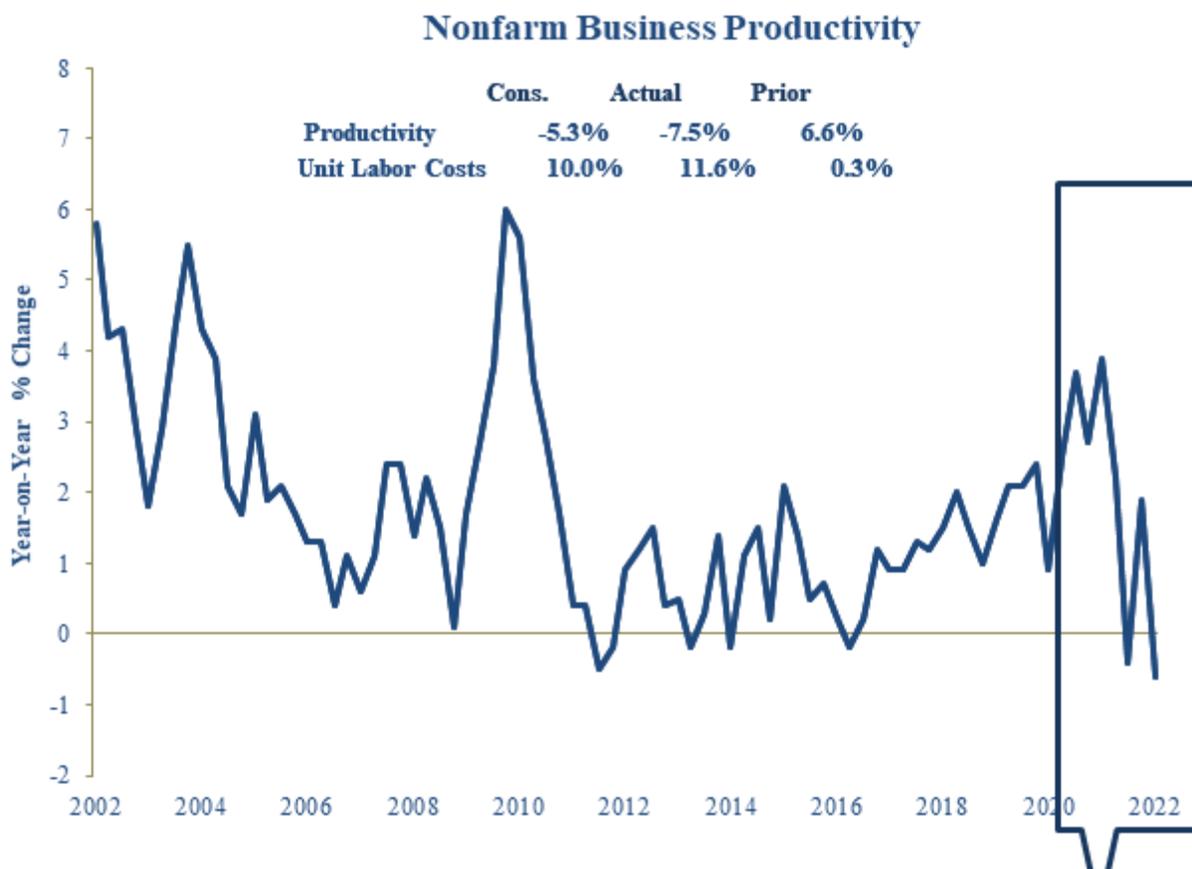
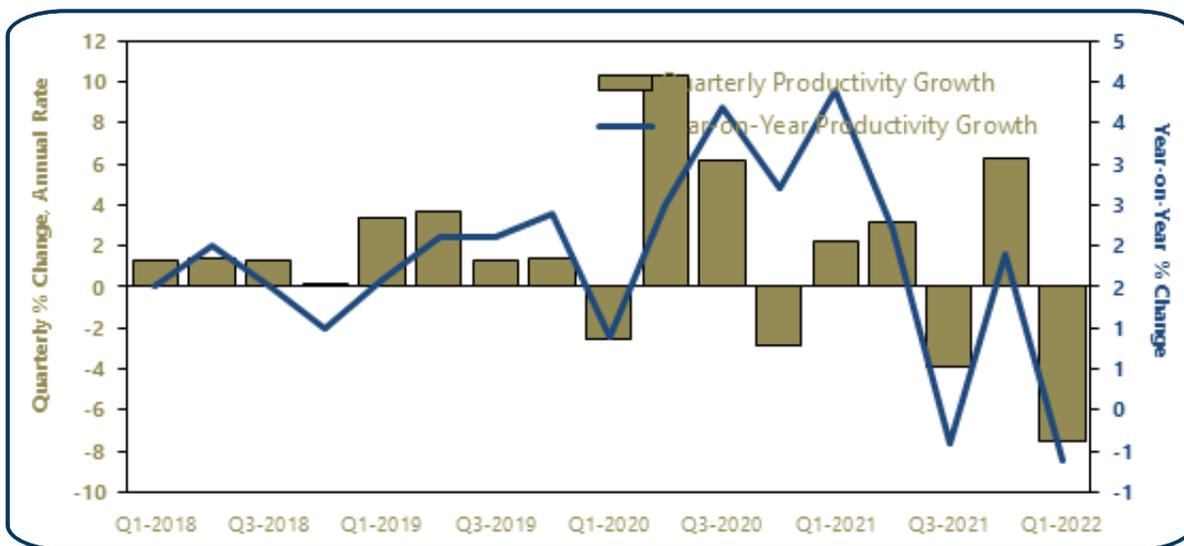


