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if any, change in the coming months.

Feb. 21, 2013

The rate of annual wage growth for private sector workers is expected to show little, if any, change in the coming months, according to the preliminary first quarter Wage Trend Indicator (WTI) released today by Bloomberg BNA, a leading publisher of specialized news and information.

The latest index stands at 98.63 (second quarter 1976 = 100), up from 98.52 in the fourth quarter of 2012. Over the past seven quarters, the WTI has fluctuated within a narrow range from 98.47 to 98.75.

“Labor market conditions overall have been improving slowly, but the economy remains somewhat weak,” economist Kathryn Kobe, a consultant who maintains and helped develop Bloomberg BNA’s WTI database, said. “Although the fiscal cliff has been avoided, there’s still a lot of uncertainty about the economic impact of a possible federal budget sequester, and businesses appear hesitant to hire new employees,” Kobe said.

Kobe said she expects little or no change in the pace of annual wage gains in the private sector from the 1.7 percent increase over the year ended in the fourth quarter, as measured by the Department of Labor’s employment cost index (ECI). The WTI does not forecast the magnitude of wage growth, only the direction.

Over its history, the WTI has predicted a turning point in wage trends six to nine months before the trends are apparent in the ECI. A sustained increase in the WTI forecasts greater pressure to raise private sector wages, while a sustained decline is predictive of a deceleration in the rate of wage increases.

Reflecting mixed economic conditions, three of the WTI's seven components made

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compiled by the Federal Reserve Bank of Philadelphia; and job losers as a share of the labor force, reported by DOL.

The three positive factors were average hourly earnings of production and nonsupervisory workers and the unemployment rate, both from DOL, and industrial production, reported by the Federal Reserve Board. The neutral component was the proportion of employers reporting difficulty in filling professional and technical jobs, also from Bloomberg BNA's employment survey.

This month's WTI report incorporates annual revisions to historical data based on revised component data published recently by DOL and the Federal Reserve.

Bloomberg BNA's Wage Trend Indicator is designed to serve as a yardstick for employers, analysts, and policymakers to identify turning points in private sector wage patterns. It also provides timely information for business and human resource analysts and executives as they plan for year-to-year changes in compensation costs.

The WTI is released in 12 monthly reports per year showing the preliminary, revised, and final readings for each quarter, based on newly emerging economic data.

More information on the [Wage Trend Indicator is available on Bloomberg BNA's WTI home page](#).

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Dr. Joel Popkin, who is acknowledged as one of the country's foremost authorities on

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