

Flash Economics

11 February 2019 - 202


United States, euro zone: Hiring difficulties are expected to drive up wage growth and productivity-enhancing investment: Has this been the case?

In the United States and the euro zone, labour market pressures are mounting and companies face significant hiring difficulties.

This is expected to lead both to faster wage growth and to productivity-enhancing investment to enable companies to produce more despite the hiring difficulties.

Has this been the case?

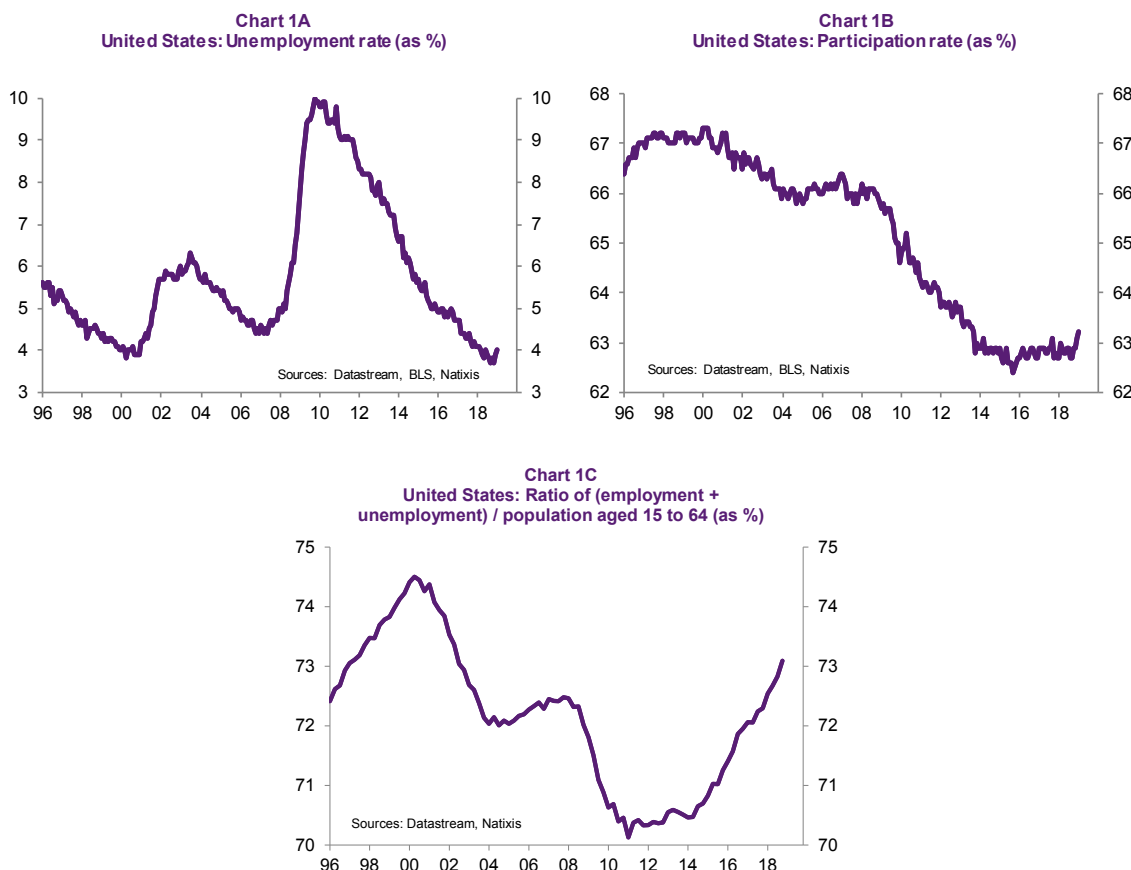
- In the United States, there has been no acceleration in labour costs although productivity-enhancing investment and productivity gains have risen (slightly);
- In the euro zone, labour costs have accelerated but productivity growth has not picked up.

