

# News

United States  
Department  
of Labor



**Bureau of Labor Statistics**

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USDL 06-941  
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THURSDAY, JUNE 1, 2006.

## **PRODUCTIVITY AND COSTS**

First Quarter 2006, 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 2006. The revised seasonally adjusted annual rates of productivity change in the first quarter were:

3.9 percent in the business sector and  
3.7 percent in the nonfarm business sector.

In both sectors, the first-quarter productivity gains were larger than the preliminary estimates reported on May 4.

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

3.8 percent in manufacturing,  
3.5 percent in durable goods manufacturing, and  
3.7 percent in nondurable goods manufacturing.

Manufacturing productivity growth was slower in the first quarter of 2006 than reported on May 4, reflecting downward revisions to output per hour in both durable goods and nondurable goods industries. 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.

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).

Table A. Productivity and costs: Revised first-quarter 2006 measures  
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	3.9	6.4	2.4	5.4	3.3	1.5
Nonfarm business	3.7	6.5	2.7	5.3	3.2	1.6
Manufacturing	3.8	6.0	2.1	1.9	-0.2	-1.9
Durable	3.5	5.2	1.6	2.7	0.6	-0.9
Nondurable	3.7	6.7	2.9	0.5	-1.6	-3.1
Percent change from same quarter a year ago						
Business	2.5	4.2	1.7	2.8	-0.8	0.3
Nonfarm business	2.5	4.2	1.7	2.8	-0.9	0.3
Manufacturing	4.0	4.8	0.7	2.1	-1.5	-1.8
Durable	6.0	7.4	1.3	2.0	-1.6	-3.7
Nondurable	1.6	1.4	-0.3	2.3	-1.3	0.6

## Business

Productivity increased 3.9 percent in the business sector from the fourth quarter of 2005 to the first quarter of 2006, as output increased 6.4 percent and hours worked by all persons grew 2.4 percent (seasonally adjusted annual rates). Productivity had increased 0.2 percent in the previous quarter, reflecting increases in output and hours of 1.8 percent and 1.6 percent, respectively (table 1).

Hourly compensation increased 5.4 percent during the first quarter of 2006, after declining 0.6 percent in the fourth quarter of 2005, as revised (seasonally adjusted annual rates). 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, rose by 3.3 percent in the first quarter of 2006, rebounding from a 3.8-percent drop in the previous quarter.

The change in unit labor costs approximates the change in hourly compensation less the change in productivity. In the first quarter of 2006, 5.4-percent growth in hourly compensation and 3.9-percent growth in productivity yielded a 1.5-percent rise in unit labor costs. Unit labor costs declined 0.8 percent in the fourth quarter of 2005, as revised. The implicit price deflator for business output, which reflects changes in both unit labor costs and unit nonlabor payments, grew by 2.8 percent in the first quarter of 2006.

## **Nonfarm business**

Productivity rose 3.7 percent in the nonfarm business sector during the first quarter of 2006, as output increased 6.5 percent and hours of all persons increased 2.7 percent (table 2). The hours increase was larger than during any quarter in 2005. In fourth-quarter 2005, nonfarm productivity had declined 0.3 percent as output rose 1.5 percent and hours increased 1.8 percent.

Hourly compensation increased 5.3 percent in the first quarter of 2006. After revision, this measure decreased at a 0.9 percent annual rate in the fourth quarter of 2005—the first decline in nonfarm hourly compensation since 1994, when it fell 0.8 percent in the second quarter and 0.3 percent in the third quarter. When the rise in consumer prices is taken into account, real hourly compensation rose 3.2 in the first quarter and fell 4.1 percent in the fourth quarter.

Unit labor costs grew 1.6 percent during the first quarter of 2006, following a 0.6-percent decline in the fourth quarter of 2005, as revised. The implicit price deflator for nonfarm business output rose by 2.9 percent in the first quarter of 2006.

## **Manufacturing**

Productivity increased 3.8 percent in manufacturing during the first quarter of 2006, reflecting similar performance in the durable and nondurable manufacturing subsectors. In durable goods industries, productivity rose 3.5 percent, as output grew 5.2 percent and hours rose 1.6 percent. In nondurable goods industries, productivity grew 3.7 percent, as output increased 6.7 percent and hours rose 2.9 percent (tables 3, 4, and 5).

