

# News

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**Bureau of Labor Statistics**

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## **PRODUCTIVITY AND COSTS** Second 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 second quarter of 2007. The seasonally adjusted annual rates of productivity change in the second quarter were:

3.5 percent in the business sector and  
2.6 percent in the nonfarm business sector.

In both sectors, the second-quarter productivity gains were larger than the preliminary estimates reported on August 7. (See table C).

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

1.8 percent in manufacturing,  
4.7 percent in durable goods manufacturing, and  
-1.4 percent in nondurable goods manufacturing.

Manufacturing productivity grew slightly faster in the second quarter of 2007 than was reported on Aug. 7, reflecting upward revisions to output per hour in nondurable manufacturing; durable manufacturing productivity was not revised. 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. Second-quarter measures are summarized in table A and appear in detail in tables 1 through 5; the differences between these measures and the preliminary second-quarter figures issued on Aug. 7 are shown in table C.

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 independently prepared by the Board of Governors of the Federal Reserve System. See Technical Notes for further information on data sources (page 7).

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	3.5	4.6	1.0	5.5	-0.5	1.9
Nonfarm business	2.6	5.0	2.3	4.1	-1.8	1.4
Manufacturing	1.8	4.0	2.1	3.4	-2.4	1.6
Durable	4.7	6.8	2.0	1.7	-4.1	-2.8
Nondurable	-1.4	0.8	2.3	6.8	0.8	8.4
Percent change from same quarter a year ago						
Business	0.8	2.0	1.1	5.9	3.2	5.1
Nonfarm business	0.9	2.1	1.3	5.8	3.0	4.9
Manufacturing	3.0	1.9	-1.1	6.8	4.0	3.7
Durable	4.5	2.5	-1.9	7.0	4.1	2.3
Nondurable	0.8	1.1	0.4	6.8	4.0	6.0

## Business

From the first quarter to the second quarter of 2007, productivity in the business sector grew 3.5 percent as output increased 4.6 percent and hours worked by all persons engaged in the sector—employees, proprietors, and unpaid family workers—rose 1.0 percent (tables A and 1). Productivity had increased 0.2 percent during the first quarter of 2007, as output increased 0.2 percent and hours were unchanged (seasonally adjusted annual rates).

Hourly compensation in the business sector grew at a 5.5 percent annual rate in the second quarter of 2007, the same rate of growth as one quarter earlier. Hourly 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, fell 0.5 percent in the second quarter of 2007 after increasing 1.6 percent in the first quarter of the year.

Unit labor costs, which reflect changes in hourly compensation and productivity, rose 1.9 percent in the second quarter of 2007. Unit labor costs had increased 5.3 percent in the first quarter of 2007. From the second quarter of 2006 to the second quarter of 2007, these costs increased 5.1 percent—the largest four-quarter increase since unit labor costs increased 5.2 percent between the fourth quarter of 1989 and the fourth quarter of 1990. The implicit price deflator for business output, which exhibits changes in unit labor costs and unit nonlabor payments, rose 2.5 percent in the second quarter of 2007 and 4.1 percent in the first quarter.

### **Nonfarm business**

Productivity in the nonfarm business sector grew at a 2.6 percent annual rate in the second quarter of 2007, reflecting increases of 5.0 percent in output and 2.3 percent in hours of all persons (tables A and 2). In the first quarter of 2007, productivity increased 0.7 percent, output rose 0.3 percent, and hours fell 0.3 percent.

Hourly compensation increased 4.1 percent in the second quarter of 2007, but when the 6.0 percent jump in consumer prices was taken into account, real hourly compensation fell 1.8 percent in the second quarter. As revised, hourly compensation increased 5.9 percent in the first quarter of 2007.

Unit labor costs rose 1.4 percent in the second quarter of 2007, following a 5.2-percent increase in the first quarter. Unit labor costs increased 4.9 percent from the second quarter of 2006 to the second quarter of 2007, more than during any four-quarter period since third-quarter 1999 to third-quarter 2000, when they increased 5.0 percent. The implicit price deflator for nonfarm business output increased 2.4 percent in the second quarter of 2007 and 3.6 percent one quarter earlier.

