



Productivity Inches Upward in 2nd Quarter

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Productivity exceeded expectations in the second quarter, the Labor Department reported Wednesday. It was expected to increase by 0.7%; it went up by 0.9%.

Increased quarterly productivity is good news for the economy, but, as Tim Worstall of Forbes observed, the number for the second quarter is good but not great.

"The news that U.S. productivity is rising is welcome," he wrote, "even if we'd still all rather hope that it was rising faster than it is."

ABC News called the increase "modest" as did John Boyd Jr., principal of Princeton, New Jersey-based business location consultant The Boyd Co. Inc.

"This modest increase does not signal a breakout from the recent sluggish productivity trend we have seen for over a decade now," Boyd said.

"No doubt a major priority of the Trump administration will be to improve productivity," he continued. "Higher productivity means higher wages, more household income and consumer spending and more overall economic growth. Infrastructure spending, tax reform - repatriation policy, cutting corporate income taxes and the capital gains tax - as well as funding for R&D research are all ways lawmakers can attempt to boost productivity through policy."

Marc Prosser, co-founder of New York-based FitSmallBusiness.com, said the report was not likely to influence the market and added "the number is far from good from a long-term perspective. Between 1947 and 2007 labor productivity grew at an annualized rate of 2.3% per year or more - twice the most recent number."

Brian Davis, real estate investor and co-founder of SparkRental.com, observed that the "overall trend remains weak" and will make it challenging for the Trump administration to achieve its goal of 3% GDP growth.

"Nonfarm productivity measures one hour's worth of the average worker's economic output," Davis said. "This past quarter, it grew at an annualized pace of 0.9%, substantially higher than the revised 0.1% growth in the first quarter but far slower than the historical average of 2.1%."

"With President Trump claiming he will produce 3% GDP growth, and the U.S. at full employment, he'll have a tough time reaching that figure. In an ideal world, that could mean more workers moving from the sidelines to enter the workforce, which would help reach that 3% target. But the U.S. is seeing a massive skills-demand gap between employees and employers, which is holding back economic growth."

"If we are to return to higher GDP growth, such as the 3% annual growth promised by President Trump," said John Engle, president of Almington Capital, a Chicago-area family office merchant bank, "a lot more needs to be done to drive a sustained increase in labor productivity."

Davis was skeptical about that prospect.

"Productivity gains help boost economic growth, of course," Davis said, "but at their current rate it's unlikely we'll see sustained 3% GDP growth anytime soon."