

# News

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## **PRODUCTIVITY AND COSTS** First Quarter 2007, preliminary

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

1.3 percent in the business sector and  
1.7 percent in the nonfarm business sector.

In the business sector, output increased 1.2 percent while hours were unchanged. In nonfarm businesses, output rose 1.4 percent and hours declined 0.3 percent. In both sectors, productivity grew more slowly than in the fourth quarter of 2006, when output per hour rose 1.5 percent in the business sector and 2.1 percent in the nonfarm business sector (seasonally adjusted annual rates). First-quarter measures are summarized in table A and appear in detail in tables 1 through 5.

In manufacturing, productivity changes in the first quarter were:

2.7 percent in manufacturing,  
2.7 percent in durable goods manufacturing, and  
2.0 percent in nondurable goods manufacturing.

Manufacturing productivity growth in the first quarter of 2007 reflected a 1.5-percent increase in output and a 1.1-percent decrease in hours worked in the sector. Output per hour had increased 1.9 percent in the fourth quarter of 2006, as both output and hours fell, by 2.1 percent and 3.9 percent, respectively. Output and hours in manufacturing, which includes about 13 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.

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	1.3	1.2	0.0	1.9	-1.9	0.7
Nonfarm business	1.7	1.4	-0.3	2.3	-1.5	0.6
Manufacturing	2.7	1.5	-1.1	5.5	1.6	2.7
Durable	2.7	0.4	-2.3	6.6	2.6	3.8
Nondurable	2.0	2.9	0.8	3.6	-0.2	1.6
Percent change from same quarter a year ago						
Business	0.9	2.2	1.3	2.2	-0.3	1.3
Nonfarm business	1.1	2.2	1.1	2.4	0.0	1.3
Manufacturing	3.6	2.4	-1.1	1.5	-0.9	-2.0
Durable	4.9	3.4	-1.4	2.1	-0.3	-2.6
Nondurable	1.8	1.4	-0.4	0.4	-2.0	-1.4

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).

## Business

Productivity in the business sector rose 1.3 percent in the first quarter of 2007, as output grew 1.2 percent (seasonally adjusted annual rate) and hours of all persons at work in the sector were unchanged. Revised data for the fourth quarter of 2006 showed that output per hour increased 1.5 percent, reflecting a 2.9-percent rise in output and a 1.4-percent increase in hours at work. (See table 1.)

When the first quarter of 2007 is compared to the first quarter of 2006, productivity in the business sector grew 0.9 percent. This was the smallest four-quarter change since a 0.7-percent increase for the period from the fourth quarter of 1994 to the fourth quarter of 1995.

Hourly compensation increased 1.9 percent during the first quarter of 2007. This measure includes wage and salary accruals, supplements, employer contributions to employee benefit plans, and taxes. Hourly compensation had risen 7.7 percent in the previous quarter.

Real hourly compensation, which takes into account changes in consumer prices, decreased 1.9 percent in the first quarter of 2007, after rising 10.0 percent in the fourth quarter of 2006.

Unit labor costs rose 0.7 percent in the first quarter of 2007, compared to a 6.2-percent increase in the fourth quarter. Growth in unit labor costs is roughly equivalent to the change in hourly compensation minus the change in output per hour.

The implicit price deflator for the business sector, which reflects changes in both unit labor costs and unit nonlabor payments, grew at a 3.7-percent rate in the first quarter, faster than the 1.0-percent rate in the final quarter of 2006.

### **Nonfarm business**

Productivity rose 1.7 percent in the nonfarm business sector in first-quarter 2007, as output grew 1.4 percent and hours of all persons decreased by 0.3 percent (seasonally adjusted annual rates). From the first quarter of 2006 to the first quarter of 2007 output per hour grew 1.1 percent. In the fourth quarter of 2006, productivity had risen 2.1 percent, reflecting increases in output and hours of 2.9 percent and 0.8 percent, respectively. (See table 2.)

Hourly compensation increased 2.3 percent in the first quarter of 2007, less rapidly than in the fourth quarter, when it grew 8.5 percent. When the rise in consumer prices was taken into account, real hourly compensation fell 1.5 percent in the first quarter, in contrast to a 10.8-percent increase in the fourth quarter of 2006.