05.May.2022

Productivity: Decline As Labor Costs Jump

Bottom Line: The preliminary reading of productivity and costs for the 1st Quarter showed a sharp drop in productivity as output fell but hours worked, and wages continue to increase. Output fell 2.4%, while hours worked increased 5.5%. 1st Quarter marked the first quarterly decline in output since the historic drops in 2020, but hiring and hours worked continued to grow. To a large extent, the negative output calculation, primarily due to lower inventories and trade, skews the productivity artificially lower. Real final domestic demand grew in the 1st Quarter, and thus businesses continued to hire and increase hours. **Looking through these anomalies and the pandemic volatility, the labor productivity index was 2.6% higher in 1Q22 than in 4Q19, corresponding to an annual labor productivity growth rate of 1.1% during that period.**





Nonfarm Business Productivity FELL by 7.5% in 2022 Q1, compared with market expectations for a decrease of 5.3%. Productivity is now 0.6% BELOW its year-ago level.

Output FELL by 2.4%, in line with the Q1 increase in nonfarm business GDP. With its recent losses, output is now 4.2% ABOVE its year-ago level.

Hours Worked ROSE by 5.5% because of the solid gains in private employment and a steady workweek. Hours worked are now 4.8% ABOVE their year-ago level.

Compensation ROSE by 3.2% and is now 6.5% ABOVE its year-ago level.

Unit Labor Costs ROSE by 11.6%, compared with market expectations for an increase of 10.0%. Unit labor costs are now 7.2% ABOVE their year-ago level.



Unit Labor Costs



	% Change at Annual Rate					Year-on-Year % Change					
	Q1-2022										
	Prelim.	Q4-2021	Q3-2021	Q2-2021	Q1-2021	Q1-2022	Q4-2021	Q3-2021	Five Years	Ten Years	
Nonfarm Business											
Productivity	-7.5	6.3	-3.9	3.2	2.2	-0.6	1.9	-0.4	0.5	1.4	
Output	-2.4	9.0	2.0	8.5	8.4	4.2	6.9	6.2	2.6	1.7	
Hours Worked	5.5	2.5	6.2	5.1	6.1	4.8	4.9	6.6	2.1	0.4	
Compensation	3.2	7.4	6.3	9.2	-0.6	6.5	5.5	6.3	2.3	2.5	
Real Compensation	-5.5	-0.5	-0.4	1.1	-4.5	-1.4	-1.1	1.0	0.6	0.6	
Unit Labor Costs	11.6	1.0	10.6	5.8	-2.7	7.2	3.6	6.7	1.8	1.1	
Non-labor Costs	3.5	18.4	-0.4	6.6	16.5	6.8	10.0	1.2	1.1	1.9	
Implicit Deflator	8.2	7.8	6.0	6.1	4.6	7.0	6.1	4.4	1.5	1.4	

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