Hourly compensation in manufacturing rose 1.9 percent during the first quarter, reflecting increases of 2.7 percent in the hourly compensation of persons in durable goods industries and 0.5 percent in the hourly compensation of workers in nondurable goods industries. Real hourly compensation, which takes account of changes in consumer prices, declined 0.2 percent for all manufacturing workers, as a 0.6-percent rise in durable manufacturing real hourly compensation was eclipsed by a 1.6-percent drop in the nondurable goods industries.

Unit labor costs fell 1.9 percent in manufacturing during the first quarter of 2006. In nondurable goods industries, productivity grew much faster than hourly compensation, and unit labor costs fell 3.1 percent. In durable goods industries, where hourly compensation increased faster than in nondurable manufacturing, unit labor costs declined only 0.9 percent.

## Nonfinancial corporations

Preliminary first-quarter 2006 measures of productivity and costs for nonfinancial corporations also were announced today (tables B and 6). Productivity rose 3.7 percent in the first quarter, as output increased 5.8 percent and employee-hours rose 2.0 percent (seasonally adjusted annual rates). As revised, productivity had increased at a 2.4-percent annual rate in the fourth quarter of 2005, as output grew 5.0 percent and employee-hours rose 2.5 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.

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
Percent change from preceding quarter								
2006 I	3.7	5.8	2.0	5.0	2.9	1.3	13.1	3.2
Percent change from same quarter a year ago								
2006 I	3.7	5.7	2.0	2.8	-0.8	-0.8	22.3	2.1

Hourly compensation rose 5.0 percent during the first quarter of 2006, following a 0.8-percent decrease in the fourth quarter of 2005. As in the larger business sector, the fourth-quarter decline was the first since the third quarter of 1994 (0.2 percent). When the rise in consumer prices is taken into account, real hourly compensation increased 2.9 percent in the first quarter of 2006, and fell 4.0 percent in the fourth quarter of 2005. Unit labor costs in nonfinancial corporations rose 1.3 percent in the first quarter, after falling 3.2 percent one quarter earlier.

## REVISED MEASURES

Previous and revised measures for the first quarter of 2006 in the business, nonfarm business, and manufacturing sectors are compared in table C. Productivity growth was revised up in the business and nonfarm business sectors from the preliminary estimates reported May 4, as output was revised up more than hours. In manufacturing, hours were revised up more than output, and productivity was revised down. Hourly compensation and real hourly compensation were revised down in all sectors for the first quarter of 2006. In the business and nonfarm business sectors, upward revisions to productivity and downward revisions to hourly

compensation both contributed to slower first-quarter growth in unit labor costs than reported May 4. In manufacturing, because compensation per hour was revised down more than output per hour, unit labor costs fell slightly faster during the first quarter than previously reported.

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 2006						
Business:						
Previous .....	3.4	5.8	2.3	5.8	3.6	2.3
Revised.....	3.9	6.4	2.4	5.4	3.3	1.5
Nonfarm business:						
Previous .....	3.2	5.8	2.5	5.7	3.6	2.5
Revised.....	3.7	6.5	2.7	5.3	3.2	1.6
Manufacturing:						
Previous .....	4.2	5.8	1.6	2.4	0.3	-1.7
Revised.....	3.8	6.0	2.1	1.9	-0.2	-1.9
Fourth quarter 2005						
Business:						
Previous .....	0.2	1.8	1.6	3.0	-0.3	2.8
Revised.....	0.2	1.8	1.6	-0.6	-3.8	-0.8
Nonfarm business:						
Previous .....	-0.3	1.5	1.8	2.7	-0.6	3.0
Revised.....	-0.3	1.5	1.8	-0.9	-4.1	-0.6
Manufacturing:						
Previous .....	4.7	9.4	4.6	1.2	-2.0	-3.3
Revised.....	4.7	9.4	4.6	-2.4	-5.5	-6.7
Annual average 2005						
Business:						
Previous .....	2.6	4.0	1.4	5.3	1.9	2.6
Revised.....	2.6	4.0	1.4	5.1	1.7	2.4
Nonfarm business:						
Previous .....	2.7	4.2	1.4	5.4	2.0	2.5
Revised.....	2.7	4.2	1.4	5.1	1.7	2.3
Manufacturing:						
Previous .....	5.0	3.9	-1.1	7.0	3.5	1.9
Revised.....	5.0	3.9	-1.1	6.8	3.3	1.7

