

# News

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## **PRODUCTIVITY AND COSTS**

First Quarter 2007, Revised

The Bureau of Labor Statistics of the U.S. Department of Labor today reported revised productivity data—as measured by output per hour of all persons—for the first quarter of 2007. The revised seasonally adjusted annual rates of productivity change in the first quarter were:

0.5 percent in the business sector and  
1.0 percent in the nonfarm business sector.

In both sectors, the first-quarter productivity gains were smaller than the preliminary estimates reported on May 3, due to downward revisions to output growth.

In manufacturing, the revised productivity changes in the first quarter were:

2.4 percent in manufacturing,  
2.2 percent in durable goods manufacturing, and  
1.8 percent in nondurable goods manufacturing.

Manufacturing productivity growth was slower in the first quarter of 2007 than reported on May 3, reflecting downward revisions to output per hour in both durable goods and nondurable goods industries. Output and hours in manufacturing, which includes about 12 percent of U.S. business-sector employment, tend to vary more from quarter to quarter than data for the aggregate business and nonfarm business sectors. First-quarter measures are summarized in table A and appear in detail in tables 1 through 5.

The data sources and methods used in the preparation of the manufacturing series differ from those used in preparing the business and nonfarm business series, and these measures are not directly comparable. Output measures for business and nonfarm business are based on measures of gross domestic product prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce. Quarterly output measures for manufacturing reflect indexes of industrial production prepared by the Board of Governors of the Federal Reserve System. See Technical Notes for further information on data sources (page 7).

Table A. Productivity and costs: Revised first-quarter 2007 measures (Seasonally adjusted annual rates)						
Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	0.5	0.4	-0.1	2.5	-1.4	1.9
Nonfarm business	1.0	0.6	-0.4	2.8	-1.0	1.8
Manufacturing	2.4	1.2	-1.1	6.9	3.0	4.5
Durable	2.2	-0.4	-2.5	8.5	4.5	6.2
Nondurable	1.8	3.1	1.3	4.3	0.4	2.4
Percent change from same quarter a year ago						
Business	0.7	2.0	1.3	3.0	0.5	2.2
Nonfarm business	1.0	2.0	1.1	3.2	0.7	2.2
Manufacturing	3.5	2.4	-1.1	3.1	0.6	-0.4
Durable	4.8	3.2	-1.5	4.2	1.7	-0.5
Nondurable	1.8	1.4	-0.3	1.0	-1.4	-0.7

## Business

Productivity rose 0.5 percent in the business sector from the fourth quarter of 2006 to the first quarter of 2007, as output increased 0.4 percent and hours worked by all persons declined 0.1 percent (seasonally adjusted annual rates). In the fourth quarter of 2006, output per hour increased 1.5 percent, reflecting increases in output and hours of 2.9 percent and 1.4 percent, respectively (table 1). From first-quarter 2006 to first-quarter 2007, business sector productivity posted the smallest four-quarter gain since the fourth quarter of 1995, when it also rose 0.7 percent.

Hourly compensation increased at a 2.5 percent annual rate in the first quarter of 2007. For the fourth quarter of 2006, hourly compensation growth was revised up to 10.4 percent from the 7.7-percent increase reported May 3. This measure of compensation includes wages and salaries, supplements, employer contributions to employee benefit plans, and taxes. Real hourly compensation, which takes into account changes in consumer prices, declined 1.4 percent in the first quarter of 2007 following a 12.8-percent gain in the previous quarter.

The change in unit labor costs approximates the change in hourly compensation less the change in productivity, and in the first quarter of 2007 there was a 1.9-percent rise in these costs. Unit labor costs grew 8.8 percent per year in the fourth quarter of 2006, as revised. The implicit price deflator for business output, which reflects changes in both unit labor costs and unit nonlabor payments, grew by 3.7 percent in the first quarter of 2007.

## **Nonfarm business**

Productivity increased 1.0 percent in the nonfarm business sector during the first quarter of 2007, as output rose 0.6 percent and hours of all persons fell 0.4 percent (seasonally-adjusted annual rates). The decline in nonfarm business hours worked was the first since 2003, when hours fell 2.1 percent in the first quarter and 1.3 percent in the second quarter. In fourth-quarter 2006, nonfarm productivity had increased 2.1 percent as output increased 2.9 percent and hours rose 0.8 percent (table 2). The 1.0-percent increase in output per hour since the first quarter of 2006 is small compared to recent movements. Nonfarm business productivity had increased at an average annual rate of 3.1 percent from 2000 through 2005.

Hourly compensation increased 2.8 percent in the nonfarm business sector in the first quarter of 2007. This measure had increased 11.2 percent in the fourth quarter of 2006, as revised. When the rise in consumer prices is taken into account, real hourly compensation grew 13.6 percent in the fourth quarter of 2006, then declined 1.0 percent in the first quarter of 2007.

Unit labor costs rose 1.8 percent during the first quarter of 2007, following an 8.9-percent increase in the fourth quarter of 2006, as revised. The implicit price deflator for nonfarm business output rose by 3.2 percent in the first quarter of 2007.