Unit labor costs grew 0.6 percent in the first quarter of 2007, following a 6.2-percent rise one quarter earlier. The implicit price deflator for nonfarm business output rose 3.2 percent in the first quarter of 2007 and 0.5 percent in the fourth quarter of 2006.

### **Manufacturing**

Productivity increased 2.7 percent in manufacturing in the first quarter of 2007, as output increased 1.5 percent and hours of all persons fell 1.1 percent (seasonally adjusted annual rates). After revisions, manufacturing productivity increased 1.9 percent in the fourth quarter of 2006, as output and hours decreased 2.1 percent and 3.9 percent, respectively. A 2.7-percent increase in durable goods manufacturing productivity in the first quarter was the smallest since a 1.1-percent rise in the third quarter of 2004. Output edged up 0.4 percent and hours fell 2.3 percent in the durable goods industries during the first quarter of 2007. Productivity in nondurable goods manufacturing posted a 2.0-percent gain in the first quarter, as output increased 2.9 percent and hours of all persons rose 0.8 percent.

The hourly compensation of all manufacturing workers increased 5.5 percent during the first quarter of 2007, and real hourly compensation rose 1.6 percent (seasonally adjusted annual rates). The 5.5-percent hourly compensation increase reflected a 6.6-percent jump in durable goods hourly compensation and a 3.6 percent gain in compensation per hour in nondurable goods industries.

Because hourly compensation of manufacturing workers rose more rapidly than productivity, unit labor costs increased in the first quarter, by 2.7 percent. Unit labor costs

increased 3.8 percent in durable goods manufacturing; more than in the nondurable goods subsector, where these costs rose 1.6 percent.

#### Fourth-quarter and annual measures for nonfinancial corporations

Fourth-quarter and annual 2006 measures of productivity and costs also were announced today for the nonfinancial corporate sector (tables B, C, and 6). Output per all-employee hour grew 1.0 percent from the third to the fourth quarter of 2006, as output rose 2.1 percent and employee hours increased 1.1 percent. 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: Fourth-quarter 2006 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								
2006 IV	1.0	2.1	1.1	8.2	10.5	7.1	-25.6	0.9
Percent change from same quarter a year ago								
2006 IV	2.6	4.4	1.8	4.9	2.9	2.2	4.6	1.8

For the fourth quarter of 2006 hourly compensation in the nonfinancial corporate sector increased 8.2 percent, leading to an increase of 7.1 percent in unit labor costs. When consumer prices are taken into account, real hourly compensation jumped 10.5 percent. Unit profits fell 25.6 percent in the fourth quarter of 2006 after posting an increase of 31.8 percent in the previous quarter. The implicit price deflator grew 0.9 percent during the fourth quarter of 2006 after rising 0.5 percent in the third quarter.

When the annual average for 2006 was compared with that for 2005, labor productivity increased 2.5 percent in the nonfinancial corporate sector. From 2000 through 2005, output per hour had increased 3.0 percent per year on average. Output increased 4.8 percent in 2006, up from 4.0 percent in 2005, and hours rose 2.2 percent, compared with 1.6 percent during the previous year. (See table C.)

Table C. Nonfinancial corporations: Annual changes in productivity and related measures, 1997-2006

Measure	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Productivity.....	2.6	3.4	3.7	3.9	1.8	4.0	3.8	3.1	2.3	2.5
Output .....	6.5	5.7	6.0	5.2	-0.9	0.9	2.2	4.5	4.0	4.8
Hours.....	3.8	2.2	2.3	1.3	-2.7	-3.0	-1.5	1.4	1.6	2.2
Hourly compensation.....	3.0	5.9	4.9	7.1	4.3	3.6	4.1	3.2	4.1	4.7
Real hourly compensation.....	0.8	4.5	2.7	3.7	1.4	1.9	1.8	0.5	0.8	1.4
Unit labor costs .....	0.4	2.4	1.2	3.1	2.4	-0.4	0.3	0.1	1.8	2.2
Unit nonlabor costs .....	-0.2	-0.2	0.9	3.8	8.1	-1.6	0.2	-1.2	3.0	-0.5
Total unit costs.....	0.2	1.7	1.1	3.3	3.9	-0.7	0.3	-0.3	2.1	1.5
Unit profits.....	2.9	-11.2	-5.8	-15.8	-24.3	19.2	12.1	26.9	12.6	12.2
Implicit price deflator .....	0.6	0.0	0.3	1.2	1.3	0.6	1.2	2.1	3.3	2.7