Table C also presents preliminary and revised results for the fourth quarter and annual average of 2005. 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 released by the Bureau of Economic Analysis (BEA) of the

U.S. Department of Commerce on May 25. The BEA compensation estimates reflect newly available fourth-quarter wage and salary data from the BLS Quarterly Census of Employment and Wages.

In the fourth quarter of 2005, hourly compensation declined in all sectors, rather than increasing as reported May 4. Unit labor costs declined rather than increasing in the business and nonfarm business sectors, and fell faster in manufacturing than initially reported. For the year 2005, hourly compensation, real hourly compensation, and unit labor costs increased somewhat less in all sectors than in the preliminary estimates.

## REVISED MEASURES: NONFINANCIAL CORPORATIONS

Fourth quarter and annual average 2005 measures also were revised for the nonfinancial corporate sector. In the fourth quarter of 2005, output and productivity were revised down substantially, and productivity rose 2.4 percent. Hourly compensation was revised down by more than productivity so unit labor costs fell faster than reported May 4, based on information then available. For the year 2005, productivity growth was revised down slightly to 4.9 percent. The increase in hourly compensation was revised down more than productivity—from 5.6 percent to 5.3 percent—and unit labor costs were revised down 0.1 percent.

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 2005								
Previous	4.6	7.3	2.5	2.5	-0.8	-2.0	47.1	1.7
Revised	2.4	5.0	2.5	-0.8	-4.0	-3.2	50.2	1.7
Annual average 2005								
Previous	5.0	6.5	1.4	5.6	2.1	0.5	14.7	1.4
Revised	4.9	6.4	1.4	5.3	1.9	0.4	14.8	1.4

### Next release date

The next release of **Productivity and Costs** is scheduled for **8:30 AM EDT, Tuesday, Aug. 8, 2006**. Preliminary second-quarter measures for business, nonfarm business, and manufacturing will be released at that time. The Aug. 8 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									
2004	I	131.7	152.6	115.9	154.4	118.5	117.2	123.2	119.4
	II	132.9	154.1	116.0	155.8	118.4	117.3	126.1	120.5
	III	133.4	155.8	116.8	158.3	119.6	118.6	124.3	120.7
	IV	134.3	157.2	117.1	162.5	121.8	121.0	122.2	121.5
	ANNUAL	133.1	154.9	116.4	157.8	119.6	118.5	123.9	120.6
2005	I	135.4	158.9	117.3	164.5	122.5	121.4	123.7	122.3
	II	135.8	160.4	118.1	164.7	121.5	121.2	126.2	123.1
	III	137.5	162.3	118.1	167.1	121.7	121.6	128.3	124.1
	IV	137.5	163.1	118.6	r166.8	r120.5	r121.3	r131.6	125.1
	ANNUAL	136.6	161.2	118.0	r165.8	r121.6	r121.4	r127.5	123.7
2006	I	r138.9	r165.6	r119.3	r169.0	r121.5	r121.7	r133.2	r126.0
Percent change from previous quarter at annual rate(5)									
2004	I	3.7	4.9	1.2	4.2	0.5	0.5	9.1	3.7
	II	3.7	4.0	0.3	3.9	-0.2	0.2	9.8	3.8
	III	1.6	4.4	2.8	6.4	4.2	4.8	-5.5	0.7
	IV	2.7	3.6	0.9	11.2	7.4	8.3	-6.5	2.4
	ANNUAL	3.5	4.8	1.3	4.7	2.0	1.2	4.4	2.4
2005	I	3.4	4.4	0.9	4.8	2.4	1.3	5.1	2.7
	II	1.1	4.0	2.8	0.5	-3.2	-0.6	8.3	2.6
	III	4.9	4.8	-0.1	6.0	0.5	1.1	6.7	3.2
	IV	0.2	1.8	1.6	r-0.6	r-3.8	r-0.8	r10.8	3.5
	ANNUAL	2.6	4.0	1.4	r5.1	r1.7	r2.4	r2.9	2.6
2006	I	r3.9	r6.4	r2.4	r5.4	r3.3	r1.5	r4.8	r2.8
Percent change from corresponding quarter of previous year									
2004	I	4.9	5.5	0.6	4.5	2.6	-0.4	5.7	1.9
	II	3.9	5.3	1.4	3.7	0.9	-0.2	7.5	2.7
	III	2.2	4.0	1.7	4.2	1.4	1.9	3.3	2.4
	IV	2.9	4.2	1.3	6.4	2.9	3.4	1.4	2.6
	ANNUAL	3.5	4.8	1.3	4.7	2.0	1.2	4.4	2.4
2005	I	2.8	4.1	1.2	6.5	3.4	3.6	0.5	2.4
	II	2.2	4.1	1.9	5.7	2.6	3.4	0.1	2.1
	III	3.0	4.2	1.1	5.6	1.7	2.5	3.2	2.7
	IV	2.4	3.7	1.3	r2.6	r-1.0	r0.2	r7.7	3.0
	ANNUAL	2.6	4.0	1.4	r5.1	r1.7	r2.4	r2.9	2.6
2006	I	r2.5	r4.2	r1.7	r2.8	r-0.8	r0.3	r7.6	3.0

