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PRODUCTIVITY AND COSTS

Revised Annual and Fourth Quarter Data for
 Business, Nonfarm Business, Manufacturing, and
 Preliminary 1984 Annual Measures for Nonfinancial Corporations

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 fourth quarter of 1984 and the year as a whole. Based on more complete information than was available on January 29 when preliminary measures were announced, the revised measures show these seasonally adjusted annual rates of productivity change in the fourth quarter for major sectors of the economy are:

3.8 percent in the business sector,
 2.9 percent in the nonfarm business sector,
 -0.9 percent in manufacturing,
 -0.7 percent in durable goods manufacturing, and
 -1.2 percent in nondurables goods manufacturing.

Fourth quarter measures are summarized in table A and appear in detail in tables 1 through 5. The productivity gain in 1984 over 1983 (as measured by annual averages) was 3.2 percent in business, 2.7 percent in nonfarm business, and 4.6 percent in manufacturing, according to revised measures. Preliminary measures announced today indicate that nonfinancial corporate sector productivity increased 2.3 percent in 1984 (tables B, C).

Business

Productivity increased at a 3.8 percent seasonally adjusted annual rate in the fourth quarter of 1984 in the business sector, as output increased 5.5 percent and hours of all persons engaged in the sector rose 1.6 percent. This was a marked improvement over the third quarter when productivity only rose 0.6 percent and output and hours also advanced more slowly (table 1).

Hourly compensation increased 4.4 percent in the fourth quarter. This measure, which includes wages, salaries, supplements, and all employer payments for employee-benefit plans, increased by the same amount in the third quarter. Unit labor costs, which reflect changes in productivity and hourly compensation, increased 0.6 percent in the fourth quarter, compared with a 3.7 percent rise during the third quarter.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased 0.8 percent in the fourth quarter, a somewhat larger advance than the 0.7 percent increase during the third quarter.

-2-

Table A. Productivity and costs: Revised fourth quarter 1984 measures.
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
REVISED						
Percent change from preceding quarter						
Business	3.8	5.5	1.6	4.4	0.8	0.6
Nonfarm business	2.9	5.2	2.2	3.7	0.2	0.8
Manufacturing	-0.9	-0.2	0.7	5.2	1.6	6.2
Durable	-0.7	1.5	2.3	4.8	1.2	5.6
Nondurable	-1.2	-2.8	-1.6	5.5	1.9	6.8
Percent change from same quarter a year ago						
Business	3.3	7.4	4.0	4.2	0.1	0.8
Nonfarm business	2.5	6.6	4.0	4.3	0.2	1.7
Manufacturing	3.5	7.1	3.4	4.5	0.4	0.9
Durable	4.3	9.9	5.3	4.1	0.0	-0.2
Nondurable	2.3	3.0	0.7	4.8	0.7	2.4

The implicit price deflator, which is a measure of price change for the goods and services which comprise business output, increased 2.2 percent in the fourth quarter, compared with a 3.6 percent gain during the third period.

Nonfarm business

Nonfarm business productivity increased 2.9 percent in the fourth quarter as output rose 5.2 percent and hours increased 2.2 percent. Productivity had declined in this sector during the third quarter (-1.1 percent) as output posted a smaller advance than hours (0.7 percent and 1.8 percent, respectively). See table 2.

Hourly compensation increased at a 3.7 percent annual rate in the fourth quarter, about the same rate of increase as the second and third quarters. Unit labor costs rose only 0.8 percent in the fourth quarter, compared with a 4.7 percent increase during the third quarter. Real hourly compensation increased 0.2 percent in the fourth quarter compared with a 0.1 percent decline in the third quarter. The implicit price deflator for nonfarm business output increased 2.9 percent in the fourth quarter, compared with a 4.2 percent rise during the third quarter.

Manufacturing

Productivity declined at a 0.9 percent annual rate during the fourth quarter in manufacturing as hours increased while output slipped. During the third quarter, productivity posted a 7.4 percent advance in this sector. Although productivity growth slowed in the fourth quarter, hourly compensation gains accelerated; during the fourth quarter, it increased 5.2 percent, compared with a 3.7 percent rise during the third quarter. Real hourly compensation increased 1.6 percent in the fourth quarter. Unit labor costs increased at a 6.2 percent annual rate, in marked contrast to the 3.4 percent decline during the third quarter (table 3).

Productivity declines also took place in the durable and nondurable sub-sectors, but for different reasons. In durables, output and hours grew, but hours increased faster than output. In nondurables, output and hours fell, but hours fell less than output. In both cases productivity declined (tables 4,5).

Nonfinancial corporations

The Bureau of Labor Statistics also reported the annual change in productivity and related measures for the nonfinancial corporate sector for 1984 (table B). According to preliminary measures, productivity increased 2.3 percent in 1984 as output increased 9.0 percent and all-employee hours increased 6.6 percent.

Table B. Annual changes in productivity, output, and hours, 1974-84.

Measure	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Business											
Productivity	-2.4	2.2	3.3	2.4	0.5	-1.2	-0.5	1.9	0.2	2.7	3.2
Output	-2.0	-2.0	6.4	6.6	5.5	2.3	-1.2	2.5	-2.6	4.4	8.8
Hours	0.4	-4.1	3.0	4.1	4.9	3.5	-0.7	0.6	-2.8	1.6	5.4
Nonfarm business											
Productivity	-2.5	2.0	3.2	2.2	0.6	-1.5	-0.7	1.5	0.2	3.5	2.7
Output	-2.0	-2.2	6.7	6.7	5.7	2.2	-1.4	2.1	-2.6	5.0	8.6
Hours	0.5	-4.1	3.4	4.4	5.1	3.7	-0.6	0.6	-2.8	1.5	5.7
Manufacturing											
Productivity	-2.4	2.9	4.5	2.5	0.9	0.7	0.2	3.1	2.1	4.3	4.6
Output	-4.2	-7.1	9.6	6.9	5.3	2.7	-4.4	2.5	-6.4	5.2	11.7
Hours	-1.9	-9.7	4.9	4.3	4.4	2.1	-4.5	-0.6	-8.3	0.9	6.7
Nonfinancial corporations											
Productivity	-3.7	2.9	2.9	1.8	0.8	-0.2	-0.9	1.9	1.0	3.3	p2.3
Output	-3.2	-2.0	7.4	6.7	6.3	3.5	-1.9	2.8	-2.9	4.5	p9.0
Hours	0.5	-4.7	4.4	4.9	5.5	3.7	-1.0	0.9	-3.9	1.2	p6.6

-4-

This was the largest output gain since 1959 in this sector, and the increase in hours was the largest in the series, which begins with data for 1958. Hourly compensation increased 3.4 in 1984, but declined 0.8 percent when the increase in the CPI-U is taken into account. This was the smallest increase in hourly compensation since 1965 (when a 3.2 percent increase occurred). Unit labor costs rose 1.1 percent in 1984, compared with a 0.8 percent gain in 1983. Employment rose 5.7 percent in 1984 in these corporations, among the largest gains ever recorded in the series (increases of 5.8 percent and 5.7 percent occurred in 1978 and 1966, respectively).

Unit profits increased 26.2 percent in 1984, compared with a 38.5 percent gain in 1983.

Revised measures

The latest productivity measures for the fourth quarter of 1984 show greater gains in business and nonfarm business and a larger decline in manufacturing than had been reported on January 29, based on preliminary data then available (table C).

Revised annual hours of all persons and related measures for business differ from preliminary measures announced last month. These revisions also correct an error resulting from the understatement of employment in agricultural services, which represent about 365,000 jobs out of a business total of more than 84 million. Quarterly measures, which are independently computed from seasonally-adjusted monthly data, were not affected by this omission.

New seasonal adjustment factors for the Consumer Price Index are also introduced with these measures. Affecting real hourly compensation in all sectors, these new factors incorporate more recent experience, and are reflected in quarterly changes beginning with the first quarter of 1980.

-5-

Table C. Preliminary and revised productivity and related measures, fourth quarter 1984.

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Quarterly percent change from third quarter						
Business:						
Preliminary	2.6	4.3	1.6	4.1	0.3	1.5
Revised	3.8	5.5	1.6	4.4	0.8	0.6
Nonfarm business:						
Preliminary	1.7	3.9	2.2	3.5	-0.3	1.8
Revised	2.9	5.2	2.2	3.7	0.2	0.8
Manufacturing:						
Preliminary	-0.6	0.2	0.8	4.6	0.7	5.3
Revised	-0.9	-0.2	0.7	5.2	1.6	6.2
Annual percent change from 1983						
Business:						
Preliminary	3.6	8.8	5.0	4.7	0.4	1.1
Revised	3.2	8.8	5.4	4.2	0.0	1.0
Nonfarm business:						
Preliminary	3.1	8.5	5.2	4.6	0.3	1.5
Revised	2.7	8.6	5.7	4.1	-0.1	1.4
Manufacturing:						
Preliminary	4.7	11.7	6.7	3.6	-0.6	-1.0
Revised	4.6	11.7	6.7	3.6	-0.6	-1.0

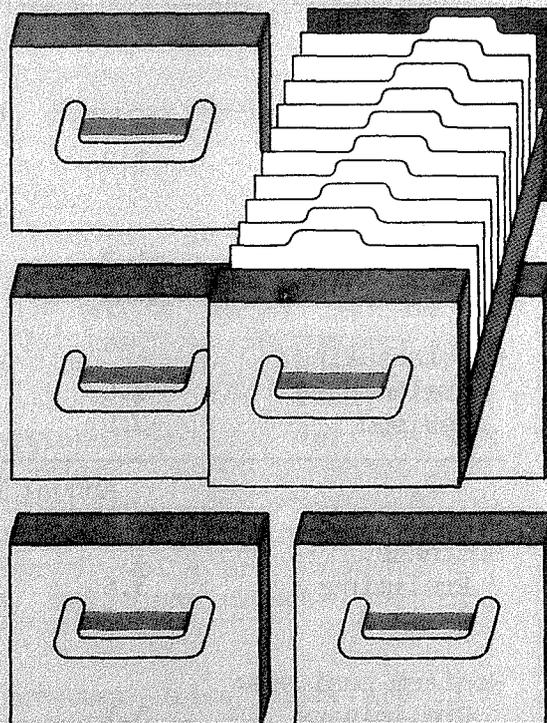
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TECHNICAL NOTES

Business sector output is equal to gross national product, less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemical and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms 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 of all persons engaged in a sector, they do not measure the specific contributions 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.

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PRODUCTIVITY AND COSTS

First Quarter 1985

The Bureau of Labor Statistics of the U.S. Department of Labor today reported preliminary productivity results--as measured by output per hour of all persons--for the first quarter of 1985. The seasonally adjusted annual rates of productivity change in major sectors of the economy from the fourth quarter of 1984 to the first quarter of 1985 were:

- 1.9 percent in the business sector,
- 1.2 percent in the nonfarm business sector,
- 1.6 percent in manufacturing,
- 3.3 percent in durable goods manufacturing, and
- 1.1 percent in nondurable goods manufacturing.

The decline in business productivity was the first since the second quarter of 1982.

First quarter measures are summarized in table A and appear in detail in tables 1 through 6.

Business

Productivity declined at a 1.9 percent seasonally adjusted annual rate in the first quarter of 1985 in the business sector, as output increased 1.3 percent and hours of all persons engaged in the sector rose 3.3 percent. This was the first decline in business productivity in nearly 3 years. (Productivity fell 2.3 percent in the second quarter of 1982.) In the first quarter, output increased more slowly than during the previous quarter (table 1).

Hourly compensation increased at a 5.7 percent annual rate during the first quarter. This measure, which includes wages and salaries, supplements, and employer contributions to employee-benefit plans, rose 4.4 percent during the fourth quarter of 1984. (Part of the first-quarter increase reflected changes in employer contributions to social security which went into effect January 1, 1985.) Real hourly compensation, which is adjusted to take into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased 2.3 percent in the first quarter, the largest increase in 2 years.

Unit labor costs, which reflect changes in productivity and hourly compensation, rose at a 7.8 percent annual rate in the first quarter, the largest increase since the second quarter of 1982. During the fourth quarter of last year, these costs rose 1.2 percent.

The implicit price deflator, which is a measure of price change for the goods and services which comprise business output, increased at an annual rate of 4.8 percent in the first quarter, compared with a 2.2 percent increase one quarter earlier.

