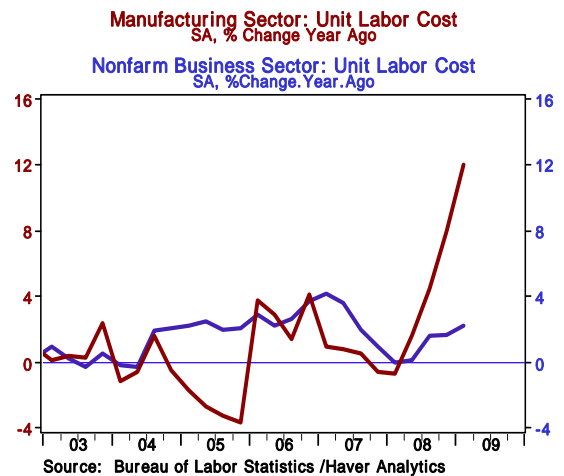
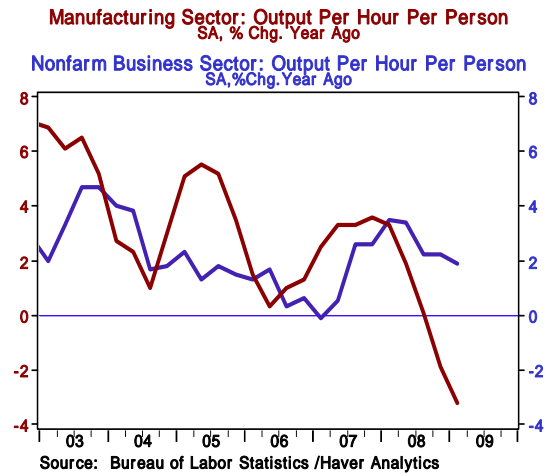


Q1 PRODUCTIVITY (FINAL)

Chief Economist – Brian S. Wesbury
Senior Economist – Robert Stein, CFA

- Non-farm productivity (output per hour) increased at a 1.6% annual rate in the first quarter, a large upward revision from an original estimate of +0.8%. Non-farm productivity is up 1.9% versus a year ago.
- Compensation per hour in the non-farm sector increased at a 4.6% annual rate in Q1 and is up 4.1% versus last year. Real (inflation-adjusted) compensation was up at a 7.1% annual rate in Q1 and is up 4.3% versus last year. Unit labor costs were up at a 3.0% rate in Q1 and up 2.2% versus a year ago.
- In the manufacturing sector, Q1 measures of production were slower than in the non-farm business sector as a whole, while measures of labor costs were higher. Manufacturing productivity fell at a 2.7% annual rate while output and hours were down at a 21.7% rate and a 19.5% rate, respectively. Manufacturing sector labor compensation rose at a 13.4% rate (16.1%, inflation-adjusted) and unit labor costs increased at a 16.6% annual rate.

Implications: Productivity (output per hour) was revised substantially higher in Q1, due largely to revisions in output growth. The decrease in hours, -9.0%, was the largest decrease since the first quarter of 1975. One other positive note to take from this report was that unit labor costs were revised down to 3.0%. We believe the long-term trend of strong productivity growth is still intact. The year over year productivity growth is showing that businesses are producing more with less people than ever before which bodes well for a strong recovery. Despite the recent pain we have encountered it now seems the economy is growing again and these increases in productivity will ultimately elevate the growth potential of the US economy. In other news this morning, new claims for unemployment insurance fell 4,000 last week to 621,000, while continuing claims fell 15,000 to 6.735 million. Tomorrow the Labor Department will release the Employment Report for May which will show another large loss in payrolls. However, losses will be smaller than earlier this year and will continue to dwindle over the rest of the year.



Productivity and Costs (% Change, All Data Seasonally Adjusted)	Q1-09	Q4-08	Q3-08	Q2-08	Y to Y % Ch. (Q1-09/Q1-08)	Y to Y % Ch. (Q1-08/Q1-07)
Nonfarm Productivity	1.6	-0.6	2.2	4.7	1.9	3.5
- Output	-7.6	-8.8	-1.9	2.8	-4.0	2.8
- Hours	-9.0	-8.3	-3.9	-1.7	-5.8	-0.6
- Compensation (Nominal)	4.6	4.5	5.7	1.7	4.1	3.5
- Unit Labor Costs	3.0	5.1	3.5	-2.8	2.2	0.0
Manufacturing Productivity	-2.7	-4.6	-2.9	-2.5	-3.2	3.3
- Output	-21.7	-18.3	-9.3	-5.2	-13.9	1.3
- Hours	-19.5	-14.4	-6.5	-2.7	-11.0	-2.0
- Compensation (Nominal)	13.4	11.8	5.4	3.5	8.4	2.6
- Unit Labor Costs	16.6	17.1	8.6	6.2	12.0	-0.7

Source: US Department of Labor

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