Little Change Likely in Pace of Wage Growth, WTI Signals

**Arlington, Va. (Aug. 15, 2012) —** Wage increases for private sector workers likely will hold roughly steady in the coming months, according to the preliminary third quarter Wage Trend Indicator™ (WTI) released today by Bloomberg BNA, a leading publisher of specialized news and information.

The index fell to 98.50 (second quarter 1976 = 100) from 98.67 in the second quarter. Over the past year, the forward-looking indicator has fluctuated in a narrow range from 98.40 to 98.67.

“The latest reading suggests the pace of wage growth will be in a holding pattern through at least the end of 2012,” economist Kathryn Kobe, a consultant who maintains and helped develop Bloomberg BNA’s WTI database, said. “The impending U.S. budget cliff, the poor situation in Europe, and weak job growth are all impacting confidence in the economy,” she said.

Kobe said she expects little change in annual wage gains overall in the private sector from the 1.8 percent increase over the year ended in the second quarter reported by the Department of Labor.

Reflecting recent economic conditions, five of the WTI’s seven components made negative contributions to the preliminary third quarter reading, while two were neutral.

**Next WTI Report**

The next report of the Wage Trend Indicator™ will be released on: Tuesday, Sept. 18, 2012 (revised third quarter).

For more information on the Wage Trend Indicator, call Bloomberg BNA at 800-372-1033.

BNA's Wage Trend Indicator™ offers a new perspective on trends in wage and salary growth. The WTI is designed to predict and interpret trends in U.S. private industry wages, as well as provide timely information for business and human resource executives as they plan for year-to-year changes in compensation costs.
The WTI was developed for BNA by the economic consulting firm of Joel Popkin & Company. The quarterly index-revised and updated monthly-provides a new measure for employers, analysts, and policymakers to identify turning points in private sector wages, as measured by the Employment Cost Index, a key measure of inflation. The BNA index comprises seven components shown to be predictive of accelerations and decelerations in the rate of increase in private wages. Five of the WTI's seven components are based on federal economic statistical series; two are derived from BNA's Employment Outlook Survey.

Subscribers to BNA's Daily Labor Report and Daily Report for Executives receive full coverage of the Wage Trend Indicator as part of their subscription. A one-year e-mail subscription to the Wage Trend Indicator Report is $60 for BNA subscribers and $95 for nonsubscribers. To order, call BNA PLUS at 800-372-1033 or e-mail bnaplus@bna.com.

For press copies of the data, send an e-mail to Karen James Cody.

"Until the Bureau of National Affairs started putting together its wage report, there weren't too many places that brought together all the different data that can help predict if wages are on the rise."
-- Public Radio International

"[The WTI] is sort of like having a diversified stock portfolio. We've got a number of indicators that have worked over the years; if one [component] is off track, we still have six others working for us."
-- Joel Popkin
Developer of the WTI for BNA

"Economists have had a difficult time predicting wage trends in the 1990s. … Now a little explanatory help is on the way in the form of the new Wage Trend Indicator. … The new series is the first attempt to use the leading indicator approach."
-- Business Week Daily Briefing

"Steadily decelerating over the past 18 months, private industry wage increases are projected to hold at 3.5% through the rest of this year, according to the latest reading of the Wage Trend Indicator released ... by BNA Inc., a Washington publishing company. … The WTI showed that wage pressures eased substantially ... from annual wage increases above 4% to roughly 3.5% ... "
-- Dow Jones Capital Markets Report

Frequently Asked Questions

1. What is the Wage Trend Indicator™?

The Wage Trend Indicator™ is a quarterly measure designed to detect changes in private industry wages and salaries before they become apparent in the Bureau of Labor Statistics's employment cost index. The WTI comprises seven components that are predictive of accelerations and decelerations in the rate of increase in private industry wages, dating back to 1976. WTI figures are reported monthly, beginning with a preliminary index figure, and followed by a revised estimate, and a final estimate for a particular quarter.

2. What are the major uses of the WTI?

The WTI is a yardstick for employers, analysts, and policymakers to identify turning points in private industry wage patterns. The report also provides timely information for business and human resource analysts and executives as they plan for year-to-year changes in compensation costs.

3. How should the WTI be used to project trends in private industry wage patterns?

The WTI is a directional indicator of an upcoming change in the rate of growth of wages. An increase in the WTI is designed to signal that wage growth (measured from a year ago) will accelerate while a decline in the WTI is a signal that wage growth will slow down. This is different from signaling an increase or decrease in the level of wages. A decline in the WTI does not generally indicate a decline in wage levels, only that the rate of increase in wages has slowed.

4. How was the WTI developed?

The WTI was developed for BNA by the Washington, D.C., economic consulting firm Joel Popkin & Co. Dr. Popkin, a top authority on the measurement of wages and prices, and Kathryn Kobe, the firm's vice president and chief economist, formulated the indicator by selecting the data series that were found to be most predictive of changes in private industry wages.

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