## **Manufacturing**

Productivity grew at a 2.4-percent annual rate in the manufacturing sector during the first quarter of 2007, the joint effect of a 1.2-percent increase in output and a 1.1-percent decrease in hours. The 2.2-percent productivity gain in durable goods industries in the first quarter was due entirely to a 2.5-percent drop in hours worked, as output also declined, by 0.4 percent. Output per hour rose 1.8 percent in nondurable goods industries as output and hours both increased, by 3.1 percent and 1.3 percent, respectively (tables 3, 4, and 5).

Hourly compensation in manufacturing grew 6.9 percent during the first quarter of 2007, following a gain of 11.8 percent one quarter earlier, as revised. Hourly compensation rose 8.5 percent in durable goods industries and 4.3 percent in nondurable goods industries. Real hourly compensation, which takes into account changes in consumer prices, increased 3.0 percent for all manufacturing workers, as a 4.5-percent rise in durable manufacturing real hourly compensation combined with a 0.4-percent rise in the nondurable goods industries.

Unit labor costs rose 4.5 percent in manufacturing during the first quarter of 2007. In durable goods industries, where hourly compensation increased much faster than productivity, unit labor costs increased 6.2 percent. In nondurable goods industries, unit labor costs rose 2.4 percent during the first quarter of 2007, but when the first quarter of 2007 is compared to the first quarter of 2006 nondurable manufacturing unit labor costs declined 0.7 percent.

## Nonfinancial corporations

Preliminary first-quarter 2007 measures of productivity and costs for nonfinancial corporations also were announced today (tables B and 6). Productivity rose 0.6 percent in the first quarter, as output increased 0.7 percent and employee-hours edged up 0.1 percent (seasonally adjusted annual rates). The 0.3-percent increase in output per hour from the first quarter of 2006 to the first quarter of 2007 was the smallest gain since a similar increase from the fourth quarter of 1992 to the fourth quarter of 1993. The nonfinancial corporate sector includes all corporations doing business in the United States, except those classified as depository institutions, nondepository institutions, security and commodity brokers, insurance carriers, regulated investment offices, small business investment offices, and real estate investment trusts.

Table B. Nonfinancial corporations: Preliminary first-quarter 2007 productivity and cost measures (Seasonally adjusted annual rates)								
Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
Percent change from preceding quarter								
2007 I	0.6	0.7	0.1	4.7	0.8	4.1	6.8	3.7
Percent change from same quarter a year ago								
2007 I	0.3	1.6	1.2	3.4	0.9	3.0	-1.9	2.0

Hourly compensation rose 4.7 percent during the first quarter of 2007, following an 8.7-percent increase in the fourth quarter of 2006. Taking the 3.9-percent rise in consumer prices into account, real hourly compensation increased 0.8 percent in the first quarter of 2007, in contrast to fourth-quarter 2006 when real hourly compensation jumped 11.0 percent. Unit labor costs in nonfinancial corporations rose 4.1 percent in the first quarter of 2007.

## REVISED MEASURES

Previous and revised measures for the first quarter of 2007 in the business, nonfarm business, and manufacturing sectors are compared in table C. Productivity growth was revised down in all sectors due to downward revisions to output growth. Increases in hourly compensation and unit labor costs were revised up in all sectors for the first quarter of 2007 when compared to preliminary estimates reported May 3.

Table C. Previous and revised productivity and related measures (Quarterly percent change at seasonally adjusted annual rate)						
Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
First quarter 2007						
Business:						
Previous .....	1.3	1.2	0.0	1.9	-1.9	0.7
Revised.....	0.5	0.4	-0.1	2.5	-1.4	1.9
Nonfarm business:						
Previous .....	1.7	1.4	-0.3	2.3	-1.5	0.6
Revised.....	1.0	0.6	-0.4	2.8	-1.0	1.8
Manufacturing:						
Previous .....	2.7	1.5	-1.1	5.5	1.6	2.7
Revised.....	2.4	1.2	-1.1	6.9	3.0	4.5
Fourth quarter 2006						
Business:						
Previous .....	1.5	2.9	1.4	7.7	10.0	6.2
Revised.....	1.5	2.9	1.4	10.4	12.8	8.8
Nonfarm business:						
Previous .....	2.1	2.9	0.8	8.5	10.8	6.2
Revised.....	2.1	2.9	0.8	11.2	13.6	8.9
Manufacturing:						
Previous .....	1.9	-2.1	-3.9	6.6	8.9	4.6
Revised.....	1.9	-2.1	-3.9	11.8	14.2	9.8
Annual average 2006						
Business:						
Previous .....	1.7	3.8	2.1	4.8	1.5	3.1
Revised.....	1.7	3.8	2.1	5.0	1.6	3.2
Nonfarm business:						
Previous .....	1.6	3.8	2.1	4.8	1.5	3.1
Revised.....	1.6	3.8	2.1	5.0	1.6	3.3
Manufacturing:						
Previous .....	4.0	5.0	1.0	3.7	0.4	-0.2
Revised.....	4.0	5.0	1.0	4.1	0.7	0.1

Table C also presents preliminary and revised results for the fourth quarter and annual average of 2006. Only hourly compensation and related measures were revised; productivity, output, and hours were not. These revisions resulted from incorporation of revised data on employee compensation from the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce, released May 31. The BEA compensation estimates reflect the introduction of revised wage and salary estimates for the fourth quarter.