Table A. Productivity and costs: Percent change at seasonally adjusted annual rates

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
PRELIMINARY						
Fourth quarter 1984 to first quarter 1985						
Business	-1.9	1.3	3.3	5.7	2.3	7.8
Nonfarm business	-1.2	1.6	2.9	6.0	2.6	7.3
Manufacturing	1.6	0.9	-0.7	6.8	3.4	5.1
Durable	3.3	1.5	-1.7	8.3	4.9	4.9
Nondurable	-1.1	-0.2	0.9	4.3	1.0	5.5
First quarter 1984 to first quarter 1985						
Business	1.6	4.7	3.0	4.1	0.5	2.4
Nonfarm business	1.3	4.3	3.0	4.2	0.7	2.9
Manufacturing	2.5	3.6	1.1	4.7	1.1	2.1
Durable	3.0	5.2	2.1	4.6	1.0	1.6
Nondurable	1.5	1.0	-0.5	4.4	0.8	2.9

Nonfarm business

Productivity declined 1.2 percent during the first quarter of 1985 in nonfarm businesses, as output rose 1.6 percent and hours increased 2.9 percent (seasonally adjusted annual rates). The last decline occurred in the third quarter of 1984 (table 2). Hourly compensation rose 6.0 percent, the largest increase in a year. As a result, unit labor costs increased at a 7.3 percent annual rate during the first quarter, the largest increase since 1982 (when a 7.6 percent rise was recorded during the second quarter). The increases in hourly compensation and unit labor costs partly reflect mandated increases in social security contributions, which will not continue to rise during the remaining quarters of 1985. About 0.4 percentage-points of the increase in hourly compensation is due to the change in these contributions.

Real hourly compensation increased 2.6 percent in the first quarter, compared with a 0.1 percent change during the fourth quarter of 1984. The implicit price deflator for nonfarm business output increased at a 5.5 percent annual rate during the first quarter, the greatest increase since 1982.

Manufacturing

Productivity increased 1.6 percent in manufacturing during the first quarter. The gain reflected a 0.9 percent increase in output, coupled with a 0.7 percent reduction in hours (seasonally adjusted annual rates). During the fourth quarter of 1984, manufacturing productivity had declined (table 3). Hourly compensation rose at a 6.8 percent annual rate in the January-March quarter of 1985, and unit labor costs increased 5.1 percent. Real hourly compensation increased 3.4 percent. Productivity moved in opposite directions in durables and nondurables, increasing at a 3.3 percent annual rate among durable good producers, while falling 1.1 percent in nondurables (tables 4 and 5).

Fourth quarter measures for nonfinancial corporations

Fourth-quarter 1984 measures of productivity and costs were also announced today for the nonfinancial corporate sector, together with revised annual movements (tables B and C). Output per all-employee hour increased 2.5 percent from the third to the fourth quarter of 1984, as output increased 5.2 percent and hours rose 2.6 percent (seasonally adjusted annual rates). Hourly compensation increased 3.7 percent--0.2 percent after allowing for the rise in the CPI-U--and unit labor costs increased 1.2 percent. Unit nonlabor costs rose 1.1 percent, while unit profits increased 16.0 percent. The implicit price deflator for nonfinancial corporate output rose 2.7 percent in the fourth quarter (table 6).

Revised measures

In addition to the revised annual changes in nonfinancial corporate measures shown in table C, manufacturing output levels have been updated to incorporate information from the Bureau of Economic Analysis of the U.S. Department of Commerce, which was not previously available (tables 3-5). Historical listings incorporating the new manufacturing data are available on request from the Bureau of Labor Statistics, Office of Productivity and Technology, Washington, D.C. 20212, (202) 523-9261.

Table B. Nonfinancial corporations: Preliminary fourth quarter and revised annual productivity and cost measures, quarterly change at seasonally adjusted annual rates
Percent

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit Profits	Implicit price deflator
Third quarter 1984 to fourth quarter 1984	2.5	5.2	2.6	3.7	0.2	1.2	16.0	2.7
Fourth quarter 1983 to fourth quarter 1984	1.6	6.6	5.0	3.8	-0.3	2.2	10.9	3.0
1984 annual average	2.3	9.0	6.6	3.5	-0.8	1.1	25.9	3.0

Table C. Nonfinancial corporations: Preliminary and revised 1984 annual change in productivity and cost measures
Percent

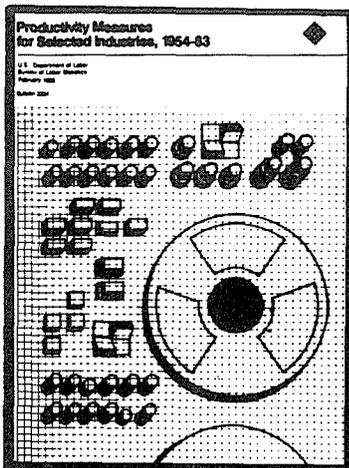
Item	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit Profits	Implicit price deflator
Preliminary	2.3	9.0	6.6	3.4	-0.8	1.1	26.2	3.0
Revised	2.3	9.0	6.6	3.5	-0.8	1.1	25.9	3.0

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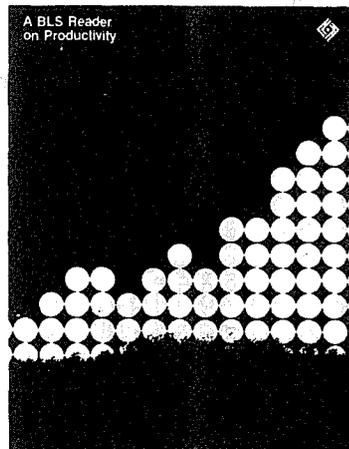
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Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemical and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms 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 of all persons engaged in a sector, they do not measure the specific contributions 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.

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Preliminary Measures for Nonfinancial Corporations

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- 3.5 percent in the business sector,
- 2.5 percent in the nonfarm business sector,
- 0.6 percent in manufacturing,
- 2.7 percent in durable goods manufacturing, and
- 2.5 percent in nondurable goods manufacturing.

First-quarter measures are summarized in table A and appear in detail in tables 1 through 6. Preliminary measures announced today indicate that nonfinancial corporate sector productivity declined 2.8 percent in the first quarter (tables B and 6).

Business

Productivity declined at a 3.5 percent seasonally adjusted annual rate in the first quarter of 1985 in the business sector, as output increased 0.1 percent and hours of all persons engaged in the sector rose 3.7 percent (table 1). This was the first quarter in which productivity declined since the second quarter of 1982 (when it fell 2.3 percent). The increase in output was the smallest since the fourth quarter of 1982 (when output dropped 1.2 percent). The increase in hours was about twice the size of the gain one quarter earlier and reflected faster growth of both employment and average weekly hours.

Hourly compensation increased at a 5.2 percent annual rate during the first quarter. This measure includes the cost to employers of wages and salaries, supplements, payments to employee-benefit plans, and taxes. Real hourly compensation also takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U); during the first quarter, it rose 1.8 percent. Unit labor costs, which reflect changes in both productivity and hourly compensation, rose at a 9.0 percent annual rate during the first quarter, the largest gain since the second quarter of 1982 (when it increased 9.4 percent).

The implicit price deflator for the business sector, which is a measure of price change for business net output, rose 5.3 percent in the first quarter, the largest quarterly gain since the second quarter of 1982 (when it rose 5.4 percent).

-2-

Table A. Productivity and costs: Revised first quarter 1985 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
PRELIMINARY						
Fourth quarter 1984 to first quarter 1985						
Business	-3.5	0.1	3.7	5.2	1.8	9.0
Nonfarm business	-2.5	0.8	3.3	5.4	2.1	8.1
Manufacturing	0.6	0.9	0.2	5.8	2.4	5.1
Durable	2.7	2.0	-0.7	7.2	3.8	4.4
Nondurable	-2.5	-0.9	1.7	3.5	0.2	6.2
First quarter 1984 to first quarter 1985						
Business	1.2	4.4	3.2	3.9	0.4	2.7
Nonfarm business	1.0	4.1	3.1	4.1	0.5	3.1
Manufacturing	2.2	3.6	1.3	4.4	0.8	2.1
Durable	2.9	5.4	2.4	4.4	0.8	1.5
Nondurable	1.1	0.8	-0.3	4.2	0.6	3.0

Nonfarm business

Productivity declined at a 2.5 percent annual rate in the first quarter of 1985 in the nonfarm business sector, compared with a 2.2 percent increase during the fourth quarter of 1984. This was the first nonfarm productivity decline since the third quarter of 1981 (when it fell 1.1 percent). Output growth slowed appreciably from the fourth quarter of 1984 (table 2).

Hourly compensation increased 5.4 percent in the first quarter, and real hourly compensation rose 2.1 percent. Unit labor costs rose at an 8.1 percent annual rate, the largest increase since the fourth quarter of 1981 (when an 12.1 percent increase occurred).

The implicit price deflator for nonfarm business output increased at a 5.9 percent annual rate during the first quarter, compared with a 2.9 percent rise during the fourth quarter of last year. This was the largest increase in nonfarm prices since the fourth quarter of 1981 (when an 8.3 percent increase occurred).

-3-

Manufacturing

Productivity increased 0.6 percent in the first quarter in manufacturing, as output rose 0.9 percent and hours increased 0.2 percent. During the fourth quarter of 1984, productivity declined (table 3). Productivity, output, and hours all moved in opposite directions in durable and nondurable goods industries (see tables A, 4, and 5). The gain in durable goods productivity more than offset the drop among nondurable goods producers, so that the manufacturing sector showed a small gain for the quarter.

Hourly compensation increased at a 5.8 percent annual rate in the first quarter in manufacturing as a whole, or 2.4 percent in real terms after the increase in the CPI-U is taken into account. Unit labor costs rose 5.1 percent during the first 3 months of 1985.

Table B. Productivity and costs in nonfinancial corporations:
Preliminary first quarter 1985 measures
(Seasonally adjusted annual rate)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits
PRELIMINARY							
Fourth quarter 1984 to first quarter 1985							
Nonfinancial corporations	-2.8	0.3	3.2	4.0	0.7	7.0	-1.3
First quarter 1984 to first quarter 1985							
Nonfinancial corporations	0.0	3.8	3.8	3.3	-0.2	3.4	4.9

Nonfinancial corporations

Productivity declined 2.8 percent in the first quarter in nonfinancial corporations, as output increased 0.3 percent and hours of all persons increased 3.2 percent (table B). These corporations, which include all those doing business in the United States with the exception of banks, stock and commodity brokers, and finance and insurance agencies, showed a 2.5 percent productivity gain in the fourth quarter of

-4-

1984. Hourly compensation increased at a 4.0 percent annual rate during the first quarter, or 0.7 percent when the increase in the CPI-U is taken into account. Unit labor costs rose 7.0 percent in the first quarter, and unit profits fell 1.3 percent. During the fourth quarter of last year, these measures rose 1.2 percent and 16.0 percent, respectively (table 6). The implicit price deflator rose 5.7 percent in the first quarter, the largest increase since the fourth quarter of 1981 (when it rose 7.9 percent). Table C shows how the implicit price deflator and the underlying series have behaved since 1980.

Table C. Indexes of price, cost, and profit in nonfinancial corporations
(1977=100)

Measure	1980	1981	1982	1983	1984	1984				1985
						I	II	III	IV	I
Implicit price deflator	126.4	138.9	146.3	150.9	155.4	153.6	154.6	156.1	157.1	159.3
Total unit costs	131.7	143.6	154.3	155.2	156.4	155.0	155.0	157.5	158.0	160.0
Unit labor costs	131.2	140.9	150.6	151.8	153.6	152.5	152.3	154.5	155.0	157.6
Unit nonlabor costs	133.0	151.2	164.8	164.9	164.3	162.0	162.8	165.9	166.4	168.6
Unit profits	86.0	102.6	84.6	117.2	147.6	143.2	151.1	145.3	150.7	150.3

Revised measures

Preliminary and revised productivity and cost measures for the first quarter are compared in table D for the business and manufacturing sectors. The revised output measures show smaller gains than preliminary series, while hours of labor input have been revised upward somewhat. As a result, business sector productivity measures show larger declines than were reported a month ago, based on information then available. In manufacturing, productivity growth was slower.