### **Manufacturing**

Productivity increased 1.8 percent in manufacturing in the second quarter of 2007, as output grew 4.0 percent and hours of all persons increased 2.1 percent (seasonally adjusted annual rates). Productivity grew 4.7 percent in the durable goods sector, reflecting a 6.8-percent increase in output and 2.0-percent rise in hours. In nondurable goods, productivity fell 1.4 percent when output grew 0.8 percent but hours grew faster, 2.3 percent (tables 3, 4, and 5).

The hourly compensation of all manufacturing workers increased 3.4 percent during the second quarter of 2007, reflecting increases in hourly compensation of 1.7 percent in durable goods industries and 6.8 percent in the nondurable goods sector. Real hourly compensation in the total manufacturing sector fell 2.4 percent in the second quarter after consumer prices were taken into account. Revised results for the first quarter of 2007 show that hourly compensation had increased 8.9 percent and real hourly compensation had increased 4.8 percent in total manufacturing.

Unit labor costs in manufacturing increased 1.6 percent in the second quarter of 2007 following a revised first-quarter increase of 7.0 percent. Unit labor costs fell 2.8 percent in durable goods and rose 8.4 percent in nondurable goods in the second quarter.

## Nonfinancial corporations

Preliminary second-quarter 2007 measures of productivity and costs were reported today for nonfinancial corporations (tables B and 6). Productivity increased 3.5 percent during the second quarter, reflecting 4.6-percent growth in output and a 1.0-percent rise in employee hours (seasonally adjusted annual rates). In the first quarter of 2007, output per hour rose 0.7 percent, output increased 0.9 percent, and employee hours rose 0.2 percent (as revised). Nonfinancial corporations include 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 second-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 II	3.5	4.6	1.0	4.7	-1.2	1.1	8.6	1.5
Percent change from same quarter a year ago								
2007 II	2.1	3.2	1.1	5.6	2.8	3.4	-4.4	1.7

Hourly compensation rose 4.7 percent in the second quarter of 2007, following a 4.5 percent gain in the first quarter (as revised). When the rise in consumer prices is taken into account, real hourly compensation fell 1.2 percent in the second quarter after increasing 0.6 percent one quarter earlier. Unit labor costs for nonfinancial corporations increased 1.1 percent in the second quarter of 2007.

Unit profits increased 8.6 percent in second quarter 2007, following an 11.8-percent increase in the first quarter. The implicit price deflator for nonfinancial corporate output rose 1.5 percent in the second quarter.

## Revised Measures

Current and previous measures for the second quarter of 2007 for the business, nonfarm business, and manufacturing sectors are compared in table C. The quarterly movements differ from those reported on Aug. 7 based on information then available. In the business sector, productivity was revised up in the second quarter as output was revised up and hours increased slightly less than previously reported. In the nonfarm business sector, productivity also was revised up in the second quarter, as output was revised up while hours were unchanged. In both of these sectors, upward revisions to productivity were larger than those to hourly compensation, so unit labor costs were revised down in the second quarter. In the manufacturing sector, an upward revision to productivity in the second quarter resulted when output posted a larger upward revision than hours. An upward revision to manufacturing hourly compensation was larger than the revision to productivity, resulting in a faster rise in unit labor costs than was previously reported.

Table C. Business, nonfarm business, and manufacturing: Previous and revised productivity and related measures (Quarterly percent changes at seasonally adjusted annual rates)						
Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Second quarter 2007						
Business:						
Previous .....	2.6	3.8	1.1	5.3	-0.7	2.6
Revised.....	3.5	4.6	1.0	5.5	-0.5	1.9
Nonfarm business:						
Previous .....	1.8	4.2	2.3	3.9	-2.0	2.1
Revised.....	2.6	5.0	2.3	4.1	-1.8	1.4
Manufacturing:						
Previous .....	1.6	3.5	1.8	2.8	-3.0	1.2
Revised.....	1.8	4.0	2.1	3.4	-2.4	1.6
First quarter 2007						
Business:						
Previous .....	0.2	0.2	0.0	3.3	-0.5	3.1
Revised.....	0.2	0.2	0.0	5.5	1.6	5.3
Nonfarm business:						
Previous .....	0.7	0.3	-0.3	3.7	-0.2	3.0
Revised.....	0.7	0.3	-0.3	5.9	2.0	5.2
Manufacturing:						
Previous .....	1.7	0.9	-0.8	6.8	2.8	5.0
Revised.....	1.7	0.9	-0.8	8.9	4.8	7.0

Hourly compensation growth in the first quarter also was revised to reflect new estimates of compensation. In all of the major sectors, hourly compensation grew faster in the first quarter

than was reported on Aug. 7. As a result, unit labor costs in these sectors increased more than in preliminary estimates.

