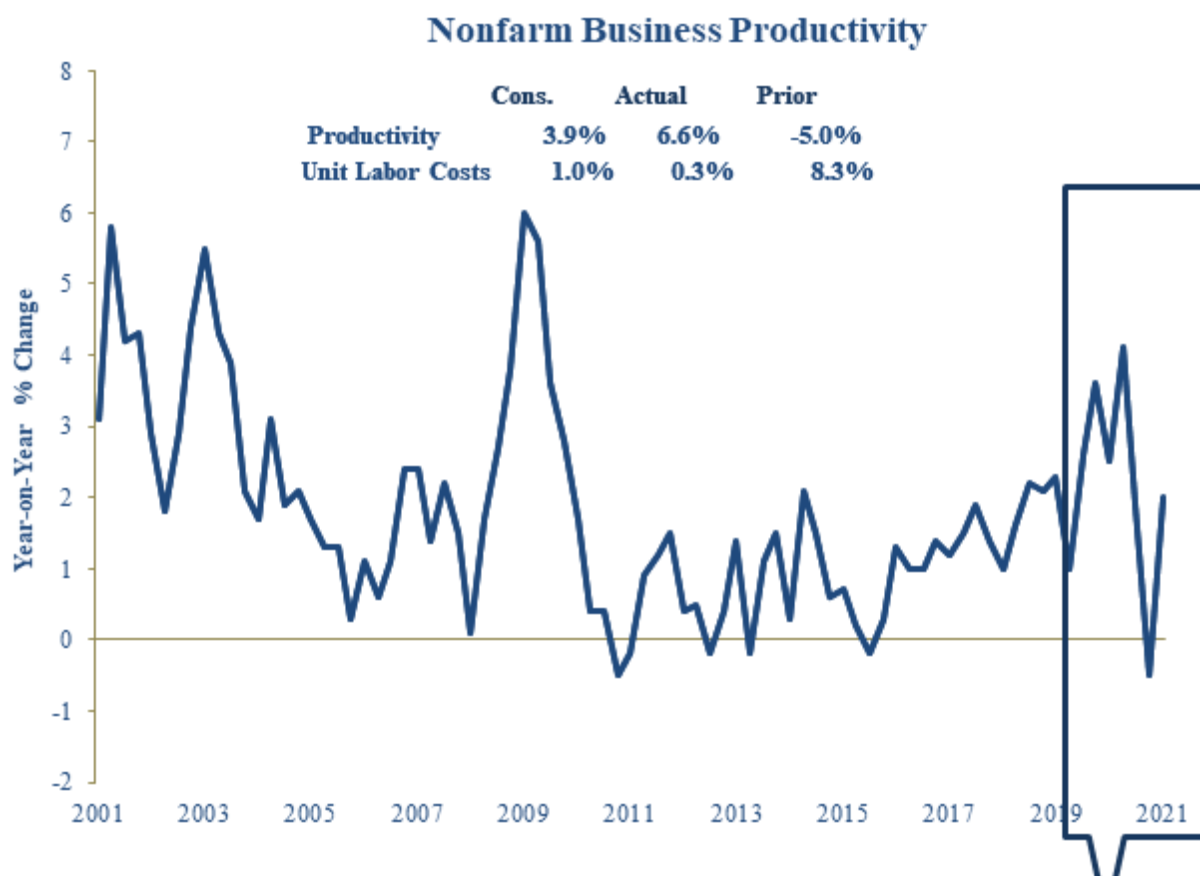
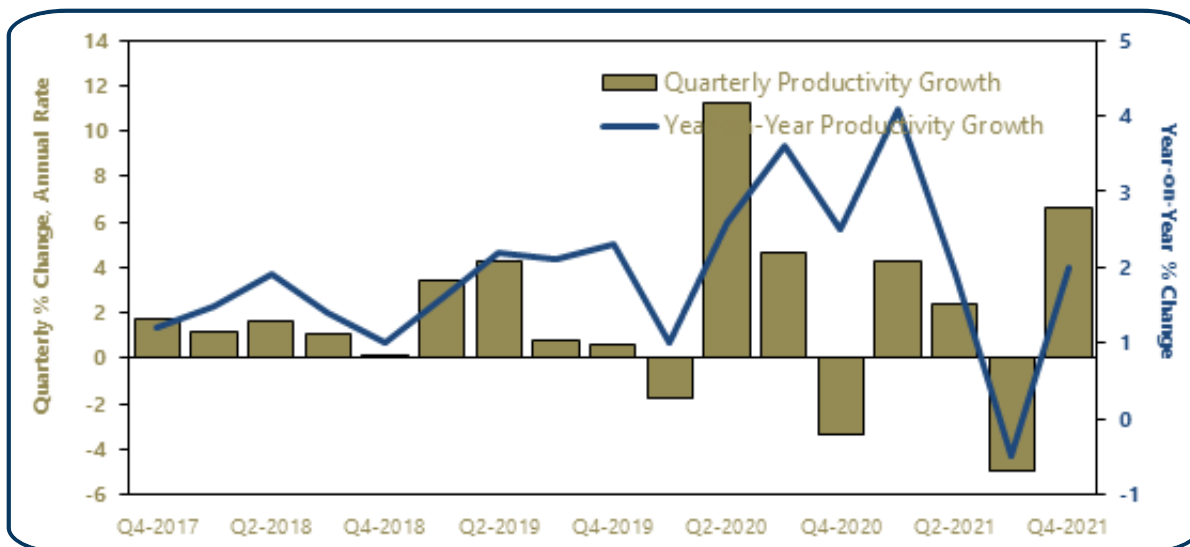