-5-

Table D. Preliminary and revised productivity and related measures,
 first quarter 1985
 Percent change from previous quarter
 (Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Preliminary	-1.9	1.3	3.3	5.7	2.3	7.8
Revised	-3.5	0.1	3.7	5.2	1.8	9.0
Nonfarm business:						
Preliminary	-1.2	1.6	2.9	6.0	2.6	7.3
Revised	-2.5	0.8	3.3	5.4	2.1	8.1
Manufacturing:						
Preliminary	1.6	0.9	-0.7	6.8	3.4	5.1
Revised	0.6	0.9	0.2	5.8	2.4	5.1

-6-

TECHNICAL NOTES

Business sector output is equal to gross national product, less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemical and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms 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 of all persons engaged in a sector, they do not measure the specific contributions 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.

News

United States
Department
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Bureau of Labor Statistics

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PRODUCTIVITY AND COSTS
Second Quarter 1985

The Bureau of Labor Statistics of the U.S. Department of Labor today reported preliminary productivity statistics--as measured by output per hour of all persons--for the second quarter of 1985. The seasonally-adjusted annual rates of productivity increase in major sectors of the economy from the first to the second quarter of 1985 were:.

0.5 percent in the business sector,
0.5 percent in the nonfarm business sector,
7.5 percent in manufacturing,
7.3 percent in durable goods manufacturing, and
8.0 percent in nondurable goods manufacturing.

Second-quarter measures are summarized in table A and appear in detail in tables 1 through 6.

Business

Productivity increased at a 0.5 percent seasonally adjusted annual rate in the second quarter of 1985 in the business sector, as output increased 1.8 percent and hours of all persons increased 1.3 percent (table 1). During the first quarter, productivity declined 3.9 percent; although output showed no growth during the first quarter, hours rose 4.1 percent. The smaller increase in hours during the second period reflected slower employment gains and a decline in the length of the average work-week compared with the first quarter.

Hourly compensation increased at a 3.3 percent annual rate during the second quarter, compared with 4.8 percent increase in the first quarter. This measure includes the cost to employers of wages and salaries, supplements, payments to employee-benefit plans, and taxes. Real hourly compensation, which also takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), declined 0.8 percent in the second quarter, compared with a 1.4 percent gain during the first quarter. This was the first quarter of declining real hourly compensation in a year. Unit labor costs, which reflect changes in both productivity and hourly compensation, increased 2.8 percent in the second quarter. During the first quarter, these costs rose at a 9.1 percent annual rate.

The implicit price deflator for the business sector, which is a measure of price change for business net output, rose 2.1 percent in the second quarter, compared with 5.0 percent gain during the first quarter.

Table A. Productivity and cost: Percent change at (Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
PRELIMINARY						
First quarter to second quarter 1985						
Business	0.5	1.8	1.3	3.3	-0.8	2.8
Nonfarm business	0.5	1.9	1.4	3.4	-0.7	2.9
Manufacturing	7.5	2.5	-4.7	4.7	0.5	-2.6
Durable	7.3	1.6	-5.3	4.8	0.6	-2.3
Nondurable	8.0	3.9	-3.7	4.7	0.5	-3.0
First quarter 1984 to first quarter 1985						
Business	0.1	2.1	2.1	4.2	0.5	4.2
Nonfarm business	-0.4	1.9	2.3	3.9	0.3	4.3
Manufacturing	3.5	2.4	-1.0	4.8	1.1	1.3
Durable	3.6	3.2	-0.4	4.8	1.1	1.2
Nondurable	3.2	1.4	-1.8	4.7	1.0	1.4

Nonfarm business

Productivity in the nonfarm business sector also rose 0.5 percent in the second quarter reflecting gains in the output and hours of 1.9 percent and 1.4 percent, respectively (table 2). During the first quarter, nonfarm productivity declined 3.1 percent. (Productivity changes in business and nonfarm business were identical in the second quarter since there was little change in farm productivity during the period.)

Hourly compensation increased 3.4 percent in the second quarter, compared with a 5.0 percent gain during the first quarter. After allowing for the increase in the CPI-U, real hourly compensation declined 0.7 percent. Unit labor costs rose 2.9 percent, a considerably smaller rise than the 8.4 percent increase in the first quarter.

The implicit price deflator rose 2.7 percent in the second quarter, compared with a 5.5 percent increase during the first quarter.

Manufacturing

Output per hour of all persons increased 7.5 percent in manufacturing during the second quarter, as output rose 2.5 percent and hours of all persons decreased 4.7 percent (table 3). Although productivity grew strongly in both durable and nondurable goods manufacturing, output increased faster in nondurables (tables 4, 5).

Hourly compensation increased at a 4.7 percent annual rate in the second quarter in manufacturing as a whole, or 0.5 percent in real terms after the increase in the CPI-U is taken into account. Unit labor costs declined 2.6 percent during the period.

Revised measures

The manufacturing productivity and cost measures in tables 3-5 reflect the revised Index of Industrial Production prepared by the Board of Governors of the Federal Reserve. Historical measures are available on request from the Office of Productivity and Technology, Bureau of Labor Statistics, Washington, D.C. 20212, telephone (202) 523-9261. Revised output and compensation measures from the Bureau of Economic Analysis which are usually introduced at this time of year, are scheduled for announcement in December 1985, and will appear in the January 1986 issue of Productivity and Costs.

Preliminary and revised productivity and cost measures for nonfinancial corporations for the first quarter are compared in table B. The decline in output per all-employee hour in the first quarter is smaller than was reported on May 29, based on information then available.

Table B. Nonfinancial corporations: Preliminary and revised first quarter 1985 productivity and cost measures, quarterly change at seasonally adjusted annual rate
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Item	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
Preliminary	-2.8	0.3	3.2	4.0	0.7	7.0	-1.3	5.7
Revised	-2.5	0.6	3.3	3.9	0.6	6.6	-1.0	5.1

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PRODUCTIVITY AND COSTS

Second Quarter 1985

Revised Data for Business, Nonfarm Business, and Manufacturing,
and Preliminary Measures for Nonfinancial Corporations

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 1985. The measures show these seasonally adjusted annual rates of productivity change for the second quarter of 1985:

- 1.3 percent in the business sector,
- 1.0 percent in the nonfarm business sector,
- 7.5 percent in manufacturing,
- 7.1 percent in durable goods manufacturing, and
- 8.3 percent in nondurable goods manufacturing.

Second-quarter measures are summarized in table A and appear in detail in tables 1 through 6. Preliminary measures announced today indicate that productivity in nonfinancial corporations declined 0.3 percent in the second quarter (tables B and 6).

Business

Productivity advanced 1.3 percent in the second quarter of 1985, as output rose 2.4 percent and hours of all persons engaged in the sector increased 1.1 percent (seasonally adjusted annual rates). This was the smallest gain in hours of all persons since the recovery began in the fourth quarter of 1982. During the first quarter, productivity declined 3.9 percent and output showed no growth at all (table 1). The slower rate of increase in hours during the second quarter reflected both slower employment gains and a decline in average weekly hours compared with the first quarter.

Hourly compensation measures the cost to employers of wages and salaries, supplements, payments to employee-benefit plans, and taxes. During the second quarter, these outlays increased at a 3.3 percent annual rate in the business sector, compared with a 4.8 percent rise during the first quarter. After allowing for the increase in the Consumer Price Index for All Urban Consumers (CPI-U), real hourly compensation declined 0.9 percent in the second quarter. Unit labor costs (compensation per unit of output) increased 1.9 percent in the second quarter. This was a considerably smaller increase than the 9.1 percent gain during the first quarter and partly reflected the resumption of productivity growth in the second quarter.

The price deflator for business output increased 2.0 percent in the second quarter, compared with a 5.0 percent gain during the first quarter of 1985.

-2-

Table A. Productivity and costs: Percent change at annual rate
(Seasonally adjusted)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
REVISED						
First quarter 1985 to second quarter 1985						
Business	1.3	2.4	1.1	3.3	-0.9	1.9
Nonfarm business	1.0	2.2	1.2	3.3	-0.8	2.3
Manufacturing	7.5	2.6	-4.5	4.8	0.6	-2.5
Durable	7.1	1.5	-5.2	4.9	0.7	-2.0
Nondurable	8.3	4.5	-3.6	4.8	0.6	-3.3
Second quarter 1984 to second quarter 1985						
Business	0.3	2.3	2.0	4.2	0.5	3.9
Nonfarm business	-0.3	2.0	2.3	3.9	0.2	4.2
Manufacturing	3.5	2.5	-0.9	4.8	1.1	1.3
Durable	3.5	3.1	-0.4	4.8	1.1	1.3
Nondurable	3.3	1.5	-1.8	4.7	1.0	1.4

Nonfarm business

Nonfarm business productivity increased at a 1.0 percent annual rate during the second quarter, as output rose 2.2 percent and hours of all persons increased at a 1.2 percent annual rate. During the first quarter, productivity declined in this sector as output grew little but hours increased 3.7 percent (table 2).

Hourly compensation increased at a 3.3 percent annual rate in the second quarter, compared with a 5.0 percent gain from January to March. After allowing for the increase in the CPI-U, real hourly compensation declined at a 0.8 percent annual rate in the second quarter. Unit labor costs rose at a 2.3 percent annual rate, compared with an 8.4 percent gain during the first quarter. The implicit price deflator for the nonfarm business sector rose 2.8 percent, compared with a 5.5 percent rise in the first quarter.

Manufacturing

Productivity increased at an annual rate of 7.5 percent in the second quarter in manufacturing, much more rapidly than in the larger and more comprehensive business sectors reported above. (Manufacturing accounts for about 25 percent of the business sector.) Output of durable and nondurable

-3-

manufacturing businesses rose at a 2.6 percent annual rate during the second quarter. At the same time, hours of all persons engaged in manufacturing declined. The productivity increase was the largest quarterly gain since the third quarter of 1983. The decline in hours reflected both employment cuts and reductions in the length of the average work week in both durable and nondurable subsectors (tables 3-5).

Hourly compensation increased at a 4.8 percent annual rate in the second quarter compared with a 5.6 percent gain in the first quarter. However, when the rise in the CPI-U is taken into account, real hourly compensation increased 0.6 percent in the second quarter and 2.2 percent in the first. Unit labor costs declined at a 2.5 percent annual rate during the second quarter, after having posted a 5.1 percent gain during the first quarter.

Table B. Productivity and costs in nonfinancial corporations:
Percent change at annual rate
(Seasonally adjusted)

Sector	Produc- tivity	Output	Hours	Hourly compen- sation	Real hourly compen- sation	Unit labor costs	Unit profits
PRELIMINARY							
First quarter 1985 to second quarter 1985							
Nonfinancial corporations	-0.3	1.8	2.1	2.9	-1.2	3.2	-2.7
Second quarter 1984 to second quarter 1985							
Nonfinancial corporations	-0.7	1.9	2.7	3.5	-0.2	4.2	-1.2

Nonfinancial corporations

Productivity of employees of nonfinancial corporations declined at a 0.3 percent annual rate in the second quarter, according to preliminary measures also reported today (table B). During the first quarter, nonfinancial corporate productivity fell 2.5 percent. Hourly compensation increased 2.9 percent in the second quarter, but fell 1.2 percent when the rise in the CPI-U is taken into account. Unit labor cost rose 3.2 percent in the second quarter, while unit nonlabor payments increased 2.0 percent. Unit profits fell at a 2.7 percent annual rate during the second quarter, compared with a 1.0 percent decline in the first quarter. The implicit price deflator for nonfinancial corporate output rose 2.8 percent in the second quarter (table 6).

Revised measures

The latest productivity and cost measures for the second quarter of 1985 show larger gains in business sector productivity than had been reported on July 25, based on information then available. The upward revision in output in the business sector partly reflects improved information on farm output which is reflected in the measure for the business sector. Table C compares preliminary and revised productivity and cost measures for the second quarter.

Table C. Preliminary and revised productivity and related measures, second quarter 1985
Percent change from previous quarter at annual rate
(Seasonally adjusted)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Preliminary	0.5	1.8	1.3	3.3	-0.8	2.8
Revised	1.3	2.4	1.1	3.3	-0.9	1.9
Nonfarm business:						
Preliminary	0.5	1.9	1.4	3.4	-0.7	2.9
Revised	1.0	2.2	1.2	3.3	-0.8	2.3
Manufacturing:						
Preliminary	7.5	2.5	-4.7	4.7	0.5	-2.6
Revised	7.5	2.6	-4.5	4.8	0.6	-2.5

-5-

TECHNICAL NOTES

Business sector output is equal to gross national product, less the rest-of-the-world sector, general government, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, and the statistical discrepancy in computing the national income accounts. Corresponding exclusions are also made in labor inputs. Business output has accounted for about 77 percent of gross national product in recent years.