### Revised Measures: Nonfinancial Corporations

Data for the first quarter of 2007 were revised for the nonfinancial corporate sector. Productivity was revised up along with output; hours were not revised. Hourly compensation was revised up more than productivity, causing unit labor costs to increase 3.8 percent rather than 3.6 percent, as reported on August 7.

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	
First quarter 2007									
Previous .....	0.2	0.4	0.2	3.8	-0.1	3.6	12.4	3.9	
Revised.....	0.7	0.9	0.2	4.5	0.6	3.8	11.8	3.9	

### Next release date

The next release of **Productivity and Costs** is scheduled for **8:30 AM EST, Wednesday, November 7, 2007**. Preliminary third-quarter measures for business, nonfarm business, and manufacturing will be released at that time.

## 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 BLS. 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](mailto: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	134.4	157.2	117.0	161.4	120.3	120.1	128.2	123.1
	II	134.3	158.5	118.0	161.7	119.4	120.4	129.8	123.9
	III	135.9	160.6	118.2	164.2	119.6	120.8	132.0	125.0
	IV	135.5	161.0	118.8	165.4	119.4	122.0	133.0	126.1
	ANNUAL	135.0	159.3	118.0	163.2	119.7	120.9	130.8	124.5
2006	I	136.4	163.2	119.6	168.2	120.9	123.4	133.0	127.0
	II	136.6	164.2	120.2	168.1	119.3	123.0	136.5	128.0
	III	136.1	164.4	120.8	168.7	118.9	124.0	136.6	128.7
	IV	136.5	165.5	121.2	173.4	122.8	127.0	132.2	128.9
	ANNUAL	136.4	164.3	120.5	169.6	120.4	124.3	134.6	128.2
2007	I	136.6	165.6	121.2	r175.7	r123.3	r128.6	r132.9	130.2
	II	r137.8	r167.4	r121.5	r178.0	r123.1	r129.2	r134.0	r131.0
Percent change from previous quarter at annual rate(5)									
2005	I	3.0	3.7	0.7	3.0	1.1	0.0	9.1	3.4
	II	-0.3	3.3	3.6	0.7	-3.1	1.0	5.1	2.6
	III	4.9	5.5	0.6	6.2	0.7	1.3	7.1	3.5
	IV	-1.1	1.0	2.1	2.9	-0.5	4.0	3.1	3.7
	ANNUAL	2.0	3.6	1.6	4.0	0.6	2.0	4.9	3.1
2006	I	2.5	5.5	2.9	7.2	5.1	4.6	0.0	2.8
	II	0.8	2.5	1.7	-0.4	-5.1	-1.2	10.7	3.3
	III	-1.5	0.6	2.2	1.6	-1.6	3.1	0.5	2.1
	IV	1.2	2.6	1.4	11.4	13.8	10.1	-12.4	0.8
	ANNUAL	1.0	3.1	2.1	3.9	0.6	2.9	2.9	2.9
2007	I	0.2	0.2	0.0	r5.5	r1.6	r5.3	r2.1	4.1
	II	r3.5	r4.6	r1.0	r5.5	r-0.5	r1.9	r3.5	2.5
Percent change from corresponding quarter of previous year									
2005	I	2.5	3.8	1.2	5.0	1.9	2.4	4.1	3.1
	II	1.5	3.5	2.0	3.8	0.9	2.3	3.6	2.8
	III	2.4	3.9	1.5	4.0	0.3	1.6	5.8	3.2
	IV	1.6	3.4	1.7	3.2	-0.5	1.6	6.1	3.3
	ANNUAL	2.0	3.6	1.6	4.0	0.6	2.0	4.9	3.1
2006	I	1.5	3.8	2.3	4.2	0.5	2.7	3.8	3.1
	II	1.7	3.6	1.8	3.9	0.0	2.2	5.1	3.3
	III	0.2	2.4	2.2	2.8	-0.6	2.6	3.5	3.0
	IV	0.7	2.8	2.1	4.8	2.8	4.1	-0.6	2.2
	ANNUAL	1.0	3.1	2.1	3.9	0.6	2.9	2.9	2.9
2007	I	0.2	1.5	1.3	r4.4	r1.9	r4.3	r-0.1	2.6
	II	r0.8	r2.0	r1.1	r5.9	r3.2	r5.1	r-1.8	2.4