Patrick Artus
Tel. (33 1) 58 55 15 00
patrick.artus@natixis.com
 @PatrickArtus

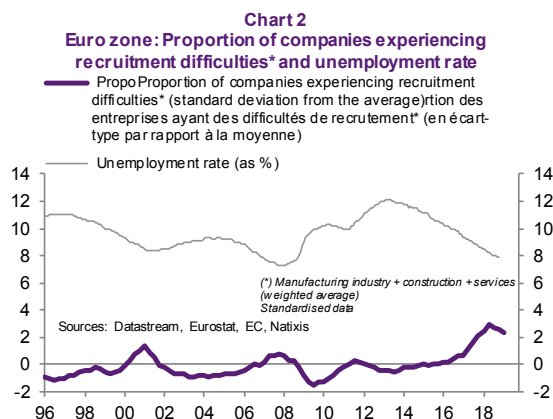
www.research.natixis.com

Significant hiring difficulties in the United States and the euro zone

- In the United States, the unemployment rate is very low (Chart 1A). The participation rate, as calculated in the United States (with no age limit), is low (Chart 1B); but if we calculate the participation rate among the population aged 15 to 64 (Chart 1C), it has risen above its level prior to the 2008 crisis. The United States can therefore be said to be at full employment.



- In the euro zone, unemployment is still high, but companies now face acute hiring difficulties (Chart 2), which shows that there are strong labour market pressures in the euro zone too.



When companies face acute hiring difficulties, one expects to see:

- **Faster wage increases**, as companies seek to attract employees;
- **Productivity-enhancing investments**, as companies seek to produce more despite their hiring difficulties.

Has this actually been the case?

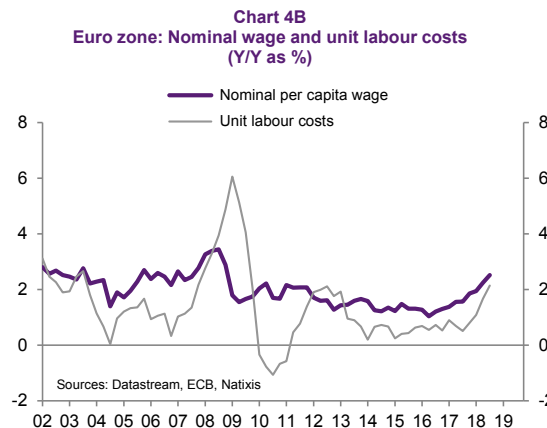
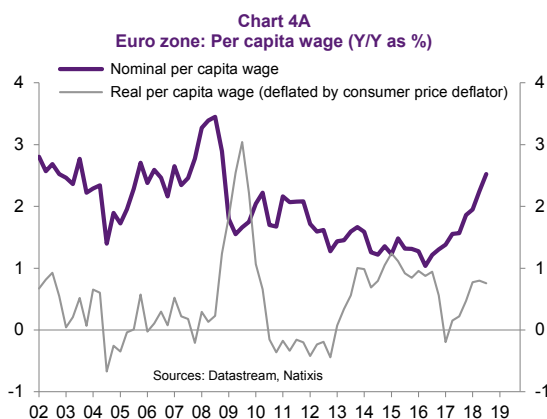
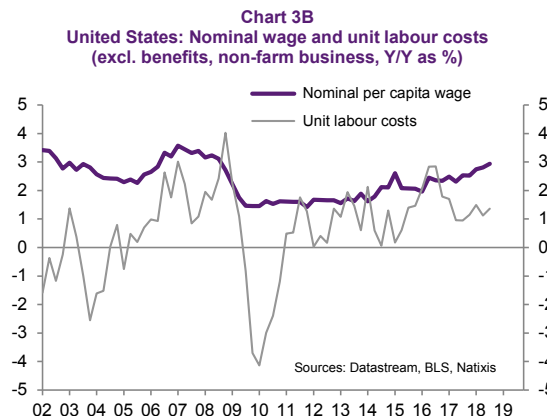
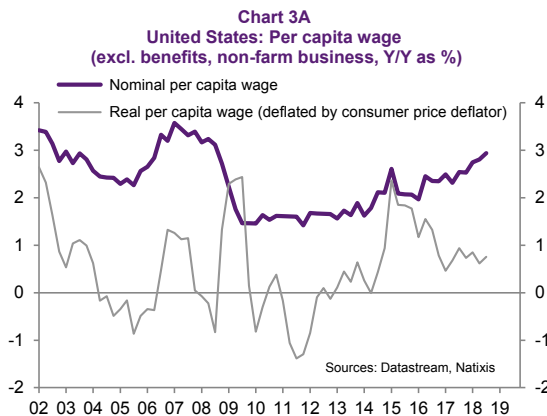
Has wage growth accelerated?