Total manufacturing measures are computed by summing series prepared for the durable and nondurable goods sectors.

The durable sector includes the following 2-digit SIC industries: Primary metals; fabricated metal products; nonelectrical machinery; electrical machinery; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass products; and miscellaneous manufactures. The nondurable sector includes the following 2-digit SIC industries: Textile mill products, apparel products, leather and leather products, printing and publishing, chemical and chemical products, petroleum products, rubber and plastic products, foods, and tobacco products.

Manufacturing output has accounted for about 24 percent of gross national product in recent years.

Nonfinancial corporate output is equal to gross national product, less the rest-of-the-world sector, general government, unincorporated business, output of paid employees of private households and nonprofit institutions, rental value of owner-occupied dwellings, the output of corporations engaged in banking, finance, stock and commodity trading, and credit and insurance agencies, and the statistical discrepancy in computing the national income accounts. Nonfinancial corporate output has accounted for about 59 percent of gross national product in recent years.

The productivity and associated cost measures in this news release describe the relationship between output in real terms 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 of all persons engaged in a sector, they do not measure the specific contributions 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.

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PRODUCTIVITY AND COSTS

Third Quarter 1985

The Bureau of Labor Statistics of the U.S. Department of Labor today reported preliminary productivity statistics--as measured by output per hour of all persons--for the third quarter of 1985. The seasonally adjusted annual rates of increase in major sectors of the economy from the second to the third quarter of 1985 were:

- 3.0 percent in the business sector,
- 1.2 percent in the nonfarm business sector,
- 2.4 percent in manufacturing,
- 2.7 percent in durable goods manufacturing, and
- 2.0 percent in nondurable goods manufacturing.

Third-quarter measures are summarized in table A and appear in detail in tables 1 through 6.

Business

Productivity increased at a 3.0 percent seasonally adjusted annual rate in the third quarter of 1985 in the business sector, as output grew 3.3 percent and hours of all persons increased 0.3 percent (table 1). During the second quarter, productivity had increased 1.5 percent as output and hours rose 2.7 percent and 1.2 percent, respectively. The slower rate of growth in hours in the third quarter reflected a continued slowing in employment growth and a further decline in the length of the average work week.

Hourly compensation increased at a 5.6 percent annual rate in the third quarter, compared with a 3.3 percent rise during the second quarter. This measure includes the cost to employers of wages and salaries, supplements, payments to employee-benefit plans, and taxes. Real hourly compensation, which also takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased 3.1 percent in the third quarter, compared with a 0.9 percent decline during the second period. Unit labor costs, which reflect changes in productivity and hourly compensation, increased at a 2.6 percent annual rate during the third quarter, compared with a 1.7 percent gain in the second quarter.

Table A. Productivity and costs: Percent change at seasonally adjusted annual rates

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
PRELIMINARY						
Second quarter to third quarter 1985						
Business	3.0	3.3	0.3	5.6	3.1	2.6
Nonfarm business	1.2	3.2	2.0	3.9	1.4	2.7
Manufacturing	2.4	2.3	-0.1	2.9	0.5	0.5
Durable	2.7	1.8	-0.9	3.9	1.5	1.2
Nondurable	2.0	3.0	1.0	1.4	-1.0	-0.6
Third quarter 1984 to third quarter 1985						
Business	0.9	2.7	1.8	4.5	1.1	3.6
Nonfarm business	0.4	2.7	2.3	4.0	0.6	3.6
Manufacturing	2.2	1.3	-0.9	4.6	1.2	2.4
Durable	2.1	1.0	-1.1	5.1	1.7	2.9
Nondurable	2.3	1.7	-0.6	3.8	0.4	1.4

Nonfarm business

Productivity in the nonfarm business sector increased at a 1.2 percent annual rate in the third quarter, as output rose 3.2 percent and hours of all persons engaged in the sector rose 2.0 percent. During the second quarter, the same increase in productivity reflected slower growth in both output and hours (table 2). Although output growth was similar in business and nonfarm business, differences in hours growth resulted in a larger business productivity gain as farm hours declined sharply.

Hourly compensation increased at a 3.9 percent annual rate in the third quarter, and unit labor costs--compensation per unit of output--rose 2.7 percent. Real hourly compensation increased 1.4 percent in the third quarter in the nonfarm business sector.

Manufacturing

In manufacturing, output per hour of all persons increased at a 2.4 percent annual rate during the third quarter, as output rose 2.3 percent and hours of all persons declined 0.1 percent. During the second quarter, productivity increased at a 6.8 percent annual rate; output rose 2.0 percent while hours dropped 4.5 percent (table 3).

Hourly compensation increased at a 2.9 percent annual rate, compared with a 4.8 percent gain during the second quarter. Unit labor costs increased 0.5 percent, compared with a 1.9 percent decline in the second quarter (seasonally adjusted annual rates). Real hourly compensation increased 0.5 percent in the third quarter for persons engaged in manufacturing.

Although productivity increased faster among durable goods producers, output and hours were both weaker than among nondurable goods manufacturers (tables 4 and 5).

Nonfinancial corporations: revised second quarter measures

Productivity in nonfinancial corporations declined 0.3 percent in the second quarter, according to revised measures announced today. This sector includes all corporations doing business in the United States, except banks, finance and insurance agencies, and stock and commodity brokers. Output rose 1.9 percent while hours of all employees increased 2.2 percent (seasonally adjusted annual rates). These changes are based on the most complete measures of output, compensation, and labor input available; table B compares them with the results reported on August 27, based on preliminary information.

Table B. Preliminary and revised productivity and related measures for nonfinancial corporations, second quarter 1985
Percent change from previous quarter at annual rate
(Seasonally adjusted)

Item	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit nonlabor costs	Unit profits
Preliminary	-0.3	1.8	2.1	2.9	-1.2	3.2	4.1	-2.7
Revised	-0.3	1.9	2.2	3.0	-1.2	3.3	4.3	-3.9

News

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PRODUCTIVITY AND COSTS

Third Quarter 1985

Revised Data for Business, Nonfarm Business, and Manufacturing and
Preliminary Measures for Nonfinancial Corporations

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 third quarter of 1985. The seasonally adjusted annual rates of productivity increase were:

- 3.7 percent in the business sector,
- 2.1 percent in the nonfarm business sector,
- 3.7 percent in manufacturing,
- 3.5 percent in durable goods manufacturing, and
- 3.9 percent in nondurable goods manufacturing.

Revised third-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Preliminary measures announced today indicate that productivity in nonfinancial corporations increased 4.5 percent in the third quarter (tables B and 6).

Business

Productivity advanced 3.7 percent in the third quarter of 1985, as output rose 3.9 percent and hours of all persons engaged in the sector increased 0.2 percent (seasonally adjusted annual rates). During the second quarter, productivity, output, and hours increased 1.5 percent, 2.7 percent, and 1.2 percent, respectively. The third-quarter productivity gain was the largest in more than a year, and the increase in hours was the smallest since the recovery began in the first quarter of 1983 (table 1).

Hourly compensation measures the cost to employers of wages and salaries, supplements, payments to employee-benefit plans, and taxes. During the third quarter, these costs rose 5.4 percent, compared with a 3.3 percent gain during the second quarter. After allowing for the increase in the Consumer Price Index for All Urban Consumers (CPI-U), real hourly compensation increased 3.0 percent in the third quarter, compared with a 0.9 percent decline during the second quarter. Unit labor costs (compensation per unit of output) increased 1.6 percent in the third quarter.

The price deflator for business output increased 1.5 percent in the third quarter, compared with a 1.8 percent rise during the second quarter.

-2-

Table A. Productivity and costs: Percent change at annual rates
(Seasonally adjusted)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
REVISED						
Second quarter to third quarter 1985						
Business	3.7	3.9	0.2	5.4	3.0	1.6
Nonfarm business	2.1	3.9	1.8	3.7	1.3	1.6
Manufacturing	3.7	3.3	-0.3	3.0	0.6	-0.7
Durable	3.5	2.3	-1.2	3.8	1.4	0.3
Nondurable	3.9	4.9	0.9	1.7	-0.7	-2.1
Third quarter 1984 to third quarter 1985						
Business	1.1	2.9	1.8	4.5	1.1	3.3
Nonfarm business	0.6	2.9	2.3	3.9	0.6	3.3
Manufacturing	2.5	1.5	-1.0	4.6	1.2	2.1
Durable	2.3	1.1	-1.2	5.1	1.7	2.7
Nondurable	2.8	2.2	-0.6	3.9	0.5	1.0

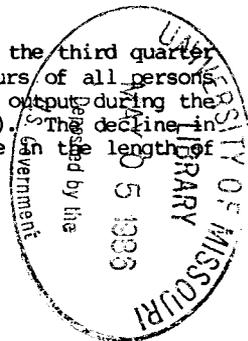
Nonfarm business

Nonfarm business productivity increased at a 2.1 percent annual rate during the third quarter, as output and hours increased 3.9 percent and 1.8 percent, respectively (table 2). Although output growth was the same in both the business and nonfarm business sectors, differences in hours movements resulted in faster productivity gains in the business sector, which includes the effects of declines in farm hours during the third quarter.

Hourly compensation increased 3.7 percent in the third quarter (1.3 percent when the effect of the CPI-U is included), and unit labor costs increased 1.6 percent. The implicit price deflator for the nonfarm business sector increased 2.1 percent in the third quarter (seasonally adjusted annual rate).

Manufacturing

Productivity increased at a 3.7 percent annual rate in the third quarter in manufacturing, as output increased 3.3 percent while hours of all persons engaged in the sector slipped 0.3 percent. The increase in output during the July-September period was the strongest in a year (table 3). The decline in payroll hours reflected a drop in employment and an increase in the length of the manufacturing work week.



-3-

Hourly compensation expenditures of manufacturing establishments increased at a 3.0 percent annual rate during the third quarter, compared with a 4.8 percent gain during the second period. After allowing for the change in the CPI-U, real hourly compensation increased 0.6 percent in both the second and third quarters of 1985. Unit labor costs declined at a 0.7 percent annual rate in the third quarter, the second consecutive decline in this series.

Table B. Productivity and costs in nonfinancial corporations:
Percent change at annual rate
(Seasonally adjusted)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits
PRELIMINARY							
Second quarter 1985 to third quarter 1985							
Nonfinancial corporations	4.5	5.2	0.7	3.3	0.9	-1.1	33.7
Third quarter 1984 to third quarter 1985							
Nonfinancial corporations	1.0	3.2	2.2	3.5	0.1	2.5	10.2

Nonfinancial corporations

Productivity of employees of nonfinancial corporations increased at a 4.5 percent annual rate in the third quarter, according to preliminary measures also announced today (table B). Productivity had declined in three of the four preceding quarters in this sector, which includes all corporations doing business in the United States, with the exception of banks, credit and insurance agencies, and stock and commodity brokers (table 6). Hourly compensation increased 3.3 percent in the third quarter, but rose only 0.9 percent when the increase in the CPI-U was taken into account. Unit labor costs declined at a 1.1 percent annual rate in the third quarter, compared with a 3.3 percent increase one quarter earlier. Unit profits rose at a 33.7 percent annual rate during the third period, compared with small declines in the first 2 quarters of 1985. The implicit price deflator for nonfinancial corporate output increased 1.9 percent.

-4-

Table C. Preliminary and revised productivity and related measures. third quarter 1985
 Percent change from previous quarter at annual rate
 (Seasonally adjusted)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Preliminary	3.0	3.3	0.3	5.6	3.1	2.6
Revised	3.7	3.9	0.2	5.4	3.0	1.6
Nonfarm business:						
Preliminary	1.2	3.2	2.0	3.9	1.4	2.7
Revised	2.1	3.9	1.8	3.7	1.3	1.6
Manufacturing:						
Preliminary	2.4	2.3	-0.1	2.9	0.5	0.5
Revised	3.7	3.3	-0.3	3.0	0.6	-0.7

Revised measures

The latest productivity and cost measures for the third quarter of 1985 show larger productivity gains than had been reported on October 28, based on information then available. Upward revisions in output and small downward revisions in hours of all persons contributed to the faster productivity gains reported in the revised measures. Table C compares preliminary and revised productivity and cost measures for the third quarter.