Hourly compensation grew 4.7 percent in 2006, and real hourly compensation increased 1.4 percent. The increase in hourly compensation was the largest in the series since 2000, when it had increased 7.1 percent. Total unit costs rose 1.5 percent, reflecting a 2.2-percent increase in unit labor costs and a 0.5-percent drop in unit nonlabor costs. Unit profits rose 12.2 percent in 2006, similar to the 12.6-percent gain one year earlier. The implicit price deflator, which reflects both the unit costs and unit profits measures, rose 2.7 percent in 2006.

### Revised measures

Current and previous measures for the fourth quarter and annual average of 2006 in the business, nonfarm business, and manufacturing sectors are compared in table D. In the business and nonfarm business sectors, productivity was revised up in the fourth quarter, primarily due to upward revisions to output. Hourly compensation was also revised up, which led to slightly larger increases in real hourly compensation than were reported March 6. Productivity was revised up more than hourly compensation, resulting in downward revisions to unit labor costs in the business and nonfarm business sectors.

Table D. 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
Fourth quarter 2006						
Business:						
Previous.....	1.0	2.5	1.5	7.5	9.8	6.5
Revised.....	1.5	2.9	1.4	7.7	10.0	6.2
Nonfarm business:						
Previous.....	1.6	2.5	0.9	8.2	10.5	6.6
Revised.....	2.1	2.9	0.8	8.5	10.8	6.2
Manufacturing:						
Previous.....	2.2	-2.1	-4.2	7.1	9.3	4.7
Revised.....	1.9	-2.1	-3.9	6.6	8.9	4.6
Annual average 2006						
Business:						
Previous.....	1.7	3.8	2.1	4.8	1.5	3.1
Revised.....	1.7	3.8	2.1	4.8	1.5	3.1
Nonfarm business:						
Previous.....	1.6	3.8	2.2	4.8	1.5	3.2
Revised.....	1.6	3.8	2.1	4.8	1.5	3.1
Manufacturing:						
Previous.....	4.0	5.0	1.0	3.8	0.5	-0.2
Revised.....	4.0	5.0	1.0	3.7	0.4	-0.2

Fourth-quarter productivity growth in the manufacturing sector was lower than reported March 6. Because hours fell less than reported in March, there were downward revisions to hourly compensation, real hourly compensation, and unit labor costs.

All of the 2006 annual average productivity and cost measures reported for the business and nonfarm business sectors and for manufacturing are similar to those reported in March.

With this release, a revised seasonally adjusted Consumer Price Index Research Series prepared by the BLS Office of Prices and Living Conditions for the period 1978 to 2006 has been incorporated into our consumer price series. As a result, measures of real hourly compensation for all sectors were revised for all years. Annual data appear in appendix table 1. Complete quarterly series are available on the BLS website.