See footnotes following Table 6.  
r=revised

June 1, 2006  
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								
2004	I	130.8	152.8	116.8	153.4	117.7	117.3	123.6
	II	132.3	154.5	116.8	154.9	117.7	117.1	126.4
	III	132.8	156.3	117.6	157.3	118.9	118.4	125.4
	IV	133.5	157.7	118.2	161.1	120.7	120.7	123.6
	ANNUAL	132.4	155.3	117.3	156.7	118.8	118.4	124.8
2005	I	134.7	159.4	118.3	163.3	121.7	121.2	125.1
	II	135.5	161.2	118.9	163.8	120.9	120.9	127.9
	III	136.9	163.0	119.1	166.0	120.9	121.3	130.1
	IV	136.8	163.6	119.6	r165.7	r119.7	r121.1	r133.4
	ANNUAL	136.0	161.8	119.0	r164.7	r120.8	r121.1	r129.2
2006	I	r138.1	r166.2	r120.4	r167.8	r120.6	r121.6	r135.1
Percent change from previous quarter at annual rate(5)								
2004	I	2.4	4.2	1.7	3.4	-0.2	1.0	7.9
	II	4.5	4.6	0.1	4.0	0.0	-0.5	9.5
	III	1.7	4.6	2.9	6.2	4.0	4.5	-3.2
	IV	2.0	3.9	1.9	10.0	6.3	7.9	-5.7
	ANNUAL	3.4	4.8	1.3	4.6	1.8	1.1	3.9
2005	I	3.8	4.3	0.5	5.6	3.2	1.8	5.1
	II	2.4	4.4	2.0	1.3	-2.4	-1.0	9.0
	III	4.2	4.7	0.4	5.5	0.0	1.2	7.3
	IV	-0.3	1.5	1.8	r-0.9	r-4.1	r-0.6	r10.6
	ANNUAL	2.7	4.2	1.4	r5.1	r1.7	r2.3	r3.5
2006	I	r3.7	r6.5	r2.7	r5.3	r3.2	r1.6	r5.0
Percent change from corresponding quarter of previous year								
2004	I	4.7	5.5	0.8	4.3	2.5	-0.3	4.5
	II	4.2	5.5	1.2	3.8	1.0	-0.4	6.5
	III	2.3	4.0	1.7	4.1	1.3	1.8	3.0
	IV	2.6	4.3	1.7	5.9	2.5	3.2	1.9
	ANNUAL	3.4	4.8	1.3	4.6	1.8	1.1	3.9
2005	I	3.0	4.4	1.4	6.4	3.3	3.4	1.2
	II	2.4	4.3	1.8	5.8	2.7	3.2	1.1
	III	3.1	4.3	1.2	5.6	1.7	2.4	3.8
	IV	2.5	3.7	1.2	r2.8	r-0.9	r0.3	r8.0
	ANNUAL	2.7	4.2	1.4	r5.1	r1.7	r2.3	r3.5
2006	I	r2.5	r4.2	1.7	r2.8	r-0.9	r0.3	r7.9