Productivity and Costs measures for the fourth quarter of 1985 will be released on Wednesday, January 29, 1986, at 10:00 A.M. (EST). Tentative release dates for 1986 are:

Reference period	Preliminary measures	Revised measures
1985:		
Fourth quarter	January 29	February 27
1986:		
First quarter	April 24	May 28
Second quarter	July 29	August 26
Third quarter	October 28	November 25

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News

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PRODUCTIVITY AND COSTS

Fourth Quarter
and Annual Averages, 1985

The Bureau of Labor Statistics of the U.S. Department of Labor today reported preliminary productivity statistics--as measured by output per hour of all persons--for the fourth quarter of 1985 and for the year as a whole. Productivity decreased from the third quarter to the fourth quarter in the business sector at a 1.3 percent annual rate; among nonfarm businesses, it declined 1.8 percent. Manufacturing productivity decreased 1.5 percent in the same period.

The seasonally-adjusted annual rates of productivity change in the fourth quarter for major sectors of the economy are:

- 1.3 percent in the business sector,
- 1.8 percent in the nonfarm business sector,
- 1.5 percent in manufacturing,
- 1.1 percent in durable goods manufacturing, and
- 2.1 percent in nondurable goods manufacturing.

Fourth-quarter measures are summarized in table A and appear in detail in tables 1 through 5.

THIRD TO FOURTH QUARTER CHANGES, 1985

Business

The 1.3 percent productivity decline in the fourth quarter of 1985 in the business sector reflected a 2.5 percent increase in output and a 3.9 percent increase in hours (seasonally adjusted annual rates). During the third quarter, productivity advanced 1.9 percent in this sector. The fourth-quarter decline was the first in a year and the largest in 4 years. Although output grew by the same amount in the third and fourth quarters of 1985, hours advanced more rapidly during the fourth quarter than in the third (table 1).

Hourly compensation, which includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes, increased at a 4.1 percent annual rate, somewhat slower than the 4.5 percent rise in the third period. Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), was unchanged in the

Table A. Productivity and costs: Preliminary fourth quarter 1985 measures (Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	-1.3	2.5	3.9	4.1	0.0	5.5
Nonfarm business	-1.8	2.6	4.5	3.5	-0.5	5.4
Manufacturing	-1.5	1.4	2.9	3.2	-0.8	4.8
Durable	-1.1	1.6	2.7	4.8	0.7	5.9
Nondurable	-2.1	1.1	3.2	0.5	-3.4	2.7
Percent change from same quarter a year ago						
Business	0.4	2.7	2.3	4.2	0.7	3.8
Nonfarm business	-0.1	2.8	2.8	3.7	0.2	3.8
Manufacturing	2.3	1.8	-0.4	4.0	0.5	1.7
Durable	2.4	1.3	-1.1	4.8	1.3	2.3
Nondurable	2.1	2.6	0.5	2.8	-0.7	0.7

fourth quarter, compared with a 2.0 percent increase during the third quarter. Unit labor costs, which reflect the interaction of changes in productivity and hourly compensation, increased 5.5 percent in the closing quarter of 1985, the largest advance since the third quarter of 1982 (when they rose 7.0 percent).

The implicit price deflator, which measures price change for the goods and services comprising business output, rose at a 2.7 percent annual rate, compared with a 2.0 percent gain in the third quarter.

Nonfarm business

Productivity also declined in the nonfarm business sector, as output growth remained steady while the growth of hours accelerated from the third to the fourth quarter. The 1.8 percent productivity decline in the October-December period reflected a 2.6 percent increase in output and a 4.5 percent gain in hours of all persons engaged in the sector (seasonally adjusted annual rates). The last productivity declines in this sector were recorded in the third and fourth quarters of 1984, when productivity dropped 1.2 percent during each quarter. The increase in hours was the largest in this sector since an 8.8 percent increase occurred during the first quarter of 1984 (table 2).

Hourly compensation increased at a 3.5 percent annual rate, but real hourly compensation declined 0.5 percent when the rise in the CPI-U was taken into account. Unit labor costs increased 5.4 percent (the largest gain since the third quarter of 1982). The nonfarm business implicit price deflator rose 2.0 percent in the fourth quarter.

Manufacturing

Productivity also declined in manufacturing during the fourth quarter as output grew more slowly than hours in both durable and nondurable goods-producing industries (tables 3-5). As in the more comprehensive business sectors, the fourth-quarter decline was the first productivity drop in a year. In manufacturing as a whole, output rose only 1.4 percent in the final quarter while payroll hours increased 2.9 percent (seasonally adjusted annual rates.)

Hourly compensation of manufacturing workers rose at a 3.2 percent annual rate in the fourth quarter, but fell slightly when the rise in the CPI-U was taken into account. In the fourth quarter, real hourly compensation was somewhat lower than during the first quarter and about 2 percent lower than the 1978 first-quarter peak in this series. Unit labor costs rose 4.8 percent in the fourth quarter, the largest gain in this measure in a year.

ANNUAL CHANGES, 1984-1985

Business

Business productivity in 1985 was only 0.3 percent higher than in 1984, as output advanced 2.8 percent and hours rose 2.4 percent (table B). The gain in employment in 1985 (2.9 percent) was a good deal smaller than the increase in 1984 (5.1 percent), and average weekly hours declined in 1985 for the first time since 1982.

Hourly compensation increased 4.0 percent in 1985, about the same increase as in 1984. However, since the rate of increase in the CPI-U declined from 4.3 percent in 1984 to 3.6 percent in 1985, real hourly compensation rose slightly in 1985, reversing the decline of 1984.

The increase in unit labor costs (3.7 percent) was close to the increase in hourly compensation (4.0 percent) since there was little gain in productivity in 1985. The implicit price deflator increased a modest 2.7 percent, the smallest annual increase since 1967.

Nonfarm business

Productivity in the nonfarm business sector was unchanged from 1984 to 1985, as output and hours increased by identical amounts (2.8 percent). Since there was no improvement in productivity, the increase in unit labor costs was the same as the increase in hourly compensation--3.7 percent. In 1984, hourly

Table B. Productivity and costs: Preliminary 1985 annual measures

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Annual percent change, 1984 - 1985						
Business	0.3	2.8	2.4	4.0	0.5	3.7
Nonfarm business	0.0	2.8	2.8	3.7	0.1	3.7
Manufacturing	2.6	2.4	-0.2	4.4	0.8	1.7
Durable	2.9	2.9	0.0	4.6	1.0	1.7
Nondurable	2.2	1.7	-0.5	3.8	0.3	1.6

compensation rose by the same amount, but since productivity growth partly offset the increase, unit labor costs increased only 2.0 percent. Real hourly compensation edged up 0.1 percent in 1985; a 0.5 percent decline occurred in 1984. The nonfarm business implicit price deflator increased 3.3 percent in 1985, the smallest increase since 1967.

Manufacturing

Manufacturing productivity posted the smallest annual improvement since the recovery began in 1983. The 2.6 percent increase in output per hour of all persons between 1984 and 1985 reflected modest growth in output (2.4 percent), coupled with lower employment and a shorter work-week. The decline in employment was confined to nondurables.

Hourly compensation grew more in 1985 (4.4 percent) than in 1984 (3.7 percent) and, coupled with slower productivity gains, contributed to a modest rise in unit labor costs. These costs had declined in both 1984 and 1983. (The longest period of no growth in unit labor costs was 1961-65.) Real hourly compensation increased 0.8 percent in 1985, compared with a small decline a year earlier.

REVISED THIRD QUARTER 1985 MEASURES

Nonfinancial corporations

The Bureau of Labor Statistics also reported revised measures for the third quarter of 1985 for nonfinancial corporations (table C). Productivity increased less rapidly in the third quarter than had been reported on December 2, 1985, based on preliminary information then available. Changes in productivity and related measures for 1984 and 1985 are shown in table 6.

Table C. Preliminary and revised productivity and related measures for nonfinancial corporations, third quarter 1985
 Percent change from previous quarter at annual rate
 (Seasonally adjusted)

Item	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit nonlabor costs	Unit profits
Preliminary	4.5	5.2	0.7	3.3	0.9	-1.1	-2.4	33.7
Revised	2.8	3.8	1.0	2.8	0.4	0.0	-3.2	36.0

NOTE: These measures of productivity and costs are based on revised output and compensation series prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce, as part of the comprehensive revision of the National Income and Product Accounts announced on December 20, 1985. In addition, seasonal and other adjustment factors based on the new information have also been introduced.

Data for prior years are shown in appendix tables 1 through 6. Quarterly information is available from the Bureau of Labor Statistics, Office of Productivity and Technology, Washington, D.C. 20212, telephone (202) 523-9261.

Indexes based on these revised data are also now available on the new Major Sector Labor and Multifactor Productivity BLS Data Diskette, formatted for use on IBM-compatible microcomputers with Lotus 1-2-3 Version 1A or Version 2 at a cost of \$35. Contact BLS Data Diskettes, Room 2127, 441 G Street N.W., Washington, D.C. 20212, or telephone (202) 523-1090, for further information.

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For Release: 10:00 AM EST
Thursday, February 27, 1986

PRODUCTIVITY AND COSTS

Revised Fourth-Quarter and Annual Data for
 Business, Nonfarm Business, and Manufacturing and ~~Preliminary~~ *also*
 1985 Annual Measures for Nonfinancial Corporations

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 fourth quarter of 1985 and for the year as a whole. Based on more complete information than was available on January 29, the revised measures of seasonally-adjusted annual rates of productivity change in the fourth quarter show larger declines in business and nonfarm business and somewhat smaller declines in manufacturing:

- 3.1 percent in the business sector,
- 3.1 percent in the nonfarm business sector,
- 1.0 percent in manufacturing,
- 1.3 percent in durable goods manufacturing, and
- 0.6 percent in nondurable goods manufacturing.

Fourth-quarter measures are summarized in table A and appear in detail in tables 1 through 5. The productivity change in 1985 (as measured by the change in annual averages) was 0.2 percent in business, -0.2 percent in nonfarm business, and 2.7 percent in manufacturing. Preliminary measures announced today for nonfinancial corporations indicate that productivity declined -0.1 percent in 1985 (tables B, C, and 6).

Business

Productivity declined at a 3.1 percent annual rate during the fourth quarter of 1985, as output increased 1.1 percent while paid hours rose 4.3 percent (seasonally adjusted annual rates). This was the first quarter since the end of 1984 in which productivity declined and the largest drop since the fourth quarter of 1981, when it declined 5.5 percent (table 1).

Hourly compensation increased at a 3.4 percent annual rate in the fourth quarter, compared with a 4.2 percent rise during the third quarter. This measure, which includes wages and salaries, supplements, and employer payments for employee-benefit plans, grew more rapidly in the previous quarters of 1985. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 6.7 percent annual rate, the largest rise since the third quarter of 1982 when these costs rose 7.2 percent.

Table A. Productivity and costs: Revised fourth quarter 1985 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
REVISED						
Percent change from preceding quarter						
Business	-3.1	1.1	4.3	3.4	-0.8	6.7
Nonfarm business	-3.1	1.5	4.7	3.3	-1.0	6.6
Manufacturing	-1.0	2.0	3.0	3.4	-0.9	4.5
Durable	-1.3	1.5	2.8	5.1	0.8	6.5
Nondurable	-0.6	2.8	3.4	0.6	-3.6	1.2
Percent change from same quarter a year ago						
Business	0.1	2.4	2.3	4.2	0.7	4.1
Nonfarm business	-0.4	2.5	2.9	3.7	0.1	4.1
Manufacturing	2.4	2.0	-0.4	4.1	0.5	1.7
Durable	2.3	1.3	-1.0	4.9	1.3	2.5
Nondurable	2.5	3.0	0.5	2.8	-0.7	0.3

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), fell 0.8 percent in the fourth quarter of 1985, the first decline in a year. The increase in hours in the fourth quarter reflected the largest quarterly gain in employment in 1985 and the only increase in average weekly hours that year.