See footnotes following Table 6.  
r=revised

September 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	133.4	157.4	118.0	160.3	119.5	120.2	129.6	123.6
	II	133.5	158.6	118.8	160.9	118.8	120.5	131.3	124.5
	III	135.0	160.8	119.1	163.2	118.8	120.9	133.7	125.6
	IV	134.5	161.2	119.8	164.2	118.6	122.1	134.8	126.8
	ANNUAL	134.1	159.5	118.9	162.1	118.9	120.9	132.4	125.1
2006	I	135.3	163.4	120.8	167.1	120.1	123.5	135.0	127.7
	II	135.6	164.4	121.2	167.0	118.6	123.2	138.7	128.9
	III	135.0	164.7	122.0	167.5	118.0	124.0	138.6	129.4
	IV	135.6	165.7	122.2	172.4	122.1	127.1	133.6	129.5
	ANNUAL	135.4	164.5	121.5	168.5	119.7	124.5	136.5	128.9
2007	I	135.9	165.9	122.1	r174.9	r122.7	r128.7	r133.9	130.6
	II	r136.7	r167.9	r122.8	r176.7	r122.1	r129.2	r135.3	r131.4
Percent change from previous quarter at annual rate(5)									
2005	I	3.7	3.9	0.2	3.6	1.6	-0.1	10.4	3.8
	II	0.3	3.2	2.9	1.5	-2.4	1.2	5.1	2.7
	III	4.4	5.6	1.1	5.7	0.2	1.3	7.8	3.8
	IV	-1.4	0.9	2.4	2.6	-0.8	4.1	3.2	3.7
	ANNUAL	1.9	3.6	1.6	4.0	0.7	2.0	5.5	3.4
2006	I	2.5	5.7	3.1	7.2	5.1	4.6	0.5	3.0
	II	0.8	2.4	1.6	-0.2	-5.0	-1.0	11.5	3.7
	III	-1.6	0.8	2.4	1.3	-1.8	2.9	-0.4	1.6
	IV	1.8	2.6	0.8	12.2	14.6	10.3	-13.6	0.3
	ANNUAL	1.0	3.2	2.2	3.9	0.6	2.9	3.1	3.0
2007	I	0.7	0.3	-0.3	r5.9	r2.0	r5.2	r1.0	3.6
	II	r2.6	r5.0	2.3	r4.1	r-1.8	r1.4	r4.2	2.4
Percent change from corresponding quarter of previous year									
2005	I	2.5	3.8	1.4	4.9	1.8	2.3	4.8	3.3
	II	1.4	3.4	2.0	3.9	0.9	2.5	4.3	3.2
	III	2.2	3.8	1.5	4.0	0.3	1.7	6.4	3.5
	IV	1.7	3.4	1.7	3.3	-0.4	1.6	6.6	3.5
	ANNUAL	1.9	3.6	1.6	4.0	0.7	2.0	5.5	3.4
2006	I	1.4	3.8	2.4	4.2	0.5	2.8	4.1	3.3
	II	1.5	3.6	2.0	3.8	-0.2	2.2	5.7	3.5
	III	0.1	2.4	2.4	2.7	-0.7	2.6	3.6	3.0
	IV	0.9	2.8	2.0	5.0	3.0	4.1	-0.9	2.2
	ANNUAL	1.0	3.2	2.2	3.9	0.6	2.9	3.1	3.0
2007	I	0.4	1.5	1.1	r4.7	r2.2	r4.3	r-0.8	2.3
	II	r0.9	r2.1	1.3	r5.8	r3.0	r4.9	r-2.5	2.0