See footnotes following Table 6.  
r=revised

June 1, 2006  
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 -----							
2004	I	159.0	135.7	85.4	159.2	122.1	100.1
	II	162.2	137.9	85.0	161.2	122.5	99.4
	III	164.0	139.3	84.9	165.0	124.7	100.6
	IV	166.7	140.8	84.4	169.9	127.3	101.9
	ANNUAL	163.0	138.4	84.9	163.8	124.1	100.5
2005	I	168.7	142.2	84.3	172.8	128.7	102.4
	II	170.3	142.7	83.8	174.3	128.7	102.4
	III	171.8	143.6	83.6	176.7	128.7	102.8
	IV	173.8	146.9	84.5	r175.6	r126.9	r101.1
	ANNUAL	171.2	143.8	84.0	r174.9	r128.2	r102.2
2006	I	r175.4	r149.0	r84.9	r176.5	r126.8	r100.6
----- Percent change from previous quarter at annual rate(5) -----							
2004	I	3.6	5.9	2.2	-9.6	-12.7	-12.7
	II	8.3	6.6	-1.6	5.1	1.1	-3.0
	III	4.6	4.1	-0.4	10.0	7.6	5.1
	IV	6.7	4.3	-2.3	12.3	8.5	5.2
	ANNUAL	5.5	5.0	-0.5	2.3	-0.4	-3.1
2005	I	4.8	4.2	-0.5	6.9	4.5	2.0
	II	3.9	1.2	-2.5	3.6	-0.1	-0.2
	III	3.7	2.6	-1.0	5.6	0.1	1.8
	IV	4.7	9.4	4.6	r-2.4	r-5.5	r-6.7
	ANNUAL	5.0	3.9	-1.1	r6.8	r3.3	r1.7
2006	I	r3.8	r6.0	r2.1	r1.9	r-0.2	r-1.9
----- Percent change from corresponding quarter of previous year -----							
2004	I	5.2	3.4	-1.8	1.6	-0.2	-3.4
	II	6.3	5.7	-0.6	1.3	-1.5	-4.7
	III	4.8	5.7	0.9	2.2	-0.5	-2.5
	IV	5.8	5.2	-0.6	4.1	0.8	-1.6
	ANNUAL	5.5	5.0	-0.5	2.3	-0.4	-3.1
2005	I	6.1	4.8	-1.2	8.6	5.4	2.3
	II	5.0	3.4	-1.5	8.2	5.1	3.0
	III	4.8	3.1	-1.6	7.1	3.2	2.2
	IV	4.2	4.3	0.1	r3.4	r-0.3	r-0.8
	ANNUAL	5.0	3.9	-1.1	r6.8	r3.3	r1.7
2006	I	r4.0	r4.8	r0.7	r2.1	r-1.5	r-1.8