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, increased 2.4 percent in the fourth quarter, compared with a 2.0 percent increase during the third quarter.

Nonfarm business

Productivity declined 3.1 percent in the nonfarm business sector during the fourth quarter of 1985 as output rose 1.5 percent while hours of all persons engaged in the sector increased 4.7 percent (table 2). Although the productivity change was identical in the business and nonfarm business sectors in the fourth quarter, both output and hours advanced more rapidly in nonfarm business (table A).

Hourly compensation increased at a 3.3 percent annual rate in the nonfarm business sector, but declined 1.0 percent when the change in the CPI-U is taken into account. Unit labor costs rose at a 6.6 percent annual rate, the largest quarterly increase in this series since the third quarter of 1982 (when they rose 7.6 percent). As in the more comprehensive business sector, the increase in hours in the fourth quarter reflected the largest employment gain and the first increase in average weekly hours in 1985.

The implicit price deflator for nonfarm business output rose 1.4 percent in the fourth quarter of last year, the smallest quarterly gain since 1970.

Manufacturing

Productivity declined at an 1.0 percent seasonally-adjusted annual rate in manufacturing in the fourth quarter of 1985, as output rose 2.0 percent and hours of all persons increased 3.0 percent. This decline was the first in manufacturing productivity in a year and the largest in 4 years (table 3). The fourth-quarter gain in paid hours in manufacturing was the first increase in 1985.

Hourly compensation increased at a 3.4 percent annual rate during the fourth quarter, but declined 0.9 percent when the increase in the CPI-U was taken into account, and unit labor costs rose 4.5 percent. During the second and third quarters, these costs declined.

Both durable and nondurable goods subsectors experienced productivity declines in the fourth quarter as hours advanced more rapidly than output (tables 4 and 5).

Nonfinancial corporations

The Bureau of Labor Statistics also reported the annual change in productivity and related measures for nonfinancial corporations for 1985. According to preliminary measures, productivity declined 0.1 percent in 1985 as output increased 2.8 percent but hours of all employees gained 3.0 percent. This was the first annual decline in productivity in this sector since 1980 (when it dropped 0.7 percent). The gains in output and hours in 1985 were both smaller than the increases in 1984 (table 6). Hourly compensation rose 3.1 percent in 1985, but declined 0.4 percent when the increase in the CPI-U is taken into account, and unit labor costs rose 3.3 percent. Unit nonlabor costs rose 1.3 percent, while unit profits increased a modest 5.9 percent. During 1983 and 1984, unit profits gained 37.0 percent and 26.1 percent, respectively. Annual changes in productivity, output, and hours since 1975 are shown in table B.

Revised measures

Revised productivity measures for the fourth quarter of 1985 show larger declines for business and nonfarm business than had been reported on January 29, based on information then available (table C). Output growth was less rapid than in the preliminary measures, while hours--particularly in the farm sector--rose more. In manufacturing, both output gains and increases in hours were larger in the revised measures, while the decline in productivity was somewhat less than in the preliminary release. Preliminary and revised measures are compared in table C.

Table B. Annual changes in productivity, output, and hours, 1975-85

Measure	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Business											
Productivity	2.0	2.8	1.7	0.8	-1.2	-0.3	1.5	-0.4	2.8	2.1	0.2
Output	-2.1	5.8	5.8	5.8	1.9	-1.1	2.1	-3.1	4.3	8.2	2.7
Hours	-4.0	2.9	4.0	4.9	3.2	-0.8	0.7	-2.7	1.5	6.0	2.4
Nonfarm business											
Productivity	1.8	2.6	1.5	0.8	-1.6	-0.4	1.0	-0.6	3.3	1.6	-0.2
Output	-2.3	6.0	5.9	5.9	1.8	-1.1	1.7	-3.3	5.0	8.0	2.7
Hours	-4.0	3.4	4.3	5.1	3.5	-0.7	0.7	-2.7	1.6	6.3	2.8
Manufacturing											
Productivity	2.5	4.6	3.0	1.5	-0.1	0.0	2.2	2.2	6.6	4.9	2.7
Output	-7.5	9.7	7.4	6.0	2.0	-4.5	1.6	-6.1	7.3	11.7	2.5
Hours	-9.7	4.9	4.3	4.4	2.1	-4.5	-0.6	-8.1	0.6	6.5	-0.2
Nonfinancial corporations											
Productivity	2.2	1.8	1.6	0.6	-0.8	-0.7	0.6	0.7	3.6	2.1	-0.1
Output	-3.0	6.4	6.5	6.1	2.8	-1.8	1.6	-3.0	4.7	9.2	2.8
Hours	-5.0	4.6	4.8	5.5	3.7	-1.0	1.0	-3.7	1.1	7.0	3.0

Quarterly changes in the CPI-U have been revised to reflect the most recent information on seasonal variation in this series. This index was affected from 1980 forward by the inclusion of the new data, and can be seen as revised changes in real hourly compensation in all sectors.

In addition, two other changes are introduced with the revised fourth-quarter 1985 measures. (1) A new method for measuring the labor input of 14- and 15-year-old workers has been adopted. These persons contributed less than 0.5 percent of business labor input in 1985. (2) An improved definition of farm workers has been introduced. The new classifications more nearly match the definition of farm activities (agricultural production: crops, and agricultural production: livestock). These definitional changes affected measures of labor input and associated series from 1983 forward, and related changes in the computation of seasonal adjustment factors resulted in small changes extending back to 1980.

Table C. Preliminary and revised productivity and related measures,
fourth quarter and annual changes 1985
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business:						
Preliminary	-1.3	2.5	3.9	4.1	0.0	5.5
Revised	-3.1	1.1	4.3	3.4	-0.8	6.7
Nonfarm business:						
Preliminary	-1.8	2.6	4.5	3.5	-0.5	5.4
Revised	-3.1	1.5	4.7	3.3	-1.0	6.6
Manufacturing:						
Preliminary	-1.5	1.4	2.9	3.2	-0.8	4.8
Revised	-1.0	2.0	3.0	3.4	-0.9	4.5
Annual percent change, 1984 - 1985						
Business:						
Preliminary	0.3	2.8	2.4	4.0	0.5	3.7
Revised	0.2	2.7	2.4	4.1	0.5	3.8
Nonfarm business:						
Preliminary	0.0	2.8	2.8	3.7	0.1	3.7
Revised	-0.2	2.7	2.8	3.7	0.1	3.9
Manufacturing:						
Preliminary	2.6	2.4	-0.2	4.4	0.8	1.7
Revised	2.7	2.5	-0.2	4.4	0.8	1.7

Next release date

The next release of productivity and cost measures is scheduled for 10:00 AM EST, Monday, April 28, 1986. Released at that time will be preliminary measures for the first quarter of 1986 for the business and manufacturing sectors, and preliminary fourth-quarter 1985 series for nonfinancial corporations.

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PRODUCTIVITY AND COSTS
First Quarter 1986

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 1986. The seasonally-adjusted annual rates of productivity change in the first quarter were:

- 2.3 percent in the business sector,
- 3.4 percent in the nonfarm business sector,
- 2.4 percent in manufacturing,
- 2.0 percent in durable goods manufacturing, and
- 3.0 percent in nondurable goods manufacturing.

First-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Productivity rose in all sectors in the first quarter, and combined with moderate gains in hourly compensation, contributed to declining unit labor costs.

Business

Productivity increased at a 2.3 percent annual rate during the first quarter of 1986 in the business sector, as output rose 3.8 percent and hours of all persons engaged in the sector increased 1.4 percent (seasonally adjusted annual rates). During the fourth quarter of 1985, productivity had declined 3.9 percent, as output grew more slowly than hours (table 1). The increase in output during the first three months of 1986 was the largest since the first quarter of 1984 (when output rose at a 13.6 percent annual rate).

Hourly compensation increased at a 1.7 percent annual rate during the first quarter of 1986, the smallest quarterly gain in this series since the third quarter of 1983 (when it rose 1.5 percent). This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, declined at a 0.6 percent annual rate during the first quarter, the first decline in this measure since the first quarter of 1984. During the fourth quarter of 1985, these costs rose at a 7.5 percent annual rate.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased at a 0.2 percent annual rate in the first quarter, compared with a 0.9 percent decline in the fourth quarter of 1985.

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-2-

Table A. Productivity and costs: Preliminary first quarter 1986 measures (Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor cost
PRELIMINARY						
Percent change from preceding quarter						
Business	2.3	3.8	1.4	1.7	0.2	-0.6
Nonfarm business	3.4	4.0	0.6	2.4	0.9	-1.0
Manufacturing	2.4	2.4	0.0	0.9	-0.5	-1.4
Durable	2.0	0.6	-1.4	0.6	-0.8	-1.3
Nondurable	3.0	5.2	2.2	1.8	0.4	-1.1
Percent change from same quarter a year ago						
Business	0.2	2.3	2.0	3.4	0.3	3.2
Nonfarm business	0.0	2.4	2.4	3.1	0.0	3.1
Manufacturing	2.6	2.3	-0.3	2.8	-0.3	0.2
Durable	2.2	1.1	-1.0	3.4	0.3	1.1
Nondurable	3.3	4.2	0.9	2.0	-1.1	-1.3

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, increased 2.0 percent in the first quarter.

Nonfarm business

Productivity increased 3.4 percent in the nonfarm business sector during the first quarter of 1986, as output rose 4.0 percent and hours of all persons increased only 0.6 percent. While the increase in output was the largest since the first quarter of 1984, the gain in nonfarm hours was the smallest since 1982. During the fourth quarter of 1985, productivity declined 4.1 percent in this sector (table 2).

Hourly compensation increased 2.4 percent in the first quarter, but increased only 0.9 percent when the rise in the CPI-U is taken into account. Unit labor costs declined 1.0 percent, compared with a 7.6 percent rise during the fourth quarter of 1985.

The implicit price deflator for the nonfarm business sector rose 2.8 percent in the first quarter, compared with a 1.8 percent increase one quarter earlier.

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-3-

Manufacturing

Productivity increased at a 2.4 percent seasonally-adjusted annual rate in manufacturing in the first quarter of 1986, as output rose 2.4 percent and hours of all persons remained unchanged. During the fourth quarter of 1985, manufacturing productivity declined 1.1 percent, as output rose 1.9 percent and hours increased 3.1 percent (table 3).

Hourly compensation of manufacturing workers increased 0.9 percent during the first quarter, but declined 0.5 percent when the increase in consumer prices in taken into account. Unit labor costs fell at a 1.4 percent annual rate, compared with a 4.7 percent increase during the fourth quarter of 1985.

Both the durable and nondurable goods subsectors experienced productivity increases in the first quarter (tables 4, 5). While output increased in both subsectors and hours of all persons increased in nondurables, hours were lower in durable goods manufacturing.

Table B. Nonfinancial corporations: Preliminary fourth quarter and revised annual productivity and cost measures
Quarterly change at seasonally adjusted annual rates
Percent

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
1985 III-1985 IV	-2.4	0.9	3.3	3.0	-1.2	5.5	-17.5	1.8
1984 IV-1985 IV	0.1	2.5	2.4	3.2	-0.3	3.1	5.3	2.6
1985 Annual	-0.2	2.8	3.0	3.1	-0.4	3.3	5.3	3.1

Fourth quarter measures for nonfinancial corporations

Fourth-quarter 1985 measures of productivity and costs were also announced today for the nonfinancial corporate sector, together with revised annual movement (tables B and C). Output per all-employee hour declined 2.4 percent from the third to the fourth quarter of 1985, as output increased 0.9 percent and all-employee hours increased 3.3 percent. This was the second quarter of 1985 during which productivity declined in this sector (table 6). Hourly compensation increased 3.0 percent, but declined 1.2 percent when the rise in the CPI-U is taken into account. Unit labor costs rose 5.5 percent, unit nonlabor costs increased 1.5 percent, but unit profits dropped 17.5 percent (table 6). The implicit deflator for nonfinancial corporate output increased 1.8 percent in the fourth quarter.

-4-

Table C. Nonfinancial corporations: Preliminary and revised 1985 annual change in productivity and related measures
Percent

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
Preliminary	-0.1	2.8	3.0	3.1	-0.4	3.3	5.9	3.1
Revised	-0.2	2.8	3.0	3.1	-0.4	3.3	5.3	3.1

Next release date

The next release of productivity and cost measures is scheduled for 10:00 AM EDT Thursday, May 29, 1986. Released at that time will be preliminary first-quarter measures for the nonfinancial corporate sector, and revised first quarter measures for business, nonfarm business, and manufacturing.