In the fourth quarter of 2006, increases in hourly compensation, real hourly compensation, and unit labor costs were revised up in all sectors. Annual averages of these

measures for 2006 were also revised up, and unit labor costs in manufacturing now show a small increase rather than a small decline for the year.

### REVISED MEASURES: NONFINANCIAL CORPORATIONS

Fourth quarter and annual average 2006 measures were revised for the nonfinancial corporate sector. Productivity increased at a 1.3-percent annual rate in the fourth quarter of 2006, reflecting growth in output and employee-hours of 2.4 percent and 1.1 percent, respectively. An upward revision to hourly compensation outpaced the revision to productivity, and as a result unit labor costs rose slightly faster than reported May 3. For the year 2006, growth in productivity, output, and hours were unchanged.

Table D. Nonfinancial corporations: Previous and revised productivity and cost measures Quarterly percent changes at seasonally adjusted annual rates								
	Produc- tivity	Output	Hours	Hourly compen- sation	Real hourly compen- sation	Unit labor costs	Unit profits	Implicit price deflator
Fourth quarter 2006								
Previous	1.0	2.1	1.1	8.2	10.5	7.1	-25.6	0.9
Revised	1.3	2.4	1.1	8.7	11.0	7.3	-25.8	0.9
Annual average 2006								
Previous	2.5	4.8	2.2	4.7	1.4	2.2	12.2	2.7
Revised	2.5	4.8	2.2	4.8	1.4	2.2	12.2	2.7

### Next release date

The next release of **Productivity and Costs** is scheduled for **8:30 AM EDT, Tuesday, Aug. 7, 2007**. Preliminary second-quarter measures for business, nonfarm business, and manufacturing will be released at that time. The Aug. 7 release also will incorporate the three-year revision of the National Income and Product Accounts.

## TECHNICAL NOTES

**Labor Hours:** Hours data for the labor productivity and cost measures include hours for all persons working in the sector—wage and salary workers, the self-employed and unpaid family workers. The primary source of hours and employment data is the BLS Current Employment Statistics (CES) program, which provides monthly survey data on the number of jobs held by wage and salary workers in nonfarm establishments. The CES also provides average weekly paid hours of production and nonsupervisory workers in these establishments. Weekly paid hours are adjusted to hours at work using data from the National Compensation Survey (NCS). The BLS Hours at Work survey, conducted for this purpose, was used for earlier years. The Office of Productivity and Technology estimates average weekly hours at work for nonproduction and supervisory workers using information from the Current Population Survey (CPS), the CES, and the NCS.

Data from the CPS are used for farm labor, nonfarm proprietors, and nonfarm unpaid family workers. Estimates of labor input for government enterprises are derived from the CPS, the CES, and the National Income and Product Accounts (NIPA) prepared by the Bureau of Economic Analysis (BEA) of the Department of Commerce.

The CES measures jobs, counting a person who is employed by two or more establishments at each place of employment. In contrast, the CPS features measures of employment that count each person only once and classify each person according to his or her primary job; hours worked at all jobs by that person accrue to his or her primary job. However, the CPS also collects more detailed information on employment and hours worked at primary jobs and all other jobs, separately. The BLS productivity measures use the more detailed information on employment and hours to assign all hours worked to the correct industrial sector and avoid duplicating hours data from the CES.

**Output:** Business sector output is an annual-weighted index constructed after excluding from gross domestic product (GDP) the following outputs: general government, nonprofit institutions, and private households (including owner-occupied housing). Corresponding exclusions also are made in labor inputs. Business output accounted for about 78 percent of the value of GDP in 2000. Nonfarm business, which also excludes farming, accounted for about 77 percent of GDP in 2000.

Annual indexes for manufacturing and its durable and nondurable goods components are constructed by deflating current-dollar industry value of production data from the U.S. Bureau of the Census with deflators from the BEA. These deflators are based on data from the BLS producer price program and other sources. The industry shipments are aggregated using annual weights, and intrasector transactions are removed. Quarterly manufacturing output measures are based on the index of industrial production prepared monthly by the Board of Governors of the Federal Reserve System, adjusted to be consistent with annual indexes of manufacturing sector output prepared by BLS. Durables include the following 3-digit NAICS industries: wood product manufacturing; nonmetallic mineral product manufacturing; primary metal manufacturing; fabricated metal product manufacturing; machinery manufacturing; computer and electronic product manufacturing; electrical equipment and appliance manufacturing; transportation equipment manufacturing; furniture and related product manufacturing; and miscellaneous manufacturing. Nondurables include: food manufacturing; beverage and tobacco product manufacturing; textile mills; textile product mills; apparel manufacturing; leather and allied product manufacturing; paper manufacturing; printing and related support activities; petroleum and coal products manufacturing; chemical manufacturing; and plastics and rubber products manufacturing.