See footnotes following Table 6.  
r=revised

September 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	
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Indexes 1992=100							
2005	I	168.3	142.7	84.8	166.2	123.9	98.7
	II	170.9	143.8	84.1	167.8	123.9	98.2
	III	172.4	144.5	83.8	170.2	124.0	98.7
	IV	173.7	147.3	84.8	168.8	121.9	97.2
	ANNUAL	171.3	144.6	84.4	168.3	123.4	98.2
2006	I	175.4	149.5	85.2	172.6	124.1	98.4
	II	177.0	151.6	85.6	170.1	120.8	96.1
	III	179.8	153.4	85.3	170.7	120.2	94.9
	IV	180.7	152.6	84.4	176.4	125.0	97.6
	ANNUAL	178.2	151.7	85.1	172.4	122.5	96.8
2007	I	181.5	152.9	84.3	r180.2	r126.4	r99.3
	II	r182.3	r154.4	r84.7	r181.7	r125.7	r99.7
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Percent change from previous quarter at annual rate(5)							
2005	I	4.9	4.6	-0.3	1.0	-0.9	-3.7
	II	6.3	3.1	-3.0	4.0	0.0	-2.2
	III	3.5	2.1	-1.4	5.6	0.1	2.1
	IV	3.1	7.9	4.6	-3.1	-6.4	-6.0
	ANNUAL	4.8	3.5	-1.2	4.2	0.8	-0.6
2006	I	4.0	6.0	1.9	9.4	7.2	5.1
	II	3.7	5.7	2.0	-5.8	-10.2	-9.1
	III	6.5	4.8	-1.6	1.4	-1.8	-4.8
	IV	2.0	-2.1	-4.0	14.2	16.6	12.0
	ANNUAL	4.0	4.9	0.9	2.5	-0.8	-1.5
2007	I	1.7	0.9	-0.8	r8.9	r4.8	r7.0
	II	r1.8	r4.0	r2.1	r3.4	r-2.4	r1.6
-----							
Percent change from corresponding quarter of previous year							
2005	I	4.4	3.1	-1.2	6.0	2.9	1.5
	II	5.1	3.4	-1.6	5.0	2.1	0.0
	III	5.2	3.3	-1.9	4.0	0.3	-1.1
	IV	4.4	4.4	0.0	1.8	-1.8	-2.5
	ANNUAL	4.8	3.5	-1.2	4.2	0.8	-0.6
2006	I	4.2	4.7	0.5	3.9	0.1	-0.3
	II	3.6	5.4	1.8	1.3	-2.5	-2.1
	III	4.3	6.1	1.7	0.3	-3.0	-3.8
	IV	4.0	3.6	-0.5	4.5	2.5	0.5
	ANNUAL	4.0	4.9	0.9	2.5	-0.8	-1.5
2007	I	3.5	2.3	-1.1	r4.4	r1.9	r0.9
	II	r3.0	r1.9	r-1.1	r6.8	r4.0	r3.7
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See footnotes following Table 6.  
r=revised

September 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	189.8	169.7	89.4	161.4	120.3	85.0
	II	193.4	171.6	88.8	162.5	120.0	84.0
	III	196.5	174.5	88.8	165.2	120.4	84.1
	IV	200.7	180.5	89.9	163.6	118.2	81.5
	ANNUAL	195.1	174.1	89.2	163.2	119.7	83.6
2006	I	202.7	182.9	90.3	168.4	121.0	83.1
	II	205.5	187.1	91.1	165.7	117.7	80.7
	III	210.1	189.6	90.3	166.4	117.3	79.2
	IV	211.5	188.9	89.3	173.0	122.5	81.8
	ANNUAL	207.4	187.2	90.2	168.4	119.6	81.2
2007	I	212.3	188.7	88.9	r176.5	r123.8	r83.1
	II	r214.8	r191.8	r89.3	r177.3	r122.6	r82.5
----- Percent change from previous quarter at annual rate(5) -----							
2005	I	4.1	5.5	1.3	0.4	-1.5	-3.6
	II	7.7	4.7	-2.8	2.7	-1.2	-4.7
	III	6.6	6.8	0.2	7.0	1.4	0.4
	IV	8.9	14.5	5.2	-3.8	-7.0	-11.7
	ANNUAL	5.3	5.0	-0.3	3.8	0.5	-1.4
2006	I	3.9	5.5	1.5	12.1	9.9	7.9
	II	5.7	9.4	3.5	-6.1	-10.5	-11.2
	III	9.3	5.5	-3.5	1.7	-1.5	-6.9
	IV	2.7	-1.4	-4.1	16.6	19.1	13.5
	ANNUAL	6.3	7.5	1.1	3.2	-0.1	-2.9
2007	I	1.6	-0.5	-2.0	r8.5	4.5	6.9
	II	4.7	r6.8	r2.0	r1.7	r-4.1	r-2.8
----- Percent change from corresponding quarter of previous year -----							
2005	I	3.3	3.0	-0.3	6.0	2.9	2.6
	II	4.8	4.0	-0.8	4.4	1.5	-0.4
	III	6.2	5.1	-1.0	3.5	-0.2	-2.5
	IV	6.8	7.8	0.9	1.5	-2.1	-5.0
	ANNUAL	5.3	5.0	-0.3	3.8	0.5	-1.4
2006	I	6.8	7.8	1.0	4.3	0.6	-2.3
	II	6.3	9.0	2.6	2.0	-1.9	-4.0
	III	6.9	8.7	1.6	0.7	-2.6	-5.8
	IV	5.4	4.7	-0.7	5.7	3.6	0.3
	ANNUAL	6.3	7.5	1.1	3.2	-0.1	-2.9
2007	I	4.8	3.2	-1.5	4.9	r2.3	0.1
	II	4.5	r2.5	r-1.9	r7.0	4.1	2.3