#### Next release date

The next release of **Productivity and Costs** is scheduled for **8:30 AM EDT, Wednesday, June 6, 2007**. First-quarter measures for nonfinancial corporations and revised first 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 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	r120.5	120.1	127.9	123.0
	II	134.8	159.0	118.0	161.8	r119.4	120.0	129.9	123.7
	III	136.2	160.9	118.2	164.7	r119.9	120.9	131.2	124.7
	IV	136.1	161.7	118.8	165.7	r119.7	121.8	132.4	125.7
	ANNUAL	135.4	159.8	118.0	163.5	r119.9	120.7	130.4	124.3
2006	I	137.4	164.3	119.6	170.8	r122.8	124.4	130.2	126.6
	II	137.7	165.4	120.1	170.2	r120.8	123.6	134.2	127.5
	III	137.6	166.2	120.8	170.5	r120.2	123.9	134.6	127.9
	IV	r138.1	r167.4	r121.2	r173.7	r123.1	r125.8	r132.2	r128.2
	ANNUAL	r137.7	r165.8	r120.4	r171.3	r121.7	r124.4	r132.8	r127.5
2007	I	138.6	167.9	121.2	174.6	122.5	126.0	135.0	129.4
Percent change from previous quarter at annual rate(5)									
2005	I	3.4	4.2	0.8	4.2	r2.2	0.8	6.6	3.0
	II	0.5	4.1	3.6	0.2	r-3.6	-0.3	6.5	2.3
	III	4.3	4.9	0.6	7.3	r1.7	2.9	4.1	3.3
	IV	-0.2	1.8	2.1	2.7	r-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	r10.7	8.8	-6.3	2.7
	II	1.0	2.7	1.7	-1.6	r-6.2	-2.6	12.6	3.1
	III	-0.3	1.9	2.2	0.9	r-2.2	1.2	1.2	1.2
	IV	r1.5	r2.9	r1.4	r7.7	r10.0	r6.2	r-6.7	1.0
	ANNUAL	1.7	3.8	2.1	4.8	1.5	3.1	r1.9	2.6
2007	I	1.3	1.2	0.0	1.9	-1.9	0.7	8.7	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	r0.8	2.1	4.5	3.0
	IV	2.0	3.7	1.7	3.6	r-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	r1.9	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	r0.2	2.5	2.5	2.5
	IV	r1.5	r3.5	r2.0	4.8	2.8	r3.3	r-0.1	2.0
	ANNUAL	1.7	3.8	2.1	4.8	1.5	3.1	r1.9	2.6
2007	I	0.9	2.2	1.3	2.2	-0.3	1.3	3.7	2.2

See footnotes following Table 6.  
r=revised

May 3, 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	r119.6	120.1	129.4	123.5
	II	134.1	159.4	118.8	160.8	r118.7	119.9	131.8	124.3
	III	135.4	161.3	119.1	163.5	r119.1	120.8	133.2	125.3
	IV	135.2	162.0	119.8	164.5	r118.8	121.7	134.4	126.4
	ANNUAL	134.6	160.0	118.9	162.3	r119.1	120.6	132.2	124.9
2006	I	136.3	164.6	120.7	169.6	r121.9	124.4	132.2	127.3
	II	136.7	165.7	121.2	169.0	r120.0	123.6	136.5	128.3
	III	136.6	166.5	121.9	169.2	r119.2	123.9	136.7	128.6
	IV	r137.3	r167.7	r122.1	r172.7	r122.3	r125.8	r133.9	r128.8
	ANNUAL	r136.7	r166.1	r121.5	r170.1	r120.8	r124.4	r134.8	128.2
2007	I	137.9	168.3	122.0	173.7	121.8	126.0	136.4	129.8
Percent change from previous quarter at annual rate(5)									
2005	I	4.0	4.2	0.3	4.7	r2.7	0.7	7.7	3.3
	II	1.5	4.4	2.9	0.9	r-2.9	-0.6	7.7	2.5
	III	3.7	4.9	1.1	6.8	r1.2	3.0	4.2	3.5
	IV	-0.6	1.8	2.3	2.4	r-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	r10.7	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	r-2.5	1.1	0.5	0.8
	IV	r2.1	r2.9	r0.8	r8.5	r10.8	r6.2	r-7.9	0.5
	ANNUAL	1.6	3.8	r2.1	4.8	1.5	r3.1	r2.0	2.7
2007	I	1.7	1.4	-0.3	2.3	-1.5	0.6	7.6	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	r1.9	3.6	2.2	3.0
	II	1.9	4.0	2.0	5.1	r1.0	3.1	3.6	3.3
	III	0.9	3.2	2.3	3.5	r0.1	2.6	2.6	2.6
	IV	r1.6	r3.5	r1.9	r5.0	r2.9	3.4	r-0.4	1.9
	ANNUAL	1.6	3.8	r2.1	4.8	1.5	r3.1	r2.0	2.7
2007	I	1.1	2.2	1.1	2.4	0.0	1.3	3.1	2.0