Nonfinancial corporate output is an annual-weighted index calculated on the basis of the costs incurred and the incomes earned from production. The output measure excludes the following outputs from GDP: general government; nonprofit institutions; private households; unincorporated business; and those corporations classified as offices of bank holding companies, offices of other holding companies, or offices in the finance and insurance sector. Nonfinancial corporations accounted for about 54 percent of the value of GDP in 2000.

**Productivity:** These productivity measures describe the relationship between real output and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours at work of all persons engaged in a sector, they do not measure the specific contribution of labor, capital, or any other factor

of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

**Labor Compensation:** Estimates of labor compensation by major sector, required for measures of hourly compensation and unit labor costs, are based primarily on employee compensation data from the NIPA, prepared by the BEA. The compensation of employees in general government, nonprofit institutions and private households are subtracted from compensation of domestic employees to derive employee compensation for the business sector. The labor compensation of proprietors cannot be explicitly identified and must be estimated. This is done by assuming that proprietors have the same hourly compensation as employees in the same sector. The quarterly labor productivity and cost measures do not contain estimates of compensation for unpaid family workers.

**Unit Labor Costs:** The measures of unit labor costs in this release describe the relationship between compensation per hour and productivity, or real output per hour, and can be used as an indicator of inflationary pressure on producers. Increases in hourly compensation increase unit labor costs; labor productivity increases offset compensation increases and lower unit labor costs.

**Presentation of the data:** The quarterly data in this release are presented in three ways; as index number series where 1992=100, as percent changes from the corresponding quarter of the previous year, and as percent changes from the previous quarter presented at a compound annual rate. Annual data are presented both as index number series and percent changes from the previous year.

The index numbers and rates of change reported in the productivity and costs news release are rounded to one decimal place. All percent changes in this release and on the BLS web site are calculated using index numbers to three decimal places. These index numbers are available at the BLS web site, <http://www.bls.gov/data/home.htm>, or by contacting the BLS Division of Major Sector Productivity. (Telephone 202-691-5606 or email DPRWEB@BLS.GOV)

Information in this release will be made available to sensory-impaired individuals upon request. Voice phone: 202-691-5606; Federal Relay Service number: 1-800-877-8339.



Table 1. Business sector: Productivity, hourly compensation, unit labor costs, and prices, seasonally adjusted

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	Unit non-labor payments (3)	Implicit price deflator (4)	
Indexes 1992=100									
2005	I	134.6	157.4	117.0	161.7	120.5	120.1	127.9	123.0
	II	134.8	159.0	118.0	161.8	119.4	120.0	129.9	123.7
	III	136.2	160.9	118.2	164.7	119.9	120.9	131.2	124.7
	IV	136.1	161.7	118.8	165.7	119.7	121.8	132.4	125.7
	ANNUAL	135.4	159.8	118.0	163.5	119.9	120.7	130.4	124.3
2006	I	137.4	164.3	119.6	170.8	122.8	124.4	130.2	126.6
	II	137.7	165.4	120.1	170.2	120.8	123.6	134.2	127.5
	III	137.6	166.2	120.8	170.5	120.2	123.9	134.6	127.9
	IV	138.1	167.4	121.2	r174.8	r123.8	r126.6	r130.9	128.2
	ANNUAL	137.7	165.8	120.4	r171.6	r121.9	r124.6	r132.5	127.5
2007	I	r138.3	r167.6	r121.1	r175.9	r123.4	r127.2	r133.1	r129.4
Percent change from previous quarter at annual rate(5)									
2005	I	3.4	4.2	0.8	4.2	2.2	0.8	6.6	3.0
	II	0.5	4.1	3.6	0.2	-3.6	-0.3	6.5	2.3
	III	4.3	4.9	0.6	7.3	1.7	2.9	4.1	3.3
	IV	-0.2	1.8	2.1	2.7	-0.8	2.9	3.5	3.2
	ANNUAL	2.1	3.7	1.6	4.2	0.8	2.0	4.2	2.9
2006	I	3.8	6.7	2.8	12.9	10.7	8.8	-6.3	2.7
	II	1.0	2.7	1.7	-1.6	-6.2	-2.6	12.6	3.1
	III	-0.3	1.9	2.2	0.9	-2.2	1.2	1.2	1.2
	IV	1.5	2.9	1.4	r10.4	r12.8	r8.8	r-10.4	1.0
	ANNUAL	1.7	3.8	2.1	r5.0	r1.6	r3.2	r1.6	2.6
2007	I	r0.5	r0.4	r-0.1	r2.5	r-1.4	r1.9	r6.8	3.7
Percent change from corresponding quarter of previous year									
2005	I	2.5	3.8	1.3	4.7	1.7	2.2	4.0	2.9
	II	1.5	3.6	2.0	3.9	0.9	2.3	3.0	2.6
	III	2.4	3.9	1.5	4.5	0.8	2.1	4.5	3.0
	IV	2.0	3.7	1.7	3.6	-0.1	1.6	5.2	3.0
	ANNUAL	2.1	3.7	1.6	4.2	0.8	2.0	4.2	2.9
2006	I	2.1	4.4	2.3	5.7	1.9	3.5	1.8	2.9
	II	2.2	4.0	1.8	5.2	1.2	2.9	3.3	3.1
	III	1.1	3.3	2.2	3.6	0.2	2.5	2.5	2.5
	IV	1.5	3.5	2.0	r5.5	r3.4	r3.9	r-1.1	2.0
	ANNUAL	1.7	3.8	2.1	r5.0	r1.6	r3.2	r1.6	2.6
2007	I	r0.7	r2.0	1.3	r3.0	r0.5	r2.2	r2.2	2.2

