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wage increases in the coming months, according to the final third-quarter Wage Trend Indicator (WTI) released today by Bloomberg BNA, a leading publisher of specialized news and information.

Oct. 16, 2013

Private sector workers are likely to see little or no improvement in the rate of annual wage increases in the coming months, according to the final third-quarter Wage Trend Indicator (WTI) released today by Bloomberg BNA, a leading publisher of specialized news and information.

The index edged down in the third quarter to 98.70 (second quarter 1976 = 100) from 98.72 in the second quarter. For the past two years, the WTI has fluctuated within a narrow range from 98.47 to 98.75, showing no clear upward or downward trend.

“The possibility of a prolonged government shutdown and the threat of a U.S. Treasury default are injecting big unknowns into the near-term outlook for the economy and the labor market,” economist Kathryn Kobe, a consultant who maintains and helped develop Bloomberg BNA's WTI database, said.

Kobe said she expects the rate of wage growth in the private sector to remain close to 1.9 percent, the increase reported by the Department of Labor's employment cost index for the 12 months ended in the second quarter of 2013. 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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employers reporting difficulty in filling professional and technical jobs, both measured by Bloomberg BNA's quarterly employment outlook survey; industrial production, reported by the Federal Reserve Board; and forecasters' expectations for the rate of inflation, compiled by the Federal Reserve Bank of Philadelphia.

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.

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