See footnotes following Table 6.  
r=revised

May 3, 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	r123.9	98.5
	II	171.2	143.4	83.8	167.8	r123.9	98.0
	III	172.6	144.2	83.5	170.7	r124.4	98.9
	IV	173.9	147.0	84.5	170.9	r123.4	98.2
	ANNUAL	171.6	144.2	84.0	168.9	r123.9	98.4
2006	I	175.7	149.1	84.9	176.4	r126.8	100.4
	II	177.3	151.2	85.3	173.9	r123.5	98.1
	III	179.9	153.0	85.1	173.9	r122.5	96.7
	IV	r180.7	r152.2	r84.2	r176.7	r125.1	r97.8
	ANNUAL	r178.4	151.4	r84.9	r175.2	r124.4	r98.2
2007	I	181.9	152.8	84.0	179.0	125.6	98.4
----- Percent change from previous quarter at annual rate(5)							
2005	I	6.0	4.9	-1.1	2.0	r0.0	-3.8
	II	5.9	3.3	-2.4	3.9	r0.0	-1.9
	III	3.4	2.2	-1.2	7.2	r1.6	3.7
	IV	3.1	7.9	4.7	0.4	r-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	r11.3	9.0
	II	3.8	5.7	1.9	-5.4	-9.9	-8.8
	III	5.9	4.8	-1.1	-0.2	r-3.3	-5.8
	IV	r1.9	-2.1	r-3.9	r6.6	r8.9	r4.6
	ANNUAL	4.0	5.0	1.0	r3.7	r0.4	-0.2
2007	I	2.7	1.5	-1.1	5.5	1.6	2.7
----- 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	r2.3	2.0
	II	3.6	5.5	1.8	3.7	r-0.3	0.1
	III	4.2	6.1	1.8	1.8	r-1.5	-2.3
	IV	r3.9	3.6	r-0.3	r3.4	r1.4	-0.5
	ANNUAL	4.0	5.0	1.0	r3.7	r0.4	-0.2
2007	I	3.6	2.4	-1.1	1.5	-0.9	-2.0

See footnotes following Table 6.  
r=revised

May 3, 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	r120.5	84.8
	II	193.6	171.5	88.6	162.8	r120.2	84.1
	III	196.8	174.4	88.6	165.9	r120.9	84.3
	IV	200.9	180.4	89.8	165.7	r119.7	82.5
	ANNUAL	195.5	174.0	89.0	164.0	r120.3	83.9
2006	I	203.0	182.9	90.1	171.9	r123.5	84.7
	II	205.9	187.0	90.9	169.7	r120.5	82.4
	III	209.9	189.6	90.3	169.7	r119.6	80.8
	IV	r211.5	r188.9	r89.3	r172.8	r122.4	r81.7
	ANNUAL	r207.5	r187.1	r90.1	r171.0	r121.4	r82.4
2007	I	212.9	189.1	88.8	175.6	123.2	82.5
----- Percent change from previous quarter at annual rate(5)							
2005	I	6.0	5.8	-0.2	0.3	r-1.6	-5.4
	II	6.2	4.8	-1.4	2.7	r-1.2	-3.3
	III	6.8	6.9	0.1	7.9	r2.2	1.0
	IV	8.7	14.6	5.4	-0.6	r-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	r13.6	11.3
	II	5.9	9.4	3.3	-5.1	-9.6	-10.4
	III	8.1	5.5	-2.4	0.1	r-2.9	-7.4
	IV	r3.0	r-1.4	r-4.3	7.4	9.7	r4.3
	ANNUAL	6.2	r7.5	1.3	4.3	r0.9	-1.8
2007	I	2.7	0.4	-2.3	6.6	2.6	3.8
----- Percent change from corresponding quarter of previous year							
2005	I	3.2	2.7	-0.4	5.3	r2.3	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	r2.5	-0.1
	II	6.4	9.1	2.5	4.2	r0.2	-2.0
	III	6.7	8.7	1.9	2.3	r-1.1	-4.1
	IV	r5.2	r4.7	-0.5	4.3	2.3	r-0.9
	ANNUAL	6.2	r7.5	1.3	4.3	r0.9	-1.8
2007	I	4.9	3.4	-1.4	2.1	-0.3	-2.6

