# U.S. Data Review

- Nonfarm productivity: solid advance in Q4, but a soft performance for 2022 as a whole
- Factory orders: noise from aircraft and petroleum; mixed elsewhere

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## Productivity & Costs

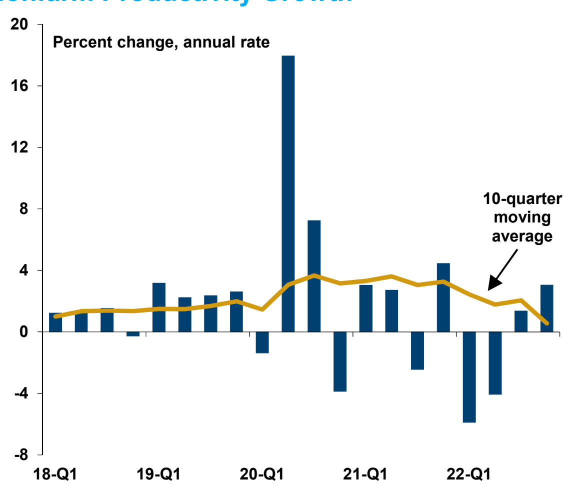
- U.S. nonfarm productivity rose 3.0 percent (annual rate) in the fourth quarter, firmer than the expected increase of 2.4 percent. If viewed in isolation, the latest reading represented a solid performance, but productivity growth is volatile and often swings widely from quarter-to-quarter; therefore, assessing of efficiency gains from a longer term perspective is necessary to cut through quarterly noise.

- When viewed over the span of the current recovery, productivity growth has been unimpressive. Measured over the past 10 quarters (the post-Covid expansion), productivity growth advanced at an average annual rate of only 0.5 percent (chart, left).

- The increase of 3.0 percent in the latest quarter reflected a firm advance in output (3.5 percent) that was generated by only a modest increase in labor input (hours worked rose 0.5 percent). However, over the four quarters of 2022, output rose modestly (0.8 percent), while hours worked increased 2.3 percent, leaving a drop of 1.5 percent in productivity.

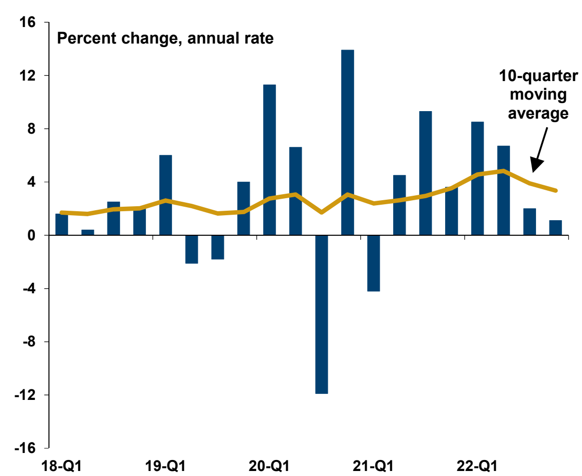
- The labor compensation measure in the productivity report rose 4.1 percent in Q4, which resulted in an increase of 1.1 percent in unit labor costs. While the solid performance in productivity helped to contain ULC in Q4, the measure advanced 4.5 percent over the four quarters of 2022 (chart, right). The compensation measure from the productivity report is volatile, therefore we prefer to calculate unit labor costs using the employment cost index, which rose 5.1 percent over the four quarters of 2022, leaving a productivity-adjusted measure of wages and benefits up 6.6 percent in 2022 -- well out of line with a target inflation rate of 2.0 percent.

### Nonfarm Productivity Growth




*Source: Bureau of Labor Statistics via Haver Analytics*

### Unit Labor Costs



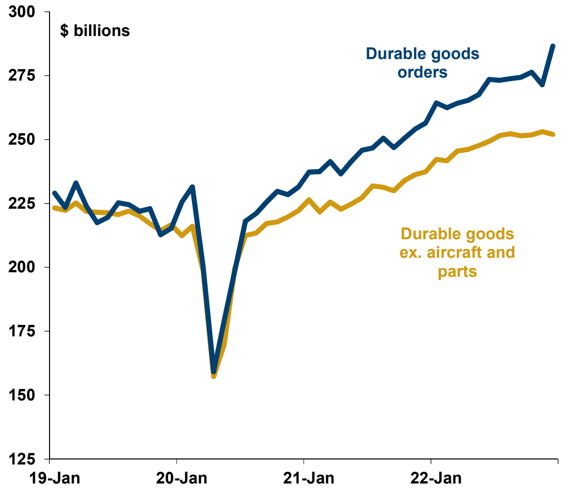

*Source: Bureau of Labor Statistics via Haver Analytics*

## Factory Orders

- Total factory orders rose 1.8 percent in December, a bit softer than the expected increase of 2.3 percent. The durable component accounted for all of the advance, posting an increase of 5.6 percent. The gain in durables did not involve any surprises, as it was unrevised from the preliminary tally published last week. The increase appeared impressive, but the advance was concentrated in the volatile aircraft component. Excluding aircraft (both commercial and defense), durable orders fell 0.4 percent, continuing a choppy pattern that has left little net change since August.

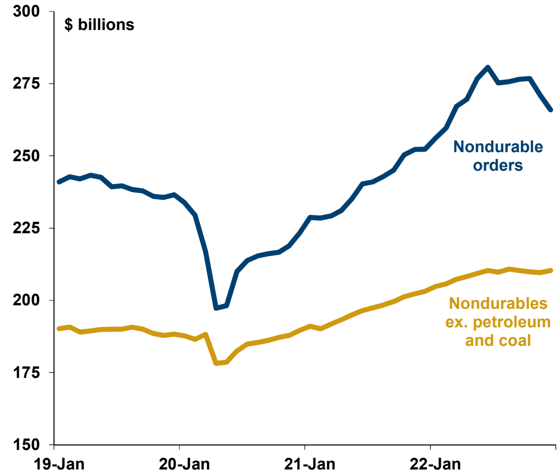
- Nondurable orders fell 1.9 percent, but the petroleum and coal category drove bookings lower with a drop of 9.6 percent, and this retreat was heavily influenced by lower prices (the price of West Texas intermediate oil fell 9.2 percent in December). Excluding petroleum and coal, new orders for nondurable goods rose 0.4 percent, ending a three-month slide. The December increase, however, offset only a portion of the cumulative decline of 0.6 percent from September through November, leaving an essentially sideways movement in recent months. Nondurable orders excluding petroleum and coal had moved along a smooth upward trend through much of 2021 and 2022, but they have shifted gears lately (chart, right).

### Durable Goods Orders




*Source: U.S. Census Bureau via Haver Analytics*

### Nondurable Goods Orders




*Source: U.S. Census Bureau via Haver Analytics*