See footnotes following Table 6.  
r=revised

September 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	147.3	114.7	77.8	173.3	129.2	117.6
	II	149.1	115.1	77.2	176.1	130.0	118.1
	III	149.5	114.2	76.4	177.3	129.2	118.6
	IV	148.4	114.4	77.1	176.5	127.5	118.9
	ANNUAL	148.6	114.6	77.1	175.8	129.0	118.3
2006	I	149.8	116.3	77.6	178.3	128.2	119.0
	II	150.7	116.8	77.5	175.9	124.9	116.7
	III	151.6	117.9	77.8	176.4	124.3	116.4
	IV	152.0	117.1	77.0	180.5	127.9	118.8
	ANNUAL	151.0	117.0	77.5	177.8	126.3	117.7
2007	I	152.4	117.8	77.3	r184.8	r129.7	r121.2
	II	r151.9	r118.1	77.7	r187.9	r129.9	r123.7
-----							
Percent change from previous quarter at annual rate(5)							
2005	I	6.4	3.3	-2.9	1.8	-0.2	-4.3
	II	4.9	1.3	-3.4	6.5	2.5	1.6
	III	1.0	-3.0	-4.0	2.8	-2.6	1.7
	IV	-2.9	0.8	3.8	-1.9	-5.2	1.0
	ANNUAL	4.8	1.9	-2.7	4.8	1.4	0.0
2006	I	3.9	6.6	2.7	4.3	2.3	0.4
	II	2.4	1.7	-0.7	-5.4	-9.9	-7.6
	III	2.4	4.1	1.7	1.2	-2.0	-1.2
	IV	1.0	-2.9	-3.9	9.7	12.0	8.6
	ANNUAL	1.6	2.1	0.5	1.1	-2.1	-0.5
2007	I	1.2	2.6	1.4	r9.8	r5.7	r8.5
	II	r-1.4	r0.8	2.3	r6.8	r0.8	r8.4
-----							
Percent change from corresponding quarter of previous year							
2005	I	6.3	3.3	-2.8	5.9	2.8	-0.4
	II	5.8	2.5	-3.1	6.1	3.0	0.2
	III	4.7	1.2	-3.3	4.9	1.1	0.1
	IV	2.3	0.6	-1.7	2.3	-1.4	0.0
	ANNUAL	4.8	1.9	-2.7	4.8	1.4	0.0
2006	I	1.7	1.4	-0.3	2.9	-0.8	1.2
	II	1.1	1.5	0.4	-0.1	-3.9	-1.2
	III	1.4	3.3	1.8	-0.5	-3.8	-1.9
	IV	2.4	2.3	-0.1	2.3	0.3	-0.1
	ANNUAL	1.6	2.1	0.5	1.1	-2.1	-0.5
2007	I	1.7	1.3	-0.4	r3.6	r1.2	r1.9
	II	r0.8	r1.1	0.4	r6.8	r4.0	r6.0
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See footnotes following Table 6.  
r=revised