See footnotes following Table 6.  
r=revised

June 1, 2006  
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 -----							
2004	I	185.9	165.9	89.2	155.6	119.4	83.7
	II	189.7	168.7	89.0	158.1	120.1	83.4
	III	192.1	171.6	89.3	162.0	122.4	84.3
	IV	195.9	174.1	88.9	166.2	124.5	84.8
	ANNUAL	190.9	170.1	89.1	160.5	121.6	84.1
2005	I	199.1	177.0	88.9	169.0	125.9	84.9
	II	201.1	178.1	88.6	169.9	125.4	84.5
	III	204.3	181.2	88.7	172.3	125.5	84.4
	IV	209.2	187.7	89.7	r171.2	r123.7	r81.9
	ANNUAL	203.4	181.0	89.0	r170.6	r125.1	r83.9
2006	I	r211.0	r190.0	r90.1	r172.4	r123.9	r81.7
----- Percent change from previous quarter at annual rate(5) -----							
2004	I	4.1	8.5	4.2	-14.8	-17.7	-18.1
	II	8.4	7.0	-1.2	6.6	2.5	-1.6
	III	5.3	6.9	1.5	10.1	7.8	4.6
	IV	8.2	6.1	-1.9	10.9	7.1	2.5
	ANNUAL	6.7	7.3	0.6	1.2	-1.5	-5.2
2005	I	6.7	6.8	0.1	6.9	4.4	0.2
	II	4.0	2.6	-1.4	2.3	-1.4	-1.7
	III	6.5	7.0	0.4	5.8	0.3	-0.7
	IV	9.9	15.2	4.8	r-2.5	r-5.7	r-11.3
	ANNUAL	6.6	6.4	-0.1	r6.3	r2.9	r-0.2
2006	I	r3.5	r5.2	r1.6	r2.7	r0.6	r-0.9
----- Percent change from corresponding quarter of previous year -----							
2004	I	7.0	5.9	-1.0	0.4	-1.4	-6.1
	II	7.8	8.2	0.4	0.3	-2.4	-6.9
	III	5.4	8.0	2.5	1.2	-1.5	-3.9
	IV	6.5	7.1	0.6	2.6	-0.7	-3.6
	ANNUAL	6.7	7.3	0.6	1.2	-1.5	-5.2
2005	I	7.1	6.7	-0.4	8.6	5.4	1.4
	II	6.0	5.6	-0.4	7.5	4.4	1.4
	III	6.3	5.6	-0.7	6.4	2.5	0.1
	IV	6.8	7.8	1.0	r3.0	r-0.7	r-3.5
	ANNUAL	6.6	6.4	-0.1	r6.3	r2.9	r-0.2
2006	I	6.0	r7.4	r1.3	r2.0	r-1.6	r-3.7

See footnotes following Table 6.  
r=revised

June 1, 2006  
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 -----						
2004	I	133.3	106.1	79.6	164.1	123.1
	II	136.1	107.7	79.1	165.1	121.3
	III	137.6	107.8	78.4	168.7	122.6
	IV	139.3	108.4	77.8	174.7	125.5
	ANNUAL	136.6	107.5	78.7	168.1	123.1
2005	I	140.2	108.6	77.5	177.7	126.7
	II	141.7	108.5	76.6	180.3	127.3
	III	141.9	107.7	75.9	182.5	128.6
	IV	141.2	108.3	76.7	r181.5	r128.5
	ANNUAL	141.3	108.3	76.7	r180.5	r127.8
2006	I	r142.5	r110.1	r77.3	r181.7	r127.5
----- Percent change from previous quarter at annual rate(5) -----						
2004	I	3.7	2.6	-1.1	0.8	-2.8
	II	8.5	6.0	-2.3	2.4	-5.7
	III	4.5	0.7	-3.6	9.1	4.4
	IV	5.0	2.0	-2.8	15.1	9.6
	ANNUAL	4.6	2.2	-2.4	4.2	-0.4
2005	I	2.7	0.9	-1.7	6.9	4.1
	II	4.2	-0.4	-4.4	6.0	1.7
	III	0.7	-2.8	-3.5	5.0	4.2
	IV	-1.9	2.3	4.2	r-2.1	r-0.2
	ANNUAL	3.4	0.8	-2.6	r7.4	r3.8
2006	I	r3.7	r6.7	r2.9	r0.5	r-3.1
----- Percent change from corresponding quarter of previous year -----						
2004	I	3.5	0.3	-3.1	3.8	0.3
	II	4.9	2.6	-2.2	2.8	-1.9
	III	4.8	3.0	-1.7	3.6	-1.1
	IV	5.4	2.8	-2.5	6.7	1.2
	ANNUAL	4.6	2.2	-2.4	4.2	-0.4
2005	I	5.2	2.4	-2.6	8.3	3.0
	II	4.1	0.8	-3.2	9.2	4.9
	III	3.1	-0.1	-3.1	8.2	4.9
	IV	1.4	0.0	-1.4	r3.9	r2.4
	ANNUAL	3.4	0.8	-2.6	r7.4	r3.8
2006	I	r1.6	r1.4	-0.3	r2.3	r0.6