See footnotes following Table 6.  
r=revised

May 3, 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	r128.6	117.2
	II	149.3	114.3	76.6	175.0	r129.2	117.2
	III	149.5	113.5	75.9	177.5	r129.3	118.7
	IV	148.6	113.8	76.6	178.4	r128.9	120.1
	ANNUAL	148.6	113.9	76.6	175.9	r129.0	118.3
2006	I	150.0	115.6	77.1	182.4	r131.1	121.6
	II	150.8	116.1	77.0	179.4	r127.4	119.0
	III	151.8	117.3	77.2	179.2	r126.2	118.0
	IV	r151.9	r116.4	r76.6	r181.4	r128.5	r119.4
	ANNUAL	r151.1	r116.3	r77.0	r180.6	r128.3	r119.5
2007	I	152.7	117.2	76.8	183.1	128.4	119.9
----- Percent change from previous quarter at annual rate(5)							
2005	I	6.4	3.8	-2.5	5.1	r3.0	-1.2
	II	6.1	1.6	-4.2	6.1	r2.1	-0.1
	III	0.6	-2.8	-3.4	5.8	r0.2	5.1
	IV	-2.5	0.9	3.5	2.1	r-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	r7.1	5.2
	II	2.2	1.7	-0.6	-6.3	-10.8	-8.4
	III	2.7	4.1	1.4	-0.5	r-3.6	-3.1
	IV	r0.3	r-2.9	r-3.2	r5.1	r7.3	r4.8
	ANNUAL	1.7	r2.2	r0.5	r2.7	r-0.6	1.0
2007	I	2.0	2.9	0.8	3.6	-0.2	1.6
----- 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	r1.9	3.7
	II	1.0	1.5	0.5	2.5	r-1.4	1.5
	III	1.5	3.3	1.8	0.9	r-2.4	-0.6
	IV	r2.2	r2.3	r0.1	r1.7	r-0.3	r-0.5
	ANNUAL	1.7	r2.2	r0.5	r2.7	r-0.6	1.0
2007	I	1.8	1.4	-0.4	0.4	-2.0	-1.4