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News

United States
Department
of Labor



Bureau of Labor Statistics

Washington, D.C. 20212

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PRODUCTIVITY AND COSTS

Revised First-Quarter Measures for
Business, Nonfarm Business and Manufacturing and
Preliminary Measures for Nonfinancial Corporations

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 1986. Based on information now available, the seasonally-adjusted annual rates of productivity change in the first quarter were:

- 2.5 percent in the business sector,
- 3.6 percent in the nonfarm business sector,
- 2.2 percent in manufacturing,
- 2.0 percent in durable goods manufacturing, and
- 2.5 percent in nondurable goods manufacturing.

First-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Productivity rose in all the above sectors in the first quarter and, combined with moderate gains in hourly compensation, contributed to falling unit labor costs. In nonfinancial corporations, however, productivity declined 0.2 percent in the first quarter, as output rose 3.0 percent and all-employee hours increased 3.2 percent (tables B and 6).

Business

Productivity increased at a 2.5 percent annual rate during the first quarter of 1986 in the business sector, as output rose 4.2 percent and hours of all persons engaged in the sector increased 1.7 percent (seasonally adjusted annual rates). During the fourth quarter of 1985, productivity declined 3.9 percent, as output grew more slowly than hours (table 1). The increase in output during the first 3 months of 1986 was the largest since the second quarter of 1984 (when output rose at a 7.5 percent annual rate).

Hourly compensation increased at a 1.4 percent annual rate during the first quarter of 1986, the smallest quarterly gain in this series since 1969 (when it also rose 1.4 percent in the first quarter). This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, declined at a 1.0 percent annual rate during the first quarter, the largest decline since the second quarter of 1983. During the fourth quarter of 1985, these costs rose at a 7.5 percent annual rate.

-2-

Table A. Productivity and costs: Revised first quarter 1986 measures (Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	2.5	4.2	1.7	1.4	0.0	-1.0
Nonfarm business	3.6	4.5	0.9	2.2	0.7	-1.4
Manufacturing	2.2	2.3	0.1	1.0	-0.5	-1.2
Durable	2.0	0.7	-1.2	0.7	-0.8	-1.3
Nondurable	2.5	4.8	2.2	1.9	0.4	-0.7
Percent change from same quarter a year ago						
Business	0.2	2.4	2.1	3.4	0.3	3.1
Nonfarm business	0.0	2.5	2.5	3.0	-0.1	3.0
Manufacturing	2.6	2.4	-0.2	2.8	-0.3	0.2
Durable	2.6	1.6	-1.0	3.4	0.3	0.8
Nondurable	2.7	3.6	0.9	2.0	-1.1	-0.7

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), was unchanged in the first quarter, compared with a 0.9 percent decline in the fourth quarter of 1985.

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, increased 1.9 percent in the first quarter.

Nonfarm business

Productivity increased 3.6 percent in the nonfarm business sector during the first quarter of 1986, as output rose 4.5 percent and hours of all persons—employees, proprietors, and unpaid family workers—increased only 0.9 percent. While the increase in output was the largest since the second quarter of 1984, the gain in nonfarm hours was the smallest since 1982, partly reflecting a sharp drop in proprietor hours from high fourth-quarter levels. During the fourth quarter of 1985, productivity declined 4.1 percent in this sector as proprietor hours increased (table 2).

-3-

Hourly compensation increased 2.2 percent in the first quarter, but rose only 0.7 percent when the change in the CPI-U is taken into account. Unit labor costs declined 1.4 percent, compared with a 7.6 percent rise during the fourth quarter of 1985. This was the first quarter during which these costs declined since the third quarter of 1983.

The implicit price deflator for the nonfarm business sector rose 2.6 percent in the first quarter, compared with a 1.8 percent increase one quarter earlier.

Manufacturing

Productivity increased at a 2.2 percent seasonally adjusted annual rate in manufacturing in the first quarter of 1986, as output rose 2.3 percent and hours of all persons increased 0.1 percent.

Hourly compensation of manufacturing workers increased 1.0 percent during the first quarter, but declined 0.5 percent when the increase in consumer prices is taken into account. Unit labor costs fell at a 1.2 percent annual rate, compared with a 4.6 percent increase during the fourth quarter of 1985.

Both durable and nondurable goods industries experienced productivity increases in the first quarter (tables 4 and 5). Output increased in both subsectors; hours of all persons increased in nondurables but declined in durable goods manufacturing.

Nonfinancial corporations

Preliminary first-quarter 1986 measures of productivity and costs were also announced today for the nonfinancial corporate sector (tables B and 6). Output per all-employee hour declined 0.2 percent from the fourth quarter of

Table B. Nonfinancial corporations: Preliminary first-quarter productivity and cost measures
Quarterly change at seasonally adjusted annual rates
Percent

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
1985 IV to 1986 I	-0.2	3.0	3.2	1.3	-0.2	1.6	8.6	2.5
1985 I to 1986 I	0.0	2.4	2.4	2.7	-0.4	2.7	5.6	2.5

-4-

1985 to the first quarter of 1986, as output increased 3.0 percent and hours of all employees increased 3.2 percent (table 6). Productivity has declined in 3 of the last 4 quarters in these corporations. The sector includes all corporations doing business in the United States, except banks, stock and commodity brokers, and finance and insurance agencies. Output grew more slowly than in the more comprehensive nonfarm business sector reported above. However, employee hours (there are no self-employed) in nonfinancial corporations rose much more rapidly, contributing to the productivity decline experienced in this sector.

Hourly compensation increased 1.3 percent (the smallest quarterly increase since 1965), but declined 0.2 percent when the rise in the CPI-U is taken into account. Real hourly compensation has also declined in 3 of the last 4 quarters. Unit labor costs rose 1.6 percent, unit nonlabor costs increased 2.7 percent, and unit profits rose 8.6 percent (table 6). The implicit deflator for nonfinancial corporate output increased 2.5 percent in the fourth quarter.

Table C shows indexes of the implicit price deflator for the nonfinancial corporate output and related series from 1977 forward. Changes in price reflect changes in total unit costs and unit profits. Total unit costs consist of unit labor costs and unit nonlabor costs.

Table C. Prices, costs, and profits in nonfinancial corporations
Index, 1977 = 100

Period	Implicit price deflator	Total unit costs	Unit labor costs	Unit nonlabor costs	Unit profit
1977	100.0	100.0	100.0	100.0	100.0
1978	106.6	107.3	107.8	105.7	102.0
1979	115.4	118.2	119.0	115.8	94.5
1980	127.6	133.4	132.3	136.7	85.2
1981	141.7	147.7	143.8	159.1	98.1
1982	149.8	159.5	153.8	176.4	78.5
1983	153.7	160.0	154.5	176.2	107.5
1984	158.1	161.2	156.4	175.3	135.6
1985	163.0	165.7	161.7	177.8	142.7
1985 I	161.3	164.4	160.0	177.6	138.3
II	162.6	165.8	161.5	178.6	139.1
III	163.6	165.5	161.5	177.2	150.2
IV	164.4	167.2	163.7	177.8	143.1
1986 I	165.4	168.0	164.3	179.0	146.1

-5-

Revised measures

Preliminary and revised productivity and cost measures for the first quarter are compared in table D for the business and manufacturing sectors. The revised output measures show somewhat larger increases than had been reported on April 28, based on preliminary information then available. Hours of labor input also have been revised upwards.

In manufacturing, new preliminary annual output levels for 1985 reported by the Bureau of Economic Analysis of the U.S. Department of Commerce on May 20 are introduced with this release. As a result, several quarterly productivity changes in 1984 and 1985 were revised somewhat (0.2 percentage points or less).

Table D. Preliminary and revised productivity and related measures, first quarter 1986

Percent change from previous quarter
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Preliminary	2.3	3.8	1.4	1.7	0.2	-0.6
Revised	2.5	4.2	1.7	1.4	0.0	-1.0
Nonfarm business:						
Preliminary	3.4	4.0	0.6	2.4	0.9	-1.0
Revised	3.6	4.5	0.9	2.2	0.7	-1.4
Manufacturing:						
Preliminary	2.4	2.4	0.0	0.9	-0.5	-1.4
Revised	2.2	2.3	0.1	1.0	-0.5	-1.2

Next release date

The next release of productivity and cost measures is scheduled for 10:00 AM EDT Wednesday, July 30, 1986. Released at that time will be preliminary second-quarter measures for business, nonfarm business, and manufacturing and revised first-quarter measures for nonfinancial corporations.

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Wednesday, July 30, 1986

PRODUCTIVITY AND COSTS
Second Quarter 1986



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 second quarter of 1986. The seasonally-adjusted annual rates of productivity change in the second quarter were:

- 1.6 percent in the business sector,
- 1.7 percent in the nonfarm business sector,
- 1.9 percent in manufacturing,
- 0.4 percent in durable goods manufacturing, and
- 4.5 percent in nondurable goods manufacturing.

Second-quarter measures are summarized in table A and appear in detail in tables 1 through 5.

Business

Productivity increased at an 1.6 percent annual rate during the second quarter of 1986 in the business sector, as output rose 1.3 percent and hours of all persons engaged in the sector declined 0.3 percent (seasonally adjusted annual rates). This was the first decline in hours since the trough of the business cycle (the fourth quarter of 1982), when a 3.4 percent decline was recorded. During the first quarter of 1986, productivity had increased 3.3 percent (table 1).

Hourly compensation increased at a 2.7 percent annual rate during the second quarter of 1986, close to a 2.5 percent gain during the previous quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 1.1 percent annual rate during the second quarter, compared with a 0.7 percent decline during the first quarter.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), rose at a 4.5 percent annual rate during the second quarter, the largest quarterly gain since the first quarter of 1982 (when a 6.5 percent increase occurred). The large rise in real hourly compensation partly reflected a 1.7 percent decrease in the CPI-U, the largest quarterly drop since 1949.

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 1.4 percent in the second quarter, the smallest increase in this series since 1970.

-2-

Table A. Productivity and costs: Preliminary second quarter 1986 measures (Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	1.6	1.3	-0.3	2.7	4.5	1.1
Nonfarm business	1.7	1.7	0.0	2.2	3.9	0.5
Manufacturing	1.9	-1.5	-3.4	1.9	3.6	0.0
Durable	0.4	-4.2	-4.5	1.5	3.2	1.1
Nondurable	4.5	2.8	-1.6	2.8	4.5	-1.6
Percent change from same quarter a year ago						
Business	1.2	2.8	1.5	3.3	1.7	2.1
Nonfarm business	1.1	2.9	1.8	3.1	1.4	1.9
Manufacturing	1.9	1.7	-0.1	3.1	1.4	1.2
Durable	1.9	0.9	-1.0	3.7	2.0	1.7
Nondurable	1.8	3.1	1.3	2.3	0.6	0.4

Nonfarm business

Productivity increased 1.7 percent in the nonfarm business sector during the second quarter of 1986, as output rose 1.7 percent and hours of all persons --employees, proprietors, and unpaid family workers-- were unchanged. This was the first quarter in which hours failed to increase since the expansion phase of the current business cycle began in the first quarter of 1983. During the first quarter of 1986, productivity had increased 4.3 percent in this sector (table 2).

Hourly compensation increased 2.2 percent in the second quarter, but rose 3.9 percent when the decline in the CPI-U was taken into account. Unit labor costs increased 0.5 percent, compared with a 1.2 percent drop during the first quarter of 1986.

The implicit price deflator for nonfarm business output rose 1.1 percent in the second quarter, compared with a 2.3 percent increase one quarter earlier. This was the smallest increase recorded in this series since 1967.

Manufacturing

Productivity increased at a 1.9 percent seasonally adjusted annual rate in manufacturing in the second quarter of 1986, as output declined 1.5 percent and hours of all persons dropped 3.4 percent. This was the first quarterly decline in manufacturing output since the fourth quarter of 1982 (when the decline was at a 7.1 percent annual rate). Hours last declined in this sector in the third quarter of 1985 (by 0.1 percent) and, in the second quarter of that year, declined at a 4.2 percent annual rate. Although output and hours both declined in the second quarter of 1986, productivity grew more rapidly than during the first quarter (table 3).

