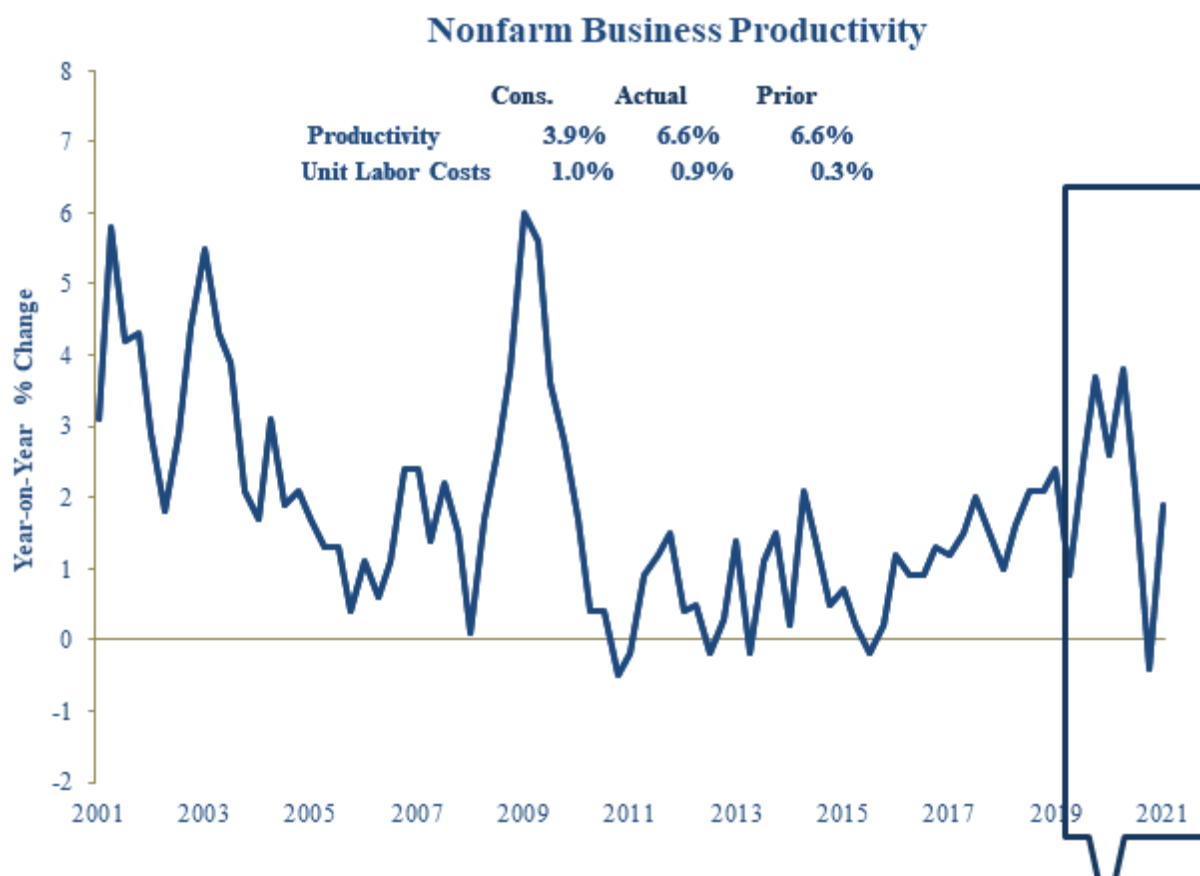
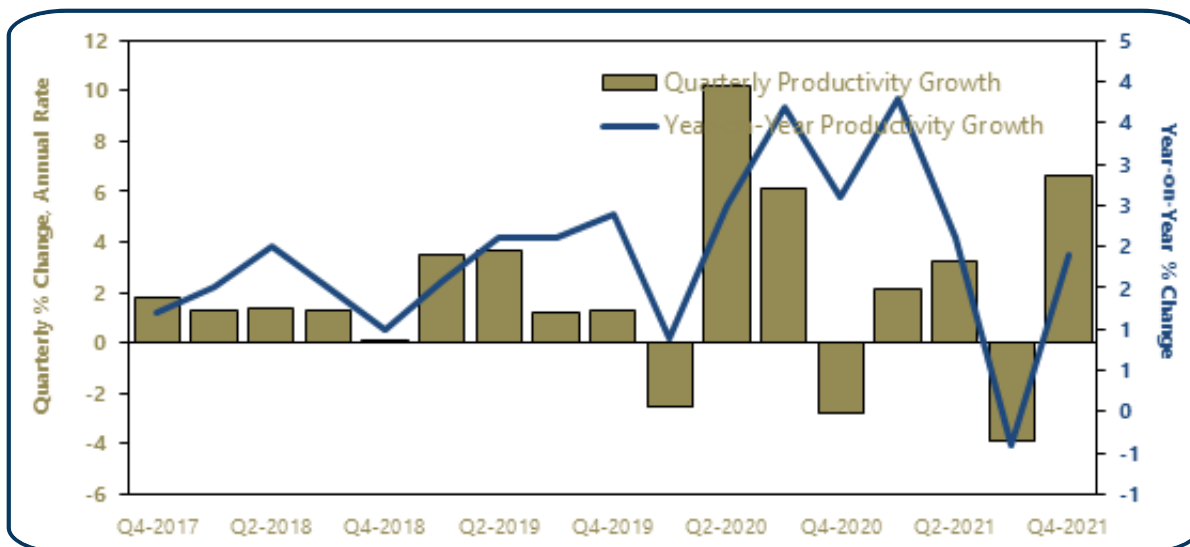