It is important to note that **faster growth in nominal wages can result from:**

- An increase in inflation;
- Faster productivity gains;
- And not necessarily labour market pressures.

We therefore need to look **not only at the nominal wage, but also at the real wage and unit labour costs.**

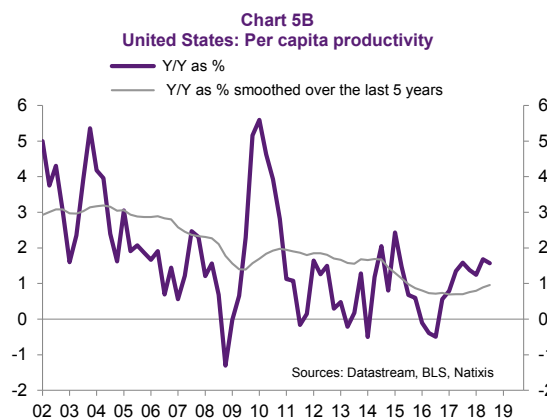
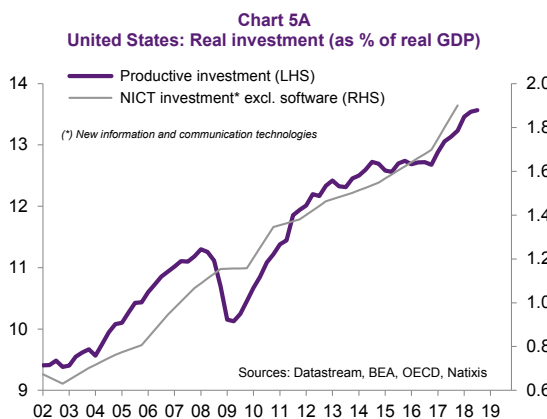
- **In the United States (Charts 3A and B), the nominal wage is accelerating, but not the real wage or unit labour costs;**
- **In the euro zone (Charts 4A and B), the nominal wage and unit labour costs are accelerating, but not the real wage.**

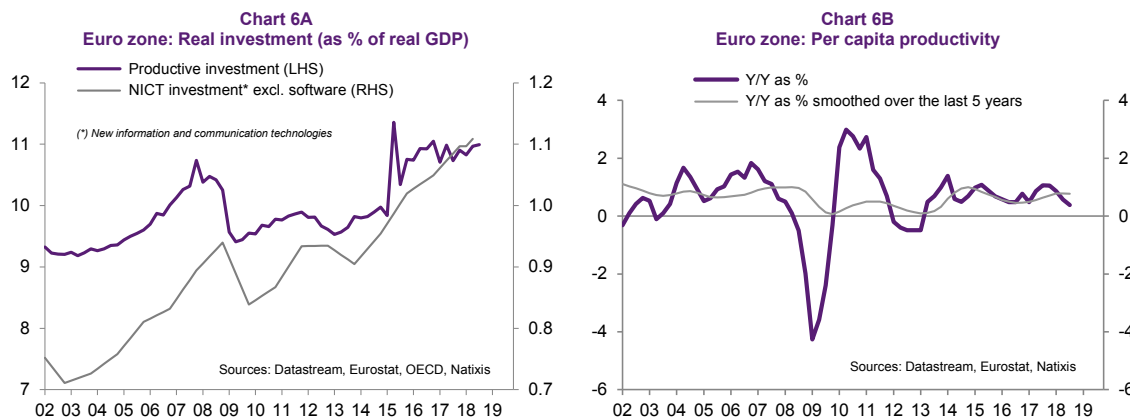


Has there been productivity-enhancing investment?

Have the hiring difficulties encouraged companies to ramp up their investments, in particular in new technologies, and have productivity gains increased?