September 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	140.3	164.6	117.3	158.0	117.8	112.6	111.5	112.3	151.9	115.9
	II	141.1	166.8	118.2	158.5	117.0	112.3	111.7	112.1	161.7	116.6
	III	140.5	166.9	118.8	160.8	117.1	114.4	115.1	114.6	147.5	117.6
	IV	141.4	169.2	119.7	161.8	116.9	114.5	112.8	114.0	159.5	118.1
	ANNUAL	140.8	166.9	118.5	159.8	117.2	113.5	112.8	113.3	155.2	117.0
2006	I	142.4	171.5	120.4	163.8	117.8	115.0	112.5	114.4	164.4	118.8
	II	141.8	171.5	120.9	163.9	116.4	115.6	114.3	115.2	164.8	119.7
	III	142.9	173.6	121.5	164.6	115.9	115.2	113.8	114.8	172.6	120.0
	IV	143.3	174.6	121.8	169.3	119.9	118.1	114.5	117.1	150.0	120.1
	ANNUAL	142.6	172.8	121.2	165.4	117.5	116.0	113.8	115.4	162.9	119.6
2007	I	r143.6	r175.0	121.9	r171.2	r120.1	r119.2	r114.6	r118.0	r154.3	r121.2
	II	144.8	177.0	122.2	173.1	119.7	119.5	114.3	118.1	157.5	121.7
Percent change from previous quarter at annual rate(5)											
2005	I	0.3	0.3	0.1	2.7	0.7	2.4	6.8	3.6	9.8	4.3
	II	2.2	5.4	3.1	1.2	-2.6	-1.0	0.5	-0.6	28.4	2.5
	III	-1.6	0.4	2.0	6.1	0.5	7.8	12.7	9.1	-30.8	3.4
	IV	2.4	5.6	3.1	2.4	-1.0	0.0	-7.6	-2.1	36.9	1.8
	ANNUAL	1.1	2.7	1.6	3.8	0.5	2.7	3.0	2.8	7.0	3.3
2006	I	3.1	5.5	2.3	5.2	3.2	2.0	-1.0	1.2	12.7	2.6
	II	-1.8	-0.1	1.7	0.2	-4.6	2.0	6.4	3.1	1.2	2.9
	III	3.1	5.0	1.9	1.6	-1.5	-1.4	-1.5	-1.5	20.1	1.0
	IV	1.3	2.4	1.2	11.9	14.3	10.5	2.2	8.3	-42.9	0.3
	ANNUAL	1.3	3.5	2.2	3.5	0.2	2.2	0.9	1.9	5.0	2.2
2007	I	r0.7	r0.9	0.2	r4.5	r0.6	r3.8	r0.5	2.9	r11.8	3.9
	II	3.5	4.6	1.0	4.7	-1.2	1.1	-1.0	0.6	8.6	1.5
Percent change from corresponding quarter of previous year											
2005	I	2.2	3.3	1.1	4.8	1.7	2.5	1.8	2.3	12.4	3.4
	II	1.6	3.3	1.7	3.7	0.7	2.1	2.1	2.1	10.9	3.1
	III	-0.1	1.5	1.7	3.8	0.1	4.0	5.4	4.3	-2.1	3.6
	IV	0.8	2.9	2.1	3.1	-0.6	2.3	2.8	2.4	7.5	3.0
	ANNUAL	1.1	2.7	1.6	3.8	0.5	2.7	3.0	2.8	7.0	3.3
2006	I	1.5	4.2	2.6	3.7	0.0	2.2	0.9	1.8	8.2	2.6
	II	0.5	2.8	2.3	3.4	-0.5	2.9	2.3	2.8	1.9	2.7
	III	1.7	4.0	2.3	2.3	-1.0	0.6	-1.1	0.2	17.0	2.1
	IV	1.4	3.2	1.8	4.6	2.6	3.2	1.5	2.7	-5.9	1.7
	ANNUAL	1.3	3.5	2.2	3.5	0.2	2.2	0.9	1.9	5.0	2.2
2007	I	r0.8	r2.1	1.3	r4.5	r2.0	3.6	r1.8	r3.2	r-6.1	2.0
	II	2.1	3.2	1.1	5.6	2.8	3.4	0.0	2.5	-4.4	1.7

See footnotes following Table 6.  
r=revised

September 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  $-1.6$  and  $+1.4$  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 first quarter of 2007.

### 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.