See footnotes following Table 6.  
r=revised

June 6, 2007  
Source: Bureau of Labor Statistics

Table 2. Nonfarm business sector: Productivity, hourly compensation, unit labor costs, and prices, seasonally adjusted

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	Unit non-labor payments (3)	Implicit price deflator (4)	
Indexes 1992=100									
2005	I	133.6	157.6	118.0	160.5	119.6	120.1	129.4	123.5
	II	134.1	159.4	118.8	160.8	118.7	119.9	131.8	124.3
	III	135.4	161.3	119.1	163.5	119.1	120.8	133.2	125.3
	IV	135.2	162.0	119.8	164.5	118.8	121.7	134.4	126.4
	ANNUAL	134.6	160.0	118.9	162.3	119.1	120.6	132.2	124.9
2006	I	136.3	164.6	120.7	169.6	121.9	124.4	132.2	127.3
	II	136.7	165.7	121.2	169.0	120.0	123.6	136.5	128.3
	III	136.6	166.5	121.9	169.2	119.2	123.9	136.7	128.6
	IV	137.3	167.7	122.1	r173.8	r123.1	r126.6	r132.5	128.8
	ANNUAL	136.7	166.1	121.5	r170.4	r121.0	r124.6	r134.5	128.2
2007	I	r137.6	r167.9	r122.0	r175.0	r122.8	r127.1	r134.4	r129.8
Percent change from previous quarter at annual rate(5)									
2005	I	4.0	4.2	0.3	4.7	2.7	0.7	7.7	3.3
	II	1.5	4.4	2.9	0.9	-2.9	-0.6	7.7	2.5
	III	3.7	4.9	1.1	6.8	1.2	3.0	4.2	3.5
	IV	-0.6	1.8	2.3	2.4	-1.0	3.0	3.7	3.3
	ANNUAL	2.1	3.8	1.6	4.1	0.8	2.0	4.9	3.1
2006	I	3.5	6.7	3.0	12.9	10.7	9.1	-6.3	2.9
	II	1.2	2.7	1.5	-1.4	-6.1	-2.5	13.5	3.4
	III	-0.5	1.9	2.4	0.6	-2.5	1.1	0.5	0.8
	IV	2.1	2.9	0.8	r11.2	r13.6	r8.9	r-11.6	0.5
	ANNUAL	1.6	3.8	2.1	r5.0	r1.6	r3.3	r1.7	2.7
2007	I	r1.0	r0.6	r-0.4	r2.8	r-1.0	r1.8	r5.6	3.2
Percent change from corresponding quarter of previous year									
2005	I	2.4	3.8	1.4	4.6	1.5	2.2	4.7	3.1
	II	1.5	3.6	2.0	3.9	0.9	2.3	4.0	3.0
	III	2.4	4.0	1.6	4.5	0.7	2.0	5.2	3.3
	IV	2.1	3.8	1.6	3.7	0.0	1.5	5.8	3.2
	ANNUAL	2.1	3.8	1.6	4.1	0.8	2.0	4.9	3.1
2006	I	2.0	4.4	2.3	5.7	1.9	3.6	2.2	3.0
	II	1.9	4.0	2.0	5.1	1.0	3.1	3.6	3.3
	III	0.9	3.2	2.3	3.5	0.1	2.6	2.6	2.6
	IV	1.6	3.5	1.9	r5.6	r3.6	r4.0	r-1.4	1.9
	ANNUAL	1.6	3.8	2.1	r5.0	r1.6	r3.3	r1.7	2.7
2007	I	r1.0	r2.0	1.1	r3.2	r0.7	r2.2	r1.6	2.0

See footnotes following Table 6.  
r=revised

June 6, 2007  
Source: Bureau of Labor Statistics

Table 3. Manufacturing sector: Productivity, hourly compensation, and unit labor costs, seasonally adjusted