- **In the United States (Charts 5A and B),** productivity-enhancing investment is high and rising, and there has been a **slight upturn in productivity gains;**
- **In the euro zone (Charts 6A and B),** productivity-enhancing investment is rising, **but productivity gains have not picked up.**





Conclusion: Have expectations been borne out?

Labour market pressures and hiring difficulties are now severe in the United States and the euro zone. This could be expected to lead to:

- Faster wage growth that results from neither higher inflation nor higher productivity gains;
- Productivity-enhancing investment and faster labour productivity growth.

In the recent period we have seen:

- **In the United States**, no acceleration in labour costs or in the real wage, but rising productivity-enhancing investment and productivity gains;
- **In the euro zone**, an acceleration in labour costs but no increase in productivity gains.

Disclaimer

The information contained in this publication and any attachment thereto is exclusively intended for a client base consisting of professionals and qualified investors. This document and any attachment thereto are strictly confidential and cannot be divulged to a third party without the prior written consent of Natixis. If you are not the intended recipient of this document and/or the attachments, please delete them and immediately notify the sender. Distribution, possession or delivery of this document in, to or from certain jurisdictions may be restricted or prohibited by law. Recipients of this document are required to inform themselves of and comply with all such restrictions or prohibitions. Neither Natixis, nor any of its affiliates, directors, employees, agents or advisers or any other person accepts any liability to any person in relation to the distribution, possession or delivery of this document in, to or from any jurisdiction.

This document has been developed by our economists. It does not constitute a financial analysis and has not been developed in accordance with legal requirements designed to promote the independence of investment research. Accordingly, there are no prohibitions on dealing ahead of its dissemination.

This document and all attachments are communicated to each recipient for information purposes only and do not constitute a personalized investment recommendation. They are intended for general distribution and the products or services described herein do not take into account any specific investment objective, financial situation or particular need of any recipient. This document and any attachment thereto shall not be construed as an offer nor a solicitation for any purchase, sale or subscription. Under no circumstances should this document be considered as an official confirmation of a transaction to any person or entity and no undertaking is given that the transaction will be entered into under the terms and conditions set out herein or under any other terms and conditions. This document and any attachment thereto are based on public information and shall not be used nor considered as an undertaking from Natixis. All undertakings require the formal approval of Natixis according to its prevailing internal procedures.

Natixis has neither verified nor carried out independent analysis of the information contained in this document. Accordingly, no representation, warranty or undertaking, either express or implied, is made to the recipients of this document as to or in relation to the relevance, accuracy or completeness of this document or as to the reasonableness of any assumption contained in this document. Information does not take into account specific tax rules or accounting methods applicable to counterparties, clients or potential clients of Natixis. Therefore, Natixis shall not be liable for differences, if any, between its own valuations and those valuations provided by third parties; as such differences may arise as a result of the application and implementation of alternative accounting methods, tax rules or valuation models. The statements, assumptions and opinions contained in this document may be changed or may be withdrawn by Natixis at any time without notice.

Prices and margins are indicative only and are subject to change at any time without notice depending on, inter alia, market conditions. Past performances and simulations of past performances are not a reliable indicator and therefore do not anticipate any future results. The information contained in this document may include results of analyses from a quantitative model, which represent potential future events that may or may not be realised, and is not a complete analysis of every material fact representing any product. Information may be changed or may be withdrawn by Natixis at any time without notice. More generally, no responsibility is accepted by Natixis, nor any of its holding companies, subsidiaries, associated undertakings or controlling persons, nor any of their respective directors, officers, partners, employees, agents, representatives or advisers as to or in relation to the characteristics of this information. The statements, assumptions and forecasts contained in this document reflect the judgment of its author(s), unless otherwise specified, and do not reflect the judgment of any other person or of Natixis.

The information contained in this document should not be assumed to have been updated at any time subsequent to the date shown on the first page of this document and the delivery of this document does not constitute a representation by any person that such information will be updated at any time after the date of this document.