03.Mar.2022

## Productivity: Rebound in 4Q

**Bottom Line:** The final reading of productivity and costs for the 4th Quarter confirmed a sharp increase of 6.6% as hours worked increased just 2.4% but output rose over 9%. This follows a one-off decline in 3Q 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.



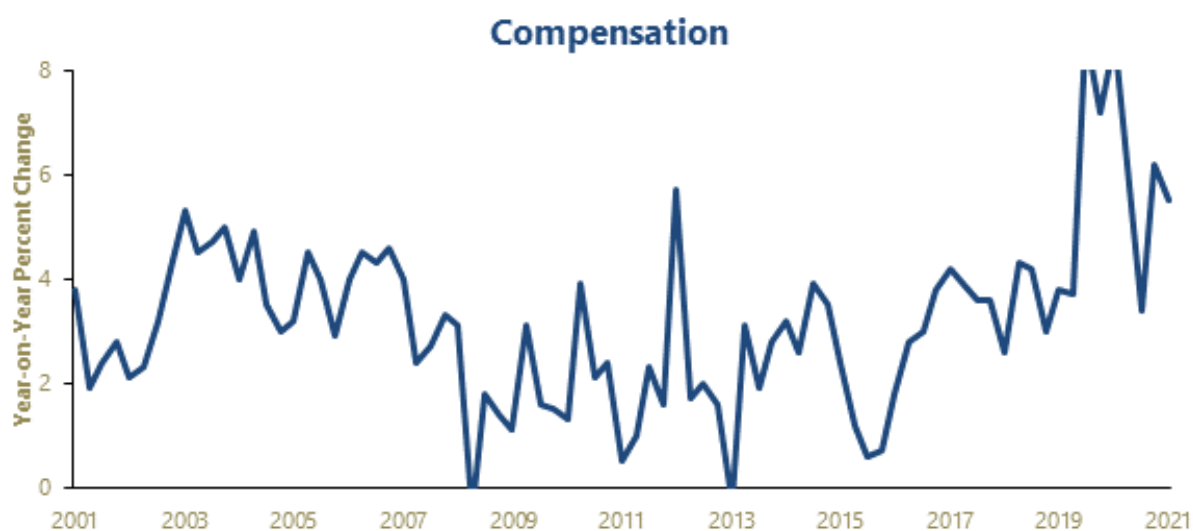


**Nonfarm Business Productivity** was unchanged, up 6.6% in 2021 Q4, compared with market expectations for a downward revision to an increase of 3.9%. This revision lifted the year-on-year growth rate of labor productivity to 1.9%.

**Output** was revised slightly lower, from 9.2% to 9.1%, reflecting the recent adjustment in 2021 Q4 nonfarm business GDP.

**Hours Worked** was revised down to 2.4% from 2.4%, reflecting the recent revisions to employment.

**Compensation** was revised modestly higher, from 6.9% to 7.5%. Over the past year, compensation has risen by 5.5%. As a result of these adjustments, **Unit Labor Costs** were REVISED UP from 0.3% to 0.9%. Over the past year, unit labor costs have increased by 3.5%.



## Unit Labor Costs



	% Change at Annual Rate					Year-on-Year % Change			
	Q4-2021	Q4-2021							
	Final	Prelim.	Q3-2021	Q2-2021	Q1-2021	Q4-2021	Q3-2021	Q2-2021	Q1-2021
<b>Nonfarm Business</b>									
Productivity	6.6	6.6	-3.9	3.2	2.1	1.9	-0.4	2.1	3.8
Output	9.1	9.2	2.0	8.5	8.4	7.0	6.2	15.9	1.3
Hours Worked	2.4	2.4	6.2	5.1	6.2	4.9	6.7	13.5	-2.4
Compensation	7.5	6.9	6.2	9.2	-0.6	5.5	6.2	3.4	6.2
Real Compensation	-0.3	-1.2	-0.4	0.9	-4.4	-1.1	0.9	-1.4	4.1
Unit Labor Costs	0.9	0.3	10.6	5.8	-2.7	3.5	6.7	1.2	2.3
Non-labor Costs	18.6	19.6	-0.4	6.6	16.5	10.0	1.2	8.4	0.4
Implicit Deflator	7.8	7.8	6.0	6.1	4.6	6.1	4.4	4.1	1.5

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

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March 3, 2022

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