See footnotes following Table 6.  
r=revised

May 3, 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											
2004	I	137.4	159.5	116.0	151.8	r116.5	110.5	109.2	110.1	131.3	112.0
	II	138.2	160.6	116.2	153.2	r116.4	110.8	109.7	110.5	139.7	113.1
	III	139.7	163.2	116.8	154.9	r117.1	110.9	109.8	110.6	143.1	113.5
	IV	139.8	164.0	117.3	157.0	r117.6	112.3	110.2	111.7	143.6	114.6
	ANNUAL	138.8	161.8	116.6	154.2	r116.9	111.1	109.7	110.7	139.5	113.3
2005	I	141.2	165.6	117.3	158.7	r118.3	112.4	111.5	112.2	150.2	115.6
	II	142.1	168.0	118.2	159.1	r117.4	111.9	111.9	111.9	161.4	116.4
	III	142.2	168.9	118.8	161.8	r117.9	113.8	114.9	114.1	152.9	117.6
	IV	142.3	170.4	119.7	162.8	r117.6	114.4	113.3	114.1	163.7	118.5
	ANNUAL	142.0	168.2	118.5	160.6	r117.8	113.1	112.9	113.1	157.1	117.0
2006	I	145.9	175.6	120.4	167.4	r120.3	114.7	111.1	113.8	177.3	119.4
	II	144.3	174.4	120.9	167.1	r118.6	115.8	113.7	115.2	172.1	120.3
	III	145.7	177.0	121.5	167.5	r118.0	114.9	112.1	114.2	184.4	120.4
	IV	146.1	177.9	121.8	170.8	121.0	116.9	112.6	115.8	171.2	120.7
	ANNUAL	145.5	176.2	121.1	168.2	119.4	115.6	112.4	114.7	176.3	120.2
-----											
Percent change from previous quarter at annual rate(5)											
2004	I	2.3	5.0	2.6	-0.4	r-3.8	-2.7	-3.0	-2.8	54.5	1.8
	II	2.3	2.8	0.6	3.7	r-0.5	1.4	1.8	1.5	28.0	4.1
	III	4.3	6.6	2.2	4.5	r2.2	0.2	0.4	0.2	10.2	1.3
	IV	0.4	2.0	1.5	5.6	2.0	5.2	1.5	4.2	1.3	3.8
	ANNUAL	3.1	4.5	1.4	3.2	0.5	0.1	-1.2	-0.3	26.9	2.1
2005	I	4.0	4.1	0.1	4.4	r2.4	0.4	5.0	1.6	19.7	3.5
	II	2.6	5.7	3.1	0.9	r-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	r-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	r9.6	1.2	-7.7	-1.2	37.9	3.1
	II	-4.4	-2.7	1.7	-0.8	r-5.5	3.7	9.6	5.3	-11.4	2.9
	III	4.1	6.1	1.9	1.1	r-2.1	-2.9	-5.4	-3.6	31.8	0.5
	IV	1.0	2.1	1.1	8.2	10.5	7.1	1.9	5.7	-25.6	0.9
	ANNUAL	2.5	4.8	2.2	4.7	1.4	2.2	-0.5	1.5	12.2	2.7
-----											
Percent change from corresponding quarter of previous year											
2004	I	4.0	4.7	0.7	3.8	r2.0	-0.2	-3.1	-1.0	27.5	1.4
	II	3.3	4.5	1.2	2.9	0.1	-0.3	-1.2	-0.6	32.1	2.2
	III	2.8	4.7	1.8	2.7	0.0	-0.1	-0.8	-0.3	26.9	2.2
	IV	2.3	4.1	1.7	3.3	r-0.1	1.0	0.2	0.8	21.9	2.8
	ANNUAL	3.1	4.5	1.4	3.2	0.5	0.1	-1.2	-0.3	26.9	2.1
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	r1.7	2.1	-0.4	1.4	18.1	3.4
	II	1.5	3.8	2.3	5.0	r1.0	3.5	1.5	2.9	6.6	3.4
	III	2.5	4.8	2.2	3.5	r0.1	1.0	-2.5	0.0	20.6	2.4
	IV	2.6	4.4	1.8	4.9	2.9	2.2	-0.6	1.5	4.6	1.8
	ANNUAL	2.5	4.8	2.2	4.7	1.4	2.2	-0.5	1.5	12.2	2.7
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See footnotes following Table 6.  
r=revised

May 3, 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.