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	
----- Indexes 1992=100							
2005	I	168.7	142.2	84.3	166.2	123.9	98.5
	II	171.2	143.4	83.8	167.8	123.9	98.0
	III	172.6	144.2	83.5	170.7	124.4	98.9
	IV	173.9	147.0	84.5	170.9	123.4	98.2
	ANNUAL	171.6	144.2	84.0	168.9	123.9	98.4
2006	I	175.7	149.1	84.9	176.4	126.8	100.4
	II	177.3	151.2	85.3	173.9	123.5	98.1
	III	179.9	153.0	85.1	173.9	122.5	96.7
	IV	180.7	152.2	84.2	r178.8	r126.6	r98.9
	ANNUAL	178.4	151.4	84.9	r175.7	r124.8	r98.5
2007	I	r181.8	r152.7	r84.0	r181.8	r127.6	r100.0
----- Percent change from previous quarter at annual rate(5)							
2005	I	6.0	4.9	-1.1	2.0	0.0	-3.8
	II	5.9	3.3	-2.4	3.9	0.0	-1.9
	III	3.4	2.2	-1.2	7.2	1.6	3.7
	IV	3.1	7.9	4.7	0.4	-3.0	-2.6
	ANNUAL	4.8	3.6	-1.1	4.7	1.3	-0.1
2006	I	4.1	6.0	1.9	13.5	11.3	9.0
	II	3.8	5.7	1.9	-5.4	-9.9	-8.8
	III	5.9	4.8	-1.1	-0.2	-3.3	-5.8
	IV	1.9	-2.1	-3.9	r11.8	r14.2	r9.8
	ANNUAL	4.0	5.0	1.0	r4.1	r0.7	r0.1
2007	I	r2.4	r1.2	-1.1	r6.9	r3.0	r4.5
----- Percent change from corresponding quarter of previous year							
2005	I	4.4	3.0	-1.3	5.5	2.5	1.1
	II	5.0	3.4	-1.5	5.0	2.0	0.0
	III	5.2	3.5	-1.6	4.8	1.0	-0.4
	IV	4.6	4.6	0.0	3.4	-0.4	-1.2
	ANNUAL	4.8	3.6	-1.1	4.7	1.3	-0.1
2006	I	4.1	4.9	0.7	6.1	2.3	2.0
	II	3.6	5.5	1.8	3.7	-0.3	0.1
	III	4.2	6.1	1.8	1.8	-1.5	-2.3
	IV	3.9	3.6	-0.3	r4.6	r2.6	r0.7
	ANNUAL	4.0	5.0	1.0	r4.1	r0.7	r0.1
2007	I	r3.5	2.4	-1.1	r3.1	r0.6	r-0.4

See footnotes following Table 6.  
r=revised

June 6, 2007  
Source: Bureau of Labor Statistics

Table 4. Durable manufacturing sector: Productivity, hourly compensation, and unit labor costs, seasonally adjusted

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	
-----							
Indexes 1992=100							
2005	I	190.7	169.5	88.9	161.7	120.5	84.8
	II	193.6	171.5	88.6	162.8	120.2	84.1
	III	196.8	174.4	88.6	165.9	120.9	84.3
	IV	200.9	180.4	89.8	165.7	119.7	82.5
	ANNUAL	195.5	174.0	89.0	164.0	120.3	83.9
2006	I	203.0	182.9	90.1	171.9	123.5	84.7
	II	205.9	187.0	90.9	169.7	120.5	82.4
	III	209.9	189.6	90.3	169.7	119.6	80.8
	IV	211.5	188.9	89.3	r175.5	r124.3	r83.0
	ANNUAL	207.5	187.1	90.1	r171.7	r121.9	r82.7
2007	I	r212.6	r188.7	r88.7	r179.1	r125.7	r84.3
-----							
Percent change from previous quarter at annual rate(5)							
2005	I	6.0	5.8	-0.2	0.3	-1.6	-5.4
	II	6.2	4.8	-1.4	2.7	-1.2	-3.3
	III	6.8	6.9	0.1	7.9	2.2	1.0
	IV	8.7	14.6	5.4	-0.6	-3.9	-8.5
	ANNUAL	5.1	4.9	-0.2	3.9	0.6	-1.1
2006	I	4.1	5.5	1.4	15.9	13.6	11.3
	II	5.9	9.4	3.3	-5.1	-9.6	-10.4
	III	8.1	5.5	-2.4	0.1	-2.9	-7.4
	IV	3.0	-1.4	-4.3	r14.4	r16.8	r11.1
	ANNUAL	6.2	7.5	1.3	r4.7	r1.3	r-1.4
2007	I	r2.2	r-0.4	r-2.5	r8.5	r4.5	r6.2
-----							
Percent change from corresponding quarter of previous year							
2005	I	3.2	2.7	-0.4	5.3	2.3	2.1
	II	4.4	4.0	-0.4	4.1	1.1	-0.3
	III	5.9	5.1	-0.7	3.8	0.0	-2.0
	IV	6.9	8.0	0.9	2.5	-1.1	-4.1
	ANNUAL	5.1	4.9	-0.2	3.9	0.6	-1.1
2006	I	6.4	7.9	1.4	6.3	2.5	-0.1
	II	6.4	9.1	2.5	4.2	0.2	-2.0
	III	6.7	8.7	1.9	2.3	-1.1	-4.1
	IV	5.2	4.7	-0.5	r5.9	r3.9	r0.7
	ANNUAL	6.2	7.5	1.3	r4.7	r1.3	r-1.4
2007	I	r4.8	r3.2	r-1.5	r4.2	r1.7	r-0.5

