5% BELOW its year-ago level.

**Output** ROSE by 1.7%, in line with the Q3 increase in nonfarm business GDP. With its recent gains, output is now 6.1% ABOVE its year ago level.

**Hours Worked** ROSE by 7.0% because of the solid gains in private employment and a steady workweek. Hours worked are now 6.7% ABOVE their year ago level.

**Compensation** ROSE by 2.9% and is now 4.3% ABOVE its year ago level. **Unit Labor Costs** ROSE by 8.3%, compared with market expectations for an increase of 7.0%. Unit labor costs are now 4.8% ABOVE their year ago level.



## Unit Labor Costs



	% Change at Annual Rate					Year-on-Year % Change			
	Q3-2021	Q3-2021				Q3-2021	Q2-2021	Q1-2021	Q4-2020
	Final	Prelim.	Q2-2021	Q1-2021	Q4-2020	Q3-2021	Q2-2021	Q1-2021	Q4-2020
<b>Nonfarm Business</b>									
Productivity	-5.0	2.3	2.4	4.3	-3.4	-0.5	1.9	4.1	2.5
Output	1.7		8.5	8.4	6.2	6.1	15.9	1.3	-2.7
Hours Worked	7.0		5.9	4.0	9.9	6.7	13.7	-2.7	-5.0
Compensation	2.9		3.5	1.4	9.4	4.3	2.0	6.4	8.5
Real Compensation	-3.5		-4.6	-2.2	6.8	-1.0	-2.7	4.5	7.2
Unit Labor Costs	8.3	1.0	1.1	-2.8	13.3	4.8	0.1	2.3	5.8
Non-labor Costs	2.6		13.8	16.6	-14.8	3.8	10.2	0.4	-6.8
Implicit Deflator	5.9		6.1	4.6	0.9	4.4	4.1	1.5	0.4

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

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