Appendix table 1. All sectors: Real hourly compensation

Year	Business	Nonfarm Business	Nonfinancial Corporate	Total Manufac- turing	Durable Manufac- turing	Nondurable Manufac- turing
Indexes 1992=100						
1947	r41.1	r43.7	N.A.	N.A.	N.A.	N.A.
1948	r41.2	r43.9	N.A.	N.A.	N.A.	N.A.
1949	r42.3	r45.8	N.A.	N.A.	N.A.	N.A.
1950	r44.7	r47.9	N.A.	N.A.	N.A.	N.A.
1951	r45.4	r48.3	N.A.	N.A.	N.A.	N.A.
1952	r47.3	r49.9	N.A.	N.A.	N.A.	N.A.
1953	r50.0	r52.3	N.A.	N.A.	N.A.	N.A.
1954	r51.2	r53.6	N.A.	N.A.	N.A.	N.A.
1955	r52.7	r55.8	N.A.	N.A.	N.A.	N.A.
1956	r55.3	r58.3	N.A.	N.A.	N.A.	N.A.
1957	r57.0	r59.7	N.A.	N.A.	N.A.	N.A.
1958	r57.9	r60.4	r67.8	N.A.	N.A.	N.A.
1959	r59.9	r62.3	r69.9	N.A.	N.A.	N.A.
1960	r61.3	r63.9	r71.4	N.A.	N.A.	N.A.
1961	r63.1	r65.3	r73.0	N.A.	N.A.	N.A.
1962	r65.2	r67.3	r75.1	N.A.	N.A.	N.A.
1963	r66.6	r68.7	r76.4	N.A.	N.A.	N.A.
1964	r68.3	r69.9	r76.8	N.A.	N.A.	N.A.
1965	r69.7	r71.1	r77.8	N.A.	N.A.	N.A.
1966	r72.3	r73.2	r79.9	N.A.	N.A.	N.A.
1967	r74.1	r75.2	r81.8	N.A.	N.A.	N.A.
1968	r76.9	r77.8	r84.5	N.A.	N.A.	N.A.
1969	r78.0	r78.8	r85.6	N.A.	N.A.	N.A.
1970	r79.5	r79.8	r86.6	N.A.	N.A.	N.A.
1971	r80.9	r81.4	r88.1	N.A.	N.A.	N.A.
1972	r83.3	r84.0	r90.0	N.A.	N.A.	N.A.
1973	r85.1	r85.5	r91.2	N.A.	N.A.	N.A.
1974	r84.0	r84.5	r90.0	N.A.	N.A.	N.A.
1975	r84.8	r85.2	r90.5	N.A.	N.A.	N.A.
1976	r87.1	r87.4	r92.6	N.A.	N.A.	N.A.
1977	r88.3	r88.7	r93.8	N.A.	N.A.	N.A.
1978	r89.7	r90.3	r95.9	N.A.	N.A.	N.A.
1979	r89.9	r90.2	r95.5	N.A.	N.A.	N.A.
1980	r89.6	r90.0	r94.7	N.A.	N.A.	N.A.
1981	r89.6	r90.2	r94.3	N.A.	N.A.	N.A.
1982	r90.6	r91.1	r94.7	N.A.	N.A.	N.A.
1983	r90.6	r91.1	r94.3	N.A.	N.A.	N.A.
1984	r90.7	r91.1	r94.3	N.A.	N.A.	N.A.
1985	r91.9	r92.1	r95.4	N.A.	N.A.	N.A.
1986	r94.9	r95.2	r98.3	N.A.	N.A.	N.A.
1987	r95.2	r95.5	r98.3	r98.0	r98.0	r97.4
1988	r96.5	r96.7	r98.8	r97.8	r97.3	r98.0
1989	r95.0	r95.1	r97.0	r96.6	r95.8	r97.2
1990	r96.2	r96.0	r96.8	r96.1	r95.0	r97.4
1991	r97.5	r97.4	r97.9	r98.0	r97.3	r99.0
1992	100.0	100.0	100.0	100.0	100.0	100.0
1993	r99.7	r99.5	r99.3	r99.5	r99.4	r99.7
1994	r99.0	r99.1	r98.9	r100.6	r100.7	r100.1
1995	r98.7	r98.8	r98.3	r100.1	r99.5	r100.6
1996	r99.5	r99.5	r98.6	r99.4	r98.2	r100.7
1997	r100.5	r100.4	r99.4	r99.8	r98.4	r101.5
1998	r105.2	r104.9	r103.8	r104.2	r102.7	r105.6
1999	r108.0	r107.5	r106.6	r106.0	r105.2	r106.2
2000	r112.0	r111.6	r110.6	r112.0	r111.6	r110.8
2001	r113.5	r112.8	r112.1	r111.5	r110.3	r112.1
2002	r115.7	r115.1	r114.3	r117.7	r115.5	r120.7
2003	r117.7	r117.1	r116.3	r123.2	r122.0	r124.1
2004	r119.0	r118.2	r116.9	r122.3	r119.7	r125.9
2005	r119.9	r119.1	r117.8	r123.9	r120.3	r129.0
2006	r121.7	r120.8	r119.4	r124.4	r121.4	r128.3

See footnotes following Table 6.  
r=revised

May 3, 2007

Source: Bureau of Labor Statistics