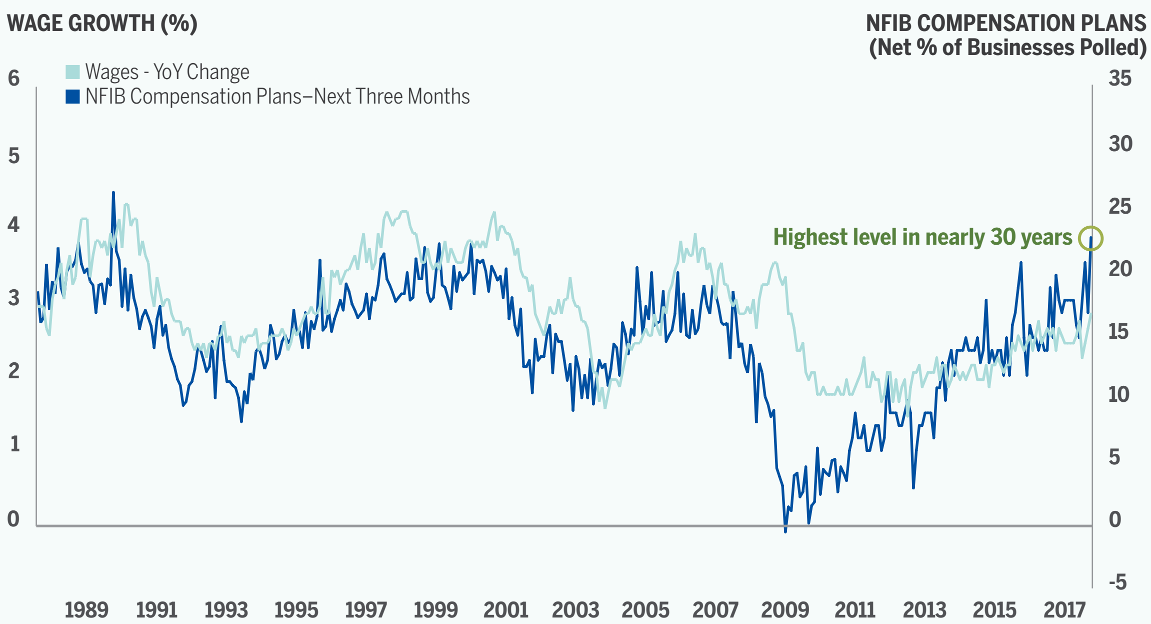
Here Comes Your Raise

The compensation survey of the National Federation of Independent Business (NFIB) is typically a leading indicator of wage growth. It recently reached a multi-decade high, signaling that a likely increase in wage growth lies ahead. Despite the possibility of higher inflation (see market commentary), this may be good news for the U.S economy because higher wages can lead to increased consumer spending and ultimately drive up revenues for corporate America.

NFIB Compensation Plans Imply Wage Growth Will Accelerate



Source: FactSet, NFIB and Department of Labor.
Note: Wages are private production and nonsupervisory average hourly earnings.

- The NFIB is the U.S.'s leading small business association and its survey results contain a key economic gauge of future wages in the country. Currently this metric is at its highest level in nearly 30 years, indicating that wages may increase this year.
- Job openings relative to the number of unemployed are at a record high, another likely driver of future wage growth.
- Interest rates have historically followed wage increases higher; if this transpires, fixed income total returns may suffer.
- While stocks have recently declined in part due to worries about wage inflation, we think a moderate rise in interest rates from low levels is unlikely to negatively impact the economy or equity valuations (see Alger Capital Markets, page 27).

Inspired by Change, Driven by Growth.

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