See footnotes following Table 6.  
r=revised

June 6, 2007  
Source: Bureau of Labor Statistics

Table 5. Nondurable manufacturing sector: Productivity, hourly compensation, and unit labor costs, seasonally adjusted

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	
-----							
Indexes 1992=100							
2005	I	147.1	113.9	77.4	172.5	128.6	117.2
	II	149.3	114.3	76.6	175.0	129.2	117.2
	III	149.5	113.5	75.9	177.5	129.3	118.7
	IV	148.6	113.8	76.6	178.4	128.9	120.1
	ANNUAL	148.6	113.9	76.6	175.9	129.0	118.3
2006	I	150.0	115.6	77.1	182.4	131.1	121.6
	II	150.8	116.1	77.0	179.4	127.4	119.0
	III	151.8	117.3	77.2	179.2	126.2	118.0
	IV	151.9	116.4	76.6	r182.3	r129.1	r120.0
	ANNUAL	151.1	116.3	77.0	r180.8	r128.4	r119.6
2007	I	r152.6	r117.3	r76.9	r184.2	r129.2	r120.7
-----							
Percent change from previous quarter at annual rate(5)							
2005	I	6.4	3.8	-2.5	5.1	3.0	-1.2
	II	6.1	1.6	-4.2	6.1	2.1	-0.1
	III	0.6	-2.8	-3.4	5.8	0.2	5.1
	IV	-2.5	0.9	3.5	2.1	-1.3	4.7
	ANNUAL	5.0	2.1	-2.7	5.9	2.5	0.9
2006	I	3.8	6.6	2.7	9.2	7.1	5.2
	II	2.2	1.7	-0.6	-6.3	-10.8	-8.4
	III	2.7	4.1	1.4	-0.5	-3.6	-3.1
	IV	0.3	-2.9	-3.2	r7.1	r9.4	r6.8
	ANNUAL	1.7	2.2	0.5	r2.8	r-0.5	r1.1
2007	I	r1.8	r3.1	r1.3	r4.3	r0.4	r2.4
-----							
Percent change from corresponding quarter of previous year							
2005	I	6.3	3.4	-2.7	5.8	2.7	-0.4
	II	6.2	2.8	-3.2	6.6	3.6	0.4
	III	4.9	1.5	-3.2	6.4	2.6	1.4
	IV	2.6	0.9	-1.7	4.7	1.0	2.1
	ANNUAL	5.0	2.1	-2.7	5.9	2.5	0.9
2006	I	1.9	1.5	-0.4	5.7	1.9	3.7
	II	1.0	1.5	0.5	2.5	-1.4	1.5
	III	1.5	3.3	1.8	0.9	-2.4	-0.6
	IV	2.2	2.3	0.1	r2.2	r0.2	r-0.1
	ANNUAL	1.7	2.2	0.5	r2.8	r-0.5	r1.1
2007	I	1.8	1.4	r-0.3	r1.0	r-1.4	r-0.7

See footnotes following Table 6.  
r=revised

June 6, 2007  
Source: Bureau of Labor Statistics

Table 6. Nonfinancial corporate sector: Productivity, hourly compensation, unit labor costs, unit profits, and prices, seasonally adjusted

