

Economics Group

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Employment Costs Rising Steadily

Total employment costs rose 0.6 percent for a third consecutive quarter on moderate gains in both the wages & salaries and benefits components. The trend in employment costs remains gradually upward.

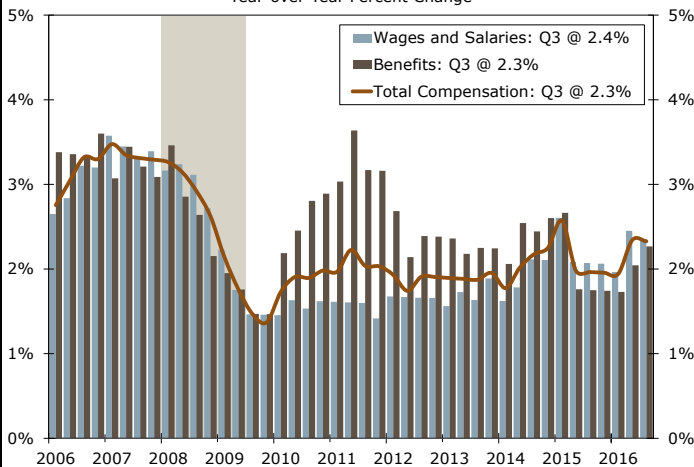
Moderate Gains in Wages & Benefits

- Employment costs rose another 0.6 percent in the third quarter, keeping the year-over-year change at 2.3 percent.
- Compensation growth slowed a touch in the private sector, increasing 0.5 percent. Wage growth was a tad weaker, bringing the 12-month change down to 2.4 percent. Benefit costs picked up slightly, but is still running below wages as the mix of private compensation has shifted away from benefits.

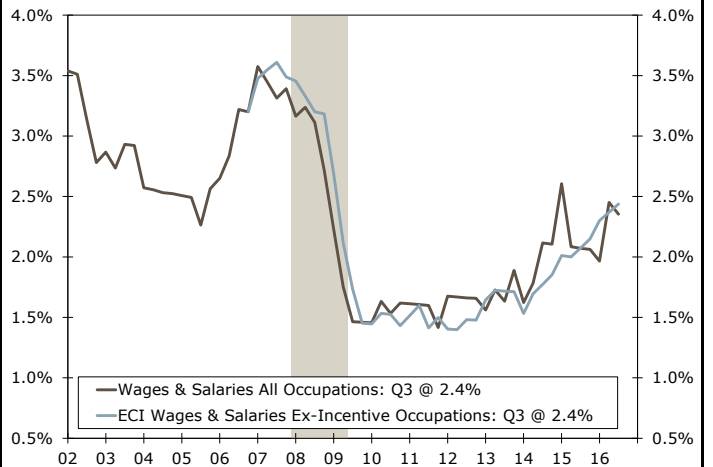
Ex-Incentive Paid Workers, Clearer Firming Trend

- Excluding incentive paid occupations, which provides a better indication of the underlying trend of wage pressures, wages & salaries are up 2.4 percent over the past year, the strongest pace of the expansion.
- Lackluster productivity growth indicates that even the modest pickup in employment costs over the past year is adding pressure to margins and, if passed on, would support higher inflation.

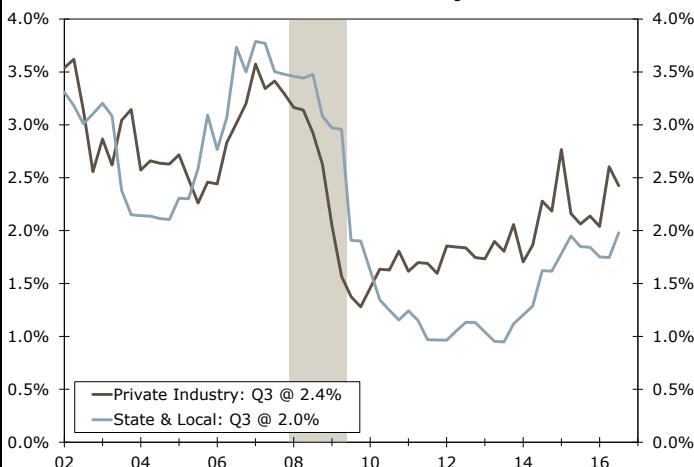
Employment Cost Index
 Year-over-Year Percent Change



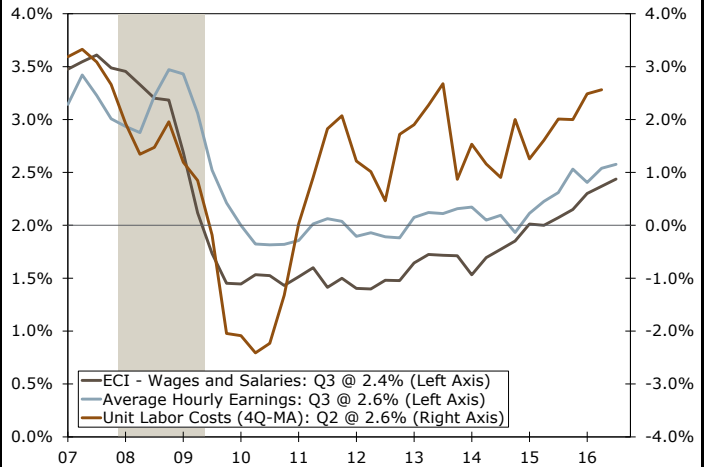
ECI Wages & Salaries
 Year-over-Year Percent Change



ECI Wage and Salary Costs by Sector
 Year-over-Year Percent Change



Employment Cost Index vs. Unit Labor Cost
 Year-over-Year Percent Change, Quarterly Moving Average



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

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