

# US companies see productivity spurt

## 5.2%

Annualised decline in unit labour costs

## 175,000

Job losses expected in October

### Hopes that job losses will ease

### Durability of recovery questioned

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in Washington

Corporate America achieved remarkable productivity gains in the third quarter, new data revealed yesterday, with output per hour worked up 9.5 per cent at an annualised rate, its fastest increase in six years.

Compared with a year earlier, productivity was up 4.3 per cent, the biggest 12-month rise in the history of a series first calculated in 1948.

The data came ahead of today's much anticipated jobs report, with analysts expecting roughly 175,000 job losses in October. The strong productivity performance in the short term creates some risk that employment could be weaker than expected.

But other data showed new unemployment claims fell to their lowest level since January 3 in the past week, giving hope that job losses may be easing.

The productivity release highlights the way in which US companies responded to the recession by cutting back aggressively on jobs and hours worked - wringing out efficiency advances - and continued to do so even as the economy began to grow.

This has allowed them to boost profits and supported the stock market rally, but has sapped household incomes, raising questions about the durability of the recovery.

The US experience contrasts sharply with that in Europe, including the UK, where companies have cut back on employment and hours much less than their US counterparts, resulting

in lower unemployment but worse productivity.

Third quarter data are not yet available for Europe, but in the second quarter US non-farm business productivity was up 2 per cent at an annual rate, whereas productivity in the eurozone fell 3 per cent.

Rapid productivity growth combined with slow wage gains in the US brought a sharp decline in unit labour costs - the effective cost of the workforce per unit of output.

Unit labour costs fell 5.2 per cent at an annualised rate during the quarter and were down 3.6 per cent year on year, again the biggest annual decline since the series began in 1948.

Analysts said falling unit labour costs meant the risk of deflation had not vanished. Since labour makes up roughly 70 per cent of corporate costs, the decline will give the Federal Reserve comfort in terms of underlying price pressures.

However, consumer price inflation has not declined as much as might have been expected given the collapse in unit labour costs - with companies boosting margins and other input costs rising.

The extraordinary gain in productivity in the third quarter reflected a 4 per cent rise in output with a 5 per cent decline in hours worked. Some analysts think companies may continue to deliver huge efficiency gains, but others think the process may now have reached its limit.

"This type of divergence is unsustainable," said Michelle Meyer at Barclays Capital. "We believe that businesses will have to start to increase hours worked and payrolls around the turn of the year since they cannot expect their workforce to sustain such rapid productivity growth."



Le aziende statunitensi si registrano un aumento della produttività (pds)