See footnotes following Table 6.  
r=revised

June 1, 2006  
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	136.4	160.3	117.6	150.3	115.4	110.2	111.2	110.5	130.0	112.2
	II	137.3	161.7	117.7	151.8	115.4	110.6	111.2	110.7	138.3	113.2
	III	139.8	165.4	118.3	154.2	116.5	110.2	110.0	110.2	139.4	112.8
	IV	142.7	169.4	118.7	158.0	118.4	110.7	108.5	110.1	142.7	113.1
	ANNUAL	139.1	164.2	118.1	153.6	116.4	110.4	110.2	110.4	137.7	112.8
2005	I	143.7	170.8	118.9	160.3	119.4	111.6	107.9	110.6	145.2	113.7
	II	145.3	173.8	119.6	160.8	118.7	110.6	107.0	109.7	159.1	114.1
	III	146.8	175.9	119.9	163.2	118.9	111.2	109.2	110.7	155.5	114.7
	IV	r147.7	r178.1	120.6	r162.9	r117.7	r110.3	r107.5	r109.6	r172.1	115.1
	ANNUAL	r145.9	r174.7	119.7	r161.8	r118.7	r110.9	r107.9	r110.1	r158.1	114.4
2006	I	149.0	180.6	121.2	164.9	118.5	110.7	108.3	110.0	177.5	116.1
Percent change from previous quarter at annual rate(5)											
2004	I	0.8	3.6	2.7	1.4	-2.1	0.6	2.0	0.9	18.4	2.6
	II	2.9	3.5	0.6	4.1	0.1	1.2	0.2	0.9	28.0	3.5
	III	7.4	9.6	2.0	6.2	4.0	-1.1	-4.4	-2.0	3.3	-1.4
	IV	8.5	10.1	1.5	10.4	6.7	1.8	-5.3	-0.1	9.8	0.9
	ANNUAL	4.0	5.5	1.4	4.1	1.3	0.0	-0.5	-0.1	18.1	1.6
2005	I	2.8	3.3	0.4	6.0	3.6	3.1	-2.5	1.6	7.1	2.2
	II	4.6	7.1	2.4	1.1	-2.6	-3.4	-3.1	-3.3	44.3	1.4
	III	4.1	5.1	1.0	6.3	0.7	2.1	8.2	3.7	-8.8	2.1
	IV	r2.4	r5.0	2.5	r-0.8	r-4.0	r-3.2	r-6.0	r-3.9	r50.2	1.7
	ANNUAL	r4.9	r6.4	1.4	r5.3	r1.9	r0.4	r-2.1	r-0.3	r14.8	1.4
2006	I	3.7	5.8	2.0	5.0	2.9	1.3	3.1	1.8	13.1	3.2
Percent change from corresponding quarter of previous year											
2004	I	4.5	5.2	0.7	3.9	2.1	-0.5	-0.1	-0.4	20.7	1.4
	II	3.4	4.7	1.3	3.3	0.4	-0.1	0.7	0.1	21.7	2.1
	III	3.4	5.3	1.8	3.5	0.8	0.1	-0.7	-0.1	16.3	1.5
	IV	4.8	6.6	1.7	5.5	2.1	0.6	-1.9	-0.1	14.5	1.4
	ANNUAL	4.0	5.5	1.4	4.1	1.3	0.0	-0.5	-0.1	18.1	1.6
2005	I	5.4	6.5	1.1	6.7	3.5	1.2	-3.0	0.1	11.7	1.3
	II	5.8	7.5	1.6	5.9	2.8	0.1	-3.8	-1.0	15.1	0.8
	III	5.0	6.4	1.3	5.9	2.0	0.9	-0.8	0.4	11.5	1.7
	IV	r3.5	r5.1	1.6	r3.1	r-0.6	r-0.4	r-1.0	-0.5	r20.6	1.8
	ANNUAL	r4.9	r6.4	1.4	r5.3	r1.9	r0.4	r-2.1	r-0.3	r14.8	1.4
2006	I	3.7	5.7	2.0	2.8	-0.8	-0.8	0.4	-0.5	22.3	2.1

See footnotes following Table 6.  
r=revised

June 1, 2006  
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 +1.4 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 fourth quarter of 2005.

### 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 1978-2005 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.