Year and quarter	Output per all-employee hour	Output	Employee hours	Hourly compensation (1)	Real hourly compensation(2)	Unit labor costs	Unit non-labor costs(6)	Total unit costs (7)	Unit profits (8)	Implicit price deflator (4)	
-----											
Indexes 1992=100											
2005	I	141.2	165.6	117.3	158.7	118.3	112.4	111.5	112.2	150.2	115.6
	II	142.1	168.0	118.2	159.1	117.4	111.9	111.9	111.9	161.4	116.4
	III	142.2	168.9	118.8	161.8	117.9	113.8	114.9	114.1	152.9	117.6
	IV	142.3	170.4	119.7	162.8	117.6	114.4	113.3	114.1	163.7	118.5
	ANNUAL	142.0	168.2	118.5	160.6	117.8	113.1	112.9	113.1	157.1	117.0
2006	I	145.9	175.6	120.4	167.4	120.3	114.7	111.1	113.8	177.3	119.4
	II	144.3	174.4	120.9	167.1	118.6	115.8	113.7	115.2	172.1	120.3
	III	145.7	177.0	121.5	167.5	118.0	114.9	112.1	114.2	184.4	120.4
	IV	r146.2	r178.1	121.8	r171.0	r121.1	r117.0	r112.5	r115.8	r171.1	120.7
	ANNUAL	r145.5	r176.3	121.1	r168.3	r119.5	r115.6	r112.3	r114.7	r176.2	r120.2
2007	I	146.4	178.4	121.9	173.0	121.4	118.2	112.7	116.7	173.9	121.8
-----											
Percent change from previous quarter at annual rate(5)											
2005	I	4.0	4.1	0.1	4.4	2.4	0.4	5.0	1.6	19.7	3.5
	II	2.6	5.7	3.1	0.9	-2.9	-1.6	1.5	-0.8	33.6	2.8
	III	0.1	2.2	2.0	7.1	1.5	7.0	11.1	8.1	-19.6	4.3
	IV	0.5	3.6	3.1	2.5	-0.9	2.0	-5.4	0.0	31.2	3.3
	ANNUAL	2.3	4.0	1.6	4.1	0.8	1.8	3.0	2.1	12.6	3.3
2006	I	10.4	13.0	2.3	11.8	9.6	1.2	-7.7	-1.2	37.9	3.1
	II	-4.4	-2.7	1.7	-0.8	-5.5	3.7	9.6	5.3	-11.4	2.9
	III	4.1	6.1	1.9	1.1	-2.1	-2.9	-5.4	-3.6	31.8	0.5
	IV	r1.3	r2.4	1.1	r8.7	r11.0	r7.3	r1.6	r5.8	r-25.8	0.9
	ANNUAL	2.5	4.8	2.2	r4.8	1.4	2.2	-0.5	1.5	12.2	2.7
2007	I	0.6	0.7	0.1	4.7	0.8	4.1	0.7	3.2	6.8	3.7
-----											
Percent change from corresponding quarter of previous year											
2005	I	2.8	3.9	1.1	4.5	1.5	1.7	2.2	1.9	14.4	3.2
	II	2.8	4.6	1.7	3.8	0.9	1.0	2.1	1.3	15.6	2.9
	III	1.8	3.5	1.7	4.5	0.7	2.7	4.7	3.2	6.8	3.6
	IV	1.8	3.9	2.1	3.7	0.0	1.9	2.9	2.1	14.0	3.5
	ANNUAL	2.3	4.0	1.6	4.1	0.8	1.8	3.0	2.1	12.6	3.3
2006	I	3.3	6.0	2.6	5.5	1.7	2.1	-0.4	1.4	18.1	3.4
	II	1.5	3.8	2.3	5.0	1.0	3.5	1.5	2.9	6.6	3.4
	III	2.5	4.8	2.2	3.5	0.1	1.0	-2.5	0.0	20.6	2.4
	IV	r2.7	r4.5	1.8	r5.0	r3.0	r2.3	r-0.7	1.5	r4.5	1.8
	ANNUAL	2.5	4.8	2.2	r4.8	1.4	2.2	-0.5	1.5	12.2	2.7
2007	I	0.3	1.6	1.2	3.4	0.9	3.0	1.5	2.6	-1.9	2.0

See footnotes following Table 6.  
r=revised

June 6, 2007  
Source: Bureau of Labor Statistics

**SOURCES:** Output data are from the Bureau of Economic Analysis and the Census Bureau of the U.S. Department of Commerce; the Bureau of Labor Statistics, U.S. Department of Labor; and the Federal Reserve Board. Compensation and hours data are from the Bureau of Labor Statistics and the Bureau of Economic Analysis.

**RELIABILITY:** Productivity and cost measures are regularly revised as more complete information becomes available. The measures are first published within 40 days of the close of the reference period; revisions appear 30 days later, and second revisions after an additional 60 days. In the business sector, the third publication (second revision) of a quarterly index of output per hour of all persons has differed from the initial value by between  $-1.4$  and  $+1.3$  index points approximately 95 percent of the time. This interval is based on the performance of this measure between the fourth quarter of 1995 and the fourth quarter of 2006.

### **Footnotes, Tables 1-6**

- (1) Wages and salaries of employees plus employers' contributions for social insurance and private benefit plans. Except for nonfinancial corporations, where there are no self-employed, data also include an estimate of wages, salaries, and supplemental payments for the self-employed.
- (2) The change for recent quarters is based on the Consumer Price Index for all urban consumers (CPI-U). The trend from 1978-2006 is based on the Consumer Price Index research series (CPI-U-RS).
- (3) Unit nonlabor payments include profits, consumption of fixed capital, taxes on production and imports less subsidies, net interest and miscellaneous payments, business current transfer payments, rental income of persons, and the current surplus of government enterprises.
- (4) Current dollar output divided by the output index.
- (5) Quarterly changes: Percent change compounded at annual rate from the original data rather than index numbers. Annual changes: Percent change between annual average levels.
- (6) Unit nonlabor costs include consumption of fixed capital, taxes on production and imports less subsidies, net interest and miscellaneous payments, and business current transfer payments.
- (7) Total unit costs are the sum of unit labor and nonlabor costs.
- (8) Unit profits include corporate profits before tax with inventory valuation and capital consumption adjustments.