03.Feb.2022

Productivity: Rebound in 4Q

Bottom Line: Productivity rose sharply in the 4th Quarter as output increased over 9% and hours worked increased just 2.4%, according to the preliminary report. This follows a one-off decline in the 3rd Quarter due to strong hiring. Labor productivity, or output per hour, is calculated by dividing an index of real output by an index of hours worked by all persons. Thus, it's even more impressive that output and hours worked increased for the sixth consecutive Quarter after the historic declines in the early days of the pandemic. Overall, the trend in productivity continued to move higher in the 4th Quarter after a brief downtick as businesses brought back employees in the 3rd Quarter.





Nonfarm Business Productivity ROSE by 6.6% in 2021 Q4, compared with market expectations for an increase of 3.8%. Productivity is now 2.0% ABOVE its year ago level.

Output ROSE by 9.2%, in line with the Q4 increase in nonfarm business GDP. With its recent gains, output is now 7.0% ABOVE its year ago level. **Hours Worked** ROSE by 2.4% because of the solid gains in private employment and a steady workweek. Hours worked are now 4.9% ABOVE their year-ago level.

Compensation ROSE by 6.9% and is now 5.1% ABOVE its year-ago level. Quarterly compensation has been quite volatile in recent years but the trend turned higher in 2017.

Unit Labor Costs ROSE by 0.3%, compared with market expectations for an increase of 1.0%. Unit labor costs are now 3.1% ABOVE their year ago level.



	% Change at Annual Rate					Year-on-Year % Change				
	Q4-2021					Q4-2021	Q3-2021	Q2-2021	Five Years	Ten Years
	Prelim.	Q3-2021	Q2-2021	Q1-2021	Q4-2020	Q4-2021	Q3-2021	Q2-2021	Five Years	Ten Years
Nonfarm Business										
Productivity	6.6	-5.0	2.4	4.3	-3.4	2.0	-0.5	1.9	0.5	1.4
Output	9.2	2.0	8.5	8.4	6.2	7.0	6.2	15.9	2.6	1.7
Hours Worked	2.4	7.3	5.9	4.0	9.9	4.9	6.8	13.7	2.1	0.3
Compensation	6.9	3.9	8.4	1.4	9.4	5.1	5.7	3.2	2.3	2.5
Real Compensation	-1.2	-2.6	0.0	-2.2	6.8	-1.5	0.4	-1.5	0.7	0.6
Unit Labor Costs	0.3	9.3	5.9	-2.8	13.3	3.1	6.3	1.3	1.8	1.1
Non-labor Costs	19.6	1.3	6.5	16.6	-14.8	10.8	1.7	8.4	1.0	1.9
Implicit Deflator	7.8	6.0	6.1	4.6	0.9	6.1	4.4	4.1	1.5	1.4

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