Natixis shall not be liable for any financial loss or any decision taken on the basis of the information disclosed in this presentation and Natixis does not provide any advice, including in case of investment services. In any event, you should request for any internal and/or external advice that you consider necessary or desirable to obtain, including from any financial, legal, tax or accounting adviser, or any other specialist, in order to verify in particular that the transaction described in this document complies with your objectives and constraints and to obtain an independent valuation of the transaction, its risk factors and rewards.

Natixis is supervised by the European Central bank (ECB).

Natixis is authorized in France by the Autorité de Contrôle Prudentiel et de Régulation (ACPR) as a Bank -Investment Services Provider and subject to its supervision.

Natixis is regulated by the Autorité des Marchés Financiers in respect of its investment services activities.

Natixis is authorized by the ACPR in France and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority in the United Kingdom. Details on the extent of regulation by the FCA and the Prudential Regulation Authority are available from Natixis' branch in London upon request.

In Germany, NATIXIS is authorized by the ACPR as a bank – investment services provider and is subject to its supervision. NATIXIS Zweigniederlassung Deutschland is subject to a limited form of regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) with regards to the conduct of its business in Germany under the right of establishment there. The transfer / distribution of this document in Germany is performed by / under the responsibility of NATIXIS Zweigniederlassung Deutschland.

Natixis is authorized by the ACPR and regulated by Bank of Spain and the CNMV (Comisión Nacional del Mercado de Valores) for the conduct of its business under the right of establishment in Spain.

Natixis is authorized by the ACPR and regulated by Bank of Italy and the CONSOB (Commissione Nazionale per le Società e la Borsa) for the conduct of its business under the right of establishment in Italy.

Natixis is authorized by the ACPR and regulated by the Dubai Financial Services Authority (DFSA) for the conduct of its business in and from the Dubai International Financial Centre (DIFC). The document is being made available to the recipient with the understanding that it meets the DFSA definition of a Professional Client; the recipient is otherwise required to inform Natixis if this is not the case and return the document. The recipient also acknowledges and understands that neither the document nor its contents have been approved, licensed by or registered with any regulatory body or governmental agency in the GCC or Lebanon.

All of the views expressed in this report accurately reflect the author's personal views regarding any and all of the subject securities or issuers. No part of author compensation was, is or will be, directly or indirectly related to the specific recommendations or views expressed in this report.

I(WE), AUTHOR(S), WHO WROTE THIS REPORT HEREBY CERTIFY THAT THE VIEWS EXPRESSED IN THIS REPORT ACCURATELY REFLECT OUR(MY) PERSONAL VIEWS ABOUT THE SUBJECT COMPANY OR COMPANIES AND ITS OR THEIR SECURITIES, AND THAT NO PART OF OUR COMPENSATION WAS, IS OR WILL BE, DIRECTLY OR INDIRECTLY, RELATED TO THE SPECIFIC RECOMMENDATIONS OR VIEWS EXPRESSED IN THIS REPORT.

The personal views of authors may differ from one another. Natixis, its subsidiaries and affiliates may have issued or may issue reports that are inconsistent with, and/or reach different conclusions from, the information presented herein.

Natixis, a foreign bank and broker-dealer, makes this report available solely for distribution in the United States to major U.S. institutional investors as defined in Rule 15a-6 under the U.S. securities Exchange Act of 1934. This document shall not be distributed to any other persons in the United States. All major U.S. institutional investors receiving this document shall not distribute the original nor a copy thereof to any other person in the United States. Natixis Securities Americas LLC, a U.S. registered broker-dealer and member of FINRA, is a subsidiary of Natixis. Natixis Securities Americas LLC did not participate in the preparation of this report and as such assumes no responsibility for its content. This report has been prepared and reviewed by authors employed by Natixis, who are not associated persons of Natixis Securities Americas LLC and are not registered or qualified as research analysts with FINRA, and are not subject to the rules of the FINRA. In order to receive any additional information about or to effect a transaction in any security or financial instrument mentioned herein, please contact your usual registered representative at Natixis Securities Americas LLC, by email or by mail at 1251 Avenue of the Americas, New York, NY 10020.

The stocks mentioned might be subject to specific disclaimers. Please click on the following link to consult them:

<https://www.research.natixis.com/GlobalResearchWeb/main/globalresearch/DisclaimersSpecifiques>