



# DAILY ECONOMIC COMMENTARY

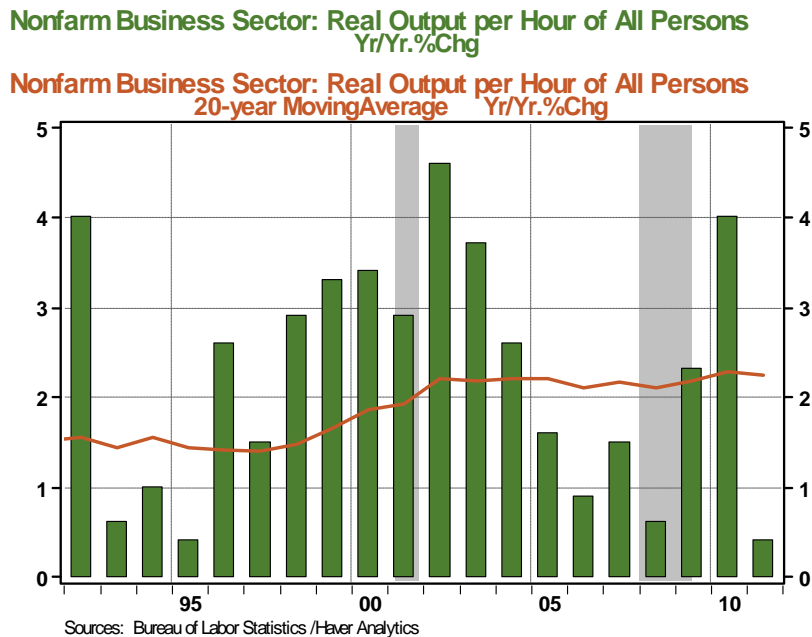
## Productivity Slows, Hiring Should Gather Momentum

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Productivity of the U.S. economy was revised to +0.9% for the fourth quarter from the earlier estimate of 0.7%. Productivity in 2011 slowed to 0.4% from 4.0% in 2010 (see Chart 1). The significant slowing of productivity signals that firms will need to raise payrolls in the near term. The long-run trend of productivity is 2.2%. Going forward, productivity of the economy has to maintain this trend such the standard of living of the nation is not affected. However, the current requirement is an increase in hiring.

Chart 1

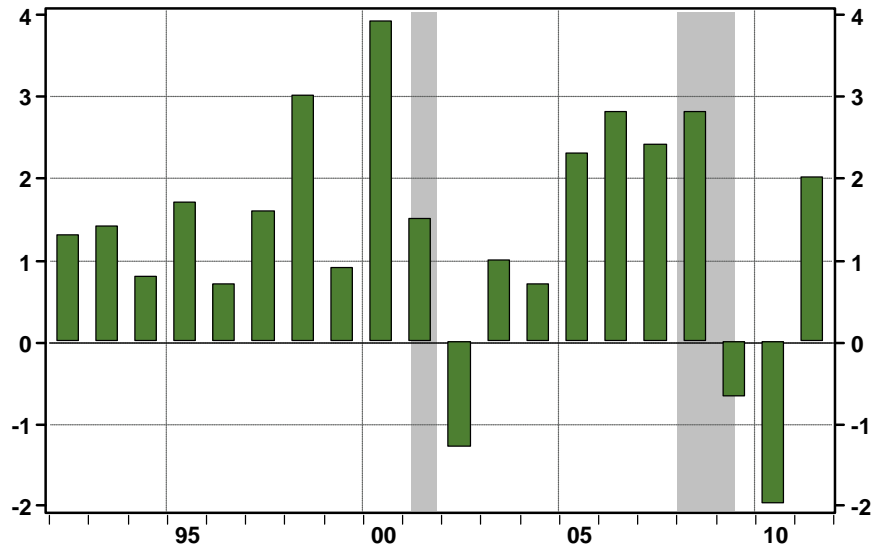


Unit labor costs of production rose 2.8% in the fourth quarter, putting the 2011 increase at 2.0% after a 2.0% drop in 2010. The link between unit labor costs and core inflation warrants close watching. Given the moderate pace of economic growth projected for the first-half of the year, the probability of worrisome inflation is low.

Chart 2

### Nonfarm Business Sector: Unit Labor Costs

Yr/Yr.%Chg



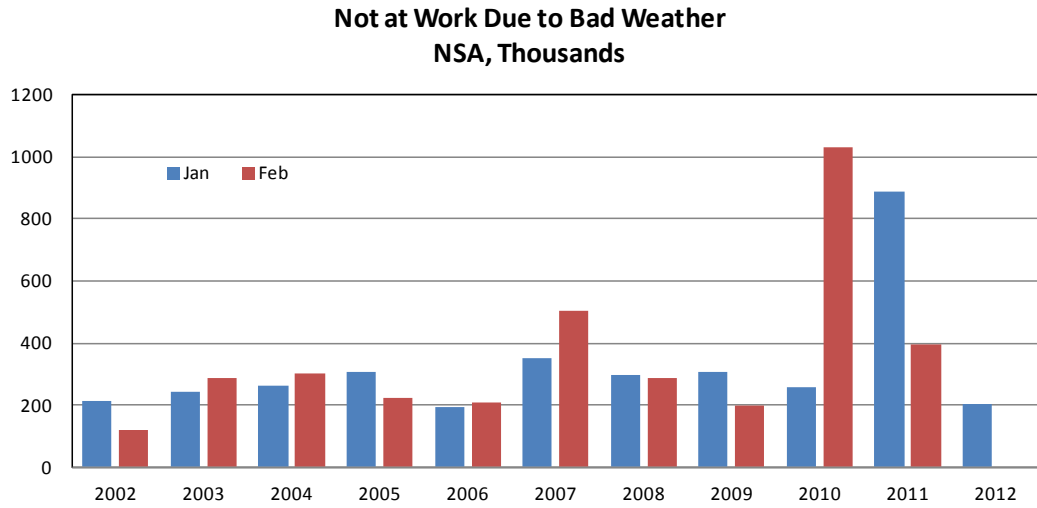
Source: Bureau of Labor Statistics /Haver Analytics

### Will Weather Give a Lift to February Employment Data?

The February employment report will be published on Friday, March 9. Payroll employment rose 243,000 in January and the unemployment rate fell to 8.3% from 8.5% in December. There is a possibility that favorable weather conditions could provide a lift to employment numbers of February. The Bureau of Labor Statistics publishes data of the number absent from work due to bad weather. In 2010 and 2011, inclement weather led to people missing work and held down employment. This time around, surprisingly favorable weather could boost employment. Based on the downward trend of initial jobless claims and the likely positive weather impact, employment could show a strong reading for February. The consensus forecast is a steady unemployment rate of 8.3% and an increase of 210,000 payroll jobs. The Conference Board's responses about labor market conditions in February point to the possibility of a decline in the unemployment rate. The number of respondents indicating that jobs are plentiful rose, while the number responding that jobs are hard to get, fell in February.

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Chart 3



Source: Bureau of Labor Statistics

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