



# Economics Group

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## Q4 Productivity Drops By Most in Nearly Two Years

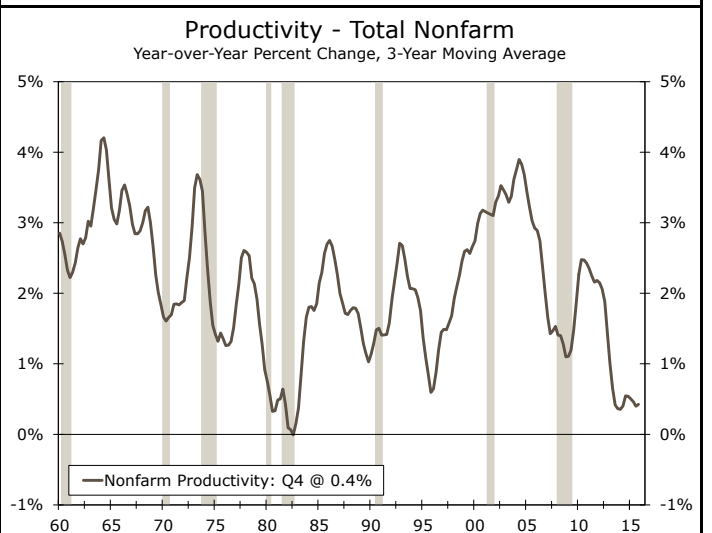
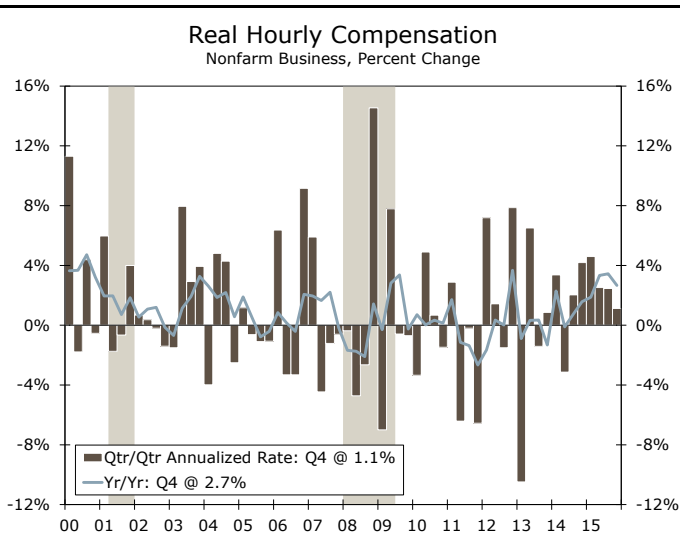
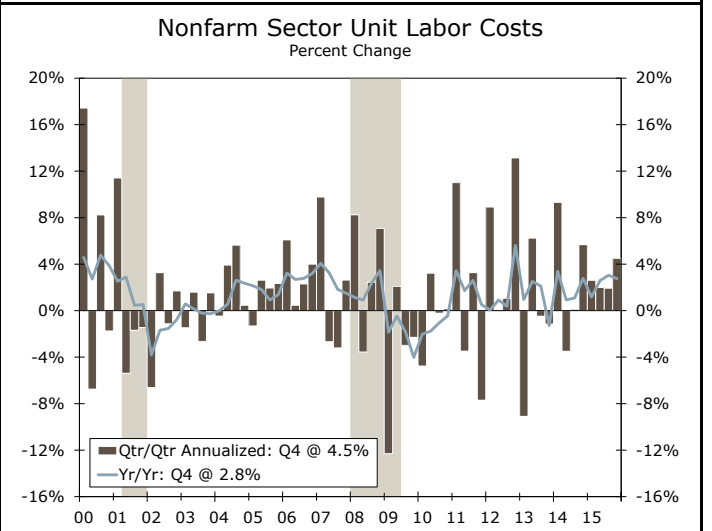
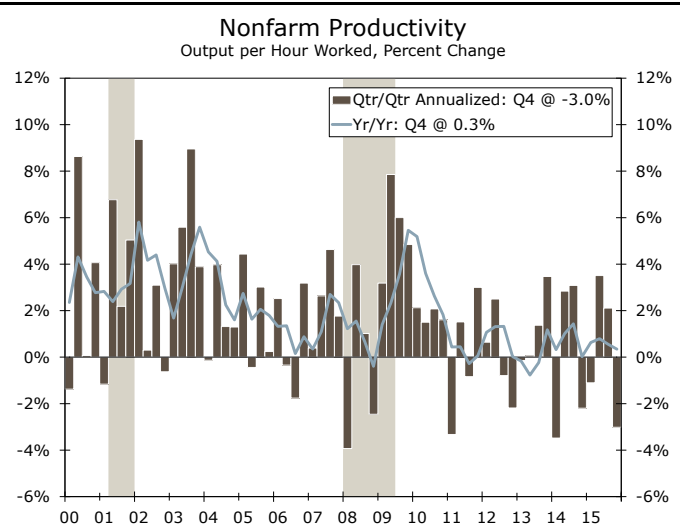
*Reflecting a substantial slowdown in output growth and a sizable gain in hours worked, nonfarm productivity dropped at a 3.0 percent annualized rate in Q4 2015. Concurrently, ULC jumped on the quarter.*

### Productivity Remains in the Doldrums

- Marking the largest annualized decline since Q1 2014, nonfarm productivity declined 3.0 percent in Q4 2015 as output growth stagnated to a 0.1 percent pace and hours worked jumped 3.3 percent. Over the past year, productivity growth expanded at a disappointing 0.3 percent pace.
- Real compensation costs increased 2.8 percent in 2015, the largest annual gain in 15 years.

### Unit Labor Costs (ULC) Climb

- On solid compensation gains, ULC jumped by the most in a year. For 2015, ULC rose 2.4 percent, the strongest rise since 2007.
- Reflecting just how historically weak productivity has been in this recovery, the annual average rate of productivity growth from 2007 to 2015 has run at a 1.2 percent pace, well below the long-term rate of 2.1 percent from 1947-2015. Unfortunately, the weak productivity growth trend remains firmly in place.



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

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