Hourly compensation of manufacturing workers increased 1.9 percent during the second quarter, but increased 3.6 percent when the decline in consumer prices was taken into account. Unit labor costs were unchanged in the second quarter, compared with a 0.6 percent increase during the first quarter of 1986.

Both durable and nondurable goods industries experienced productivity increases in the second quarter, but growth was much greater among nondurable goods producers (tables 4 and 5). Hours of all persons declined in both subsectors.

Revised measures

The productivity and cost measures contained in this news release are based on the latest measures of hours and output available. Revised output and compensation measures prepared by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce are reflected in the productivity and cost measures in this release. These revisions were published on July 22 by BEA as part of the regular revision cycle of the national income and product accounts and cover the last 3 years. See appendix tables 1-6.

In addition, recent information on employment and average weekly hours of all persons engaged in these sectors is also incorporated in productivity and cost measures at this time. Historical tables are available on request from the Bureau of Labor Statistics, Office of Productivity and Technology, Washington, D.C. 20212, (202) 523-9261.

Productivity and cost measures on diskettes formatted for use on IBM-compatible microcomputers using LOTUS 1-2-3 are also available. For ordering information, contact BLS Data Diskettes, Room 2127, 441 G Street NW, Washington, D.C. 20212, (202) 523-1090.

Next release date

The next release of productivity and cost measures is scheduled for 10:00 AM EDT, Wednesday, August 27, 1986. Released at that time will be preliminary second-quarter measures for nonfinancial corporations.

News

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Bureau of Labor Statistics

Washington, D.C. 20212

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Wednesday, August 27, 1986

PRODUCTIVITY AND COSTS

Second Quarter 1986

Revisions for Business, Nonfarm Business, and Manufacturing and Preliminary Measures for Nonfinancial Corporations

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 1986. Based on information now available, the seasonally-adjusted annual rates of productivity change in the second quarter were:

minus 0.3 percent in the business sector,
minus 0.5 percent in the nonfarm business sector,
plus 2.2 percent in manufacturing,
minus 0.3 percent in durable goods manufacturing, and
plus 6.3 percent in nondurable goods manufacturing.

Second-quarter measures are summarized in table A and appear in detail in tables 1 through 5. In nonfinancial corporations, productivity declined 2.3 percent in the second quarter, as output declined 3.0 percent and all-employee hours were cut back 0.7 percent (tables B and 6).

Business

Productivity declined at a 0.3 percent annual rate during the second quarter of 1986 in the business sector, as output fell 0.4 percent and hours of all persons engaged in the sector decreased 0.1 percent (seasonally adjusted annual rates). The declines in output and hours during the second quarter of 1986 were the first since the fourth quarter of 1982. Compared with the second quarter of 1985, productivity increased 0.8 percent as output rose 2.3 percent and hours of all persons increased 1.6 percent (table 1).

Hourly compensation increased at a 2.7 percent annual rate during the second quarter of 1986, compared with a 2.5 percent gain during the first quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 3.0 percent annual rate during the second quarter, compared with a 0.7 percent decline during the first quarter.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased 4.5 percent in the second quarter, compared with a 1.0 percent increase in the first quarter of 1986. The second-quarter increase was the largest since 1982. An 1.7 percent decline in the CPI-U marked the first quarterly drop in these prices since

-2-

Table A. Productivity and costs: Revised second quarter 1986 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	-0.3	-0.4	-0.1	2.7	4.5	3.0
Nonfarm business	-0.5	-0.3	0.2	2.2	3.9	2.8
Manufacturing	2.2	-1.3	-3.4	2.5	4.3	0.4
Durable	-0.3	-4.9	-4.6	2.6	4.3	2.9
Nondurable	6.3	4.7	-1.5	2.8	4.5	-3.3
Percent change from same quarter a year ago						
Business	0.8	2.3	1.6	3.3	1.7	2.6
Nonfarm business	0.6	2.4	1.8	3.1	1.4	2.5
Manufacturing	1.9	1.8	-0.1	3.3	1.6	1.3
Durable	1.8	0.7	-1.1	4.0	2.3	2.1
Nondurable	2.3	3.6	1.3	2.3	0.6	0.0

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, increased 1.7 percent in the second quarter, its smallest rise since 1970.

Nonfarm business

Productivity declined 0.5 percent in the nonfarm business sector during the second quarter of 1986, as output fell 0.3 percent and hours of all persons --employees, proprietors, and unpaid family workers-- increased 0.2 percent. The decline in output was the first since the fourth quarter of 1982, and the gain in nonfarm hours was the smallest in the period. During the past 4 quarters, productivity rose 0.6 percent (table 2).

Hourly compensation increased 2.2 percent in the second quarter, but rose 3.9 percent when the drop in the CPI-U is taken into account. Unit labor costs increased 2.8 percent.

The implicit price deflator for the nonfarm business sector rose 1.5 percent in the second quarter, compared with a 2.3 percent increase one quarter earlier.

Manufacturing

Productivity increased at a 2.2 percent seasonally adjusted annual rate in manufacturing in the second quarter of 1986, as output fell 1.3 percent and hours of all persons decreased 3.4 percent. This was the first quarter in which manufacturing output and hours both declined since the recovery began in 1983.

Hourly compensation of manufacturing workers increased 2.5 percent during the second quarter, or 4.3 percent when the decrease in consumer prices is taken into account. Unit labor costs edged up at a 0.4 percent annual rate, compared with a 0.6 percent increase during the first quarter of 1986.

Movements in output and hours were widely divergent in the durable and nondurable sectors during the second quarter. Productivity increased strongly among nondurables producers and declined for durables (table A). Over the past 4 quarters, productivity movements in the two sectors had not diverged greatly. From the second quarter of 1985 to the second quarter of 1986, nondurables productivity increased 2.3 percent, while durables showed a 1.8 percent gain (tables 4, 5). Durable goods industries account for 60 percent of the manufacturing sector.

Nonfinancial corporations

Preliminary second-quarter 1986 measures of productivity and costs also were announced today for the nonfinancial corporate sector (tables B and 6). Output per all-employee hour declined 2.3 percent from the first to the second quarter of 1986, as output decreased 3.0 percent and hours of all employees fell 0.7 percent. Productivity has declined in the past 3 quarters in these corporations (table 6). Nonfinancial corporations include all corporations doing business in the United States, except banks, stock and commodity brokers, and finance and insurance agencies.

Hourly compensation increased 1.5 percent (the smallest quarterly increase since 1983) and increased 3.2 percent when the drop in the CPI-U is taken into account. Unit labor costs rose 3.8 percent, unit nonlabor costs decreased 0.5 percent, and unit profits fell 9.4 percent. The implicit deflator for nonfinancial corporate output increased 1.4 percent in the second quarter.

-4-

Table B. Nonfinancial corporations: Preliminary second-quarter productivity and cost measures
Quarterly change at seasonally adjusted annual rate
Percent

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
1986 I to 1986 II	-2.3	-3.0	-0.7	1.5	3.2	3.8	-9.4	1.4
1985 II to 1986 II	-0.2	1.5	1.7	2.6	0.9	2.8	-1.4	1.3

Revised measures

Preliminary and revised productivity and cost measures for the second quarter are compared in table C for the business and manufacturing sectors. Revised output measures show declines for the business and nonfarm business sectors rather than the increases which had been reported on July 30, based on preliminary information then available. Hours of labor input have been revised upwards slightly.

Table C. Preliminary and revised productivity and related measures, second quarter 1986
Percent change from preceding quarter
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Preliminary	1.6	1.3	-0.3	2.7	4.5	1.1
Revised	-0.3	-0.4	-0.1	2.7	4.5	3.0
Nonfarm business:						
Preliminary	1.7	1.7	0.0	2.2	3.9	0.5
Revised	-0.5	-0.3	0.2	2.2	3.9	2.8
Manufacturing:						
Preliminary	1.9	-1.5	-3.4	1.9	3.6	0.0
Revised	2.2	-1.3	-3.4	2.5	4.3	0.4

-5-

Next release date

The next issue of Productivity and Costs is scheduled for release at 10:00 AM EST Wednesday, October 29, 1986, and will contain preliminary third-quarter measures for business, nonfarm business, and manufacturing.

News

United States
Department
of Labor



Bureau of Labor Statistics

Washington, D.C. 20212

Historical, technical
information: (202) 523-9261
Current data : (202) 523-1221 or 1208
Media contact: (202) 523-1913

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PRODUCTIVITY AND COSTS Third Quarter 1986

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 third quarter of 1986. Based on information now available, the seasonally-adjusted annual rates of productivity increase in the third quarter were:

- 0.1 percent in the business sector,
- 0.2 percent in the nonfarm business sector,
- 4.2 percent in manufacturing,
- 3.8 percent in durable goods manufacturing, and
- 4.9 percent in nondurable goods manufacturing.

Third-quarter measures are summarized in table A and appear in detail in tables 1 through 5.

Business

Productivity increased at a 0.1 percent annual rate during the third quarter of 1986 in the business sector, as output rose 2.5 percent and hours of all persons engaged in the sector increased 2.4 percent (seasonally adjusted annual rates). Although productivity gains in both the second and third quarter were small, the third-quarter results reflect stronger underlying gains in both output and hours. During the second quarter of 1986, output rose only 0.3 percent and hours of all persons declined 0.2 percent (table 1).

Hourly compensation increased at a 2.9 percent annual rate during the third quarter of 1986, compared with a 2.8 percent gain during the second quarter. This marked the third quarter during which hourly compensation increases were smaller than 3.0 percent, and only the second time since 1960 so little growth occurred over a 9-month period. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 2.8 percent annual rate during the third quarter, compared with a 2.3 percent increase during the second quarter.

Real hourly compensation, which takes into account the increase in the Consumer Price Index for All Urban Consumers (CPI-U), increased 0.3 percent in the third quarter. Real hourly compensation increased 4.5 percent in the second quarter of 1986, partly reflecting falling consumer prices.

-2-

Table A. Productivity and costs: Preliminary third quarter 1986 measures (Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	0.1	2.5	2.4	2.9	0.3	2.8
Nonfarm business	0.2	3.2	3.0	2.3	-0.2	2.1
Manufacturing	4.2	3.4	-0.8	2.7	0.1	-1.5
Durable	3.8	1.8	-2.0	2.7	0.1	-1.1
Nondurable	4.9	5.9	0.9	3.0	0.4	-1.8
Percent change from same quarter a year ago						
Business	0.1	2.1	2.0	3.0	1.3	2.8
Nonfarm business	0.3	2.5	2.1	2.8	1.2	2.5
Manufacturing	2.4	2.1	-0.3	2.6	0.9	0.1
Durable	1.9	0.5	-1.3	2.7	1.1	0.9
Nondurable	3.5	4.7	1.1	2.5	0.8	-0.9

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, increased 3.1 percent in the third quarter.

Nonfarm business

Productivity increased 0.2 percent in the nonfarm business sector during the third quarter of 1986, as output rose 3.2 percent and hours of all persons—employees, proprietors, and unpaid family workers—increased 3.0 percent. As in the more comprehensive business sector, output and hours grew more strongly in the third than in the second quarter, although productivity gains were small (table 2).

Hourly compensation increased a modest 2.3 percent in the third quarter, but fell 0.2 percent when the increase in the CPI-U is taken into account. Although hourly compensation increased at the same rate in the second and third quarters, real hourly compensation moved quite differently, reflecting the changes in the CPI-U. Unit labor costs increased 2.1 percent in the third quarter.

The implicit price deflator for the nonfarm business sector rose 3.1 percent in the third quarter, compared with a 1.0 percent increase one quarter earlier.

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Manufacturing

Productivity increased at a 4.2 percent seasonally adjusted annual rate in manufacturing in the third quarter of 1986, as output rose 3.4 percent and hours of all persons decreased 0.8 percent. During the second quarter, output and hours both declined (table 3). Productivity grew in both durables and nondurables, but hours of all persons declined in durables while increasing slightly in the nondurable subsector (nearly half again as many people are employed in producing durables as are in nondurable goods). Output grew more slowly among durable goods industries (tables 4,5).

Hourly compensation of manufacturing workers increased 2.7 percent during the third quarter, or 0.1 percent when the increase in consumer prices is taken into account. Unit labor costs fell at a 1.5 percent annual rate, compared with a 0.5 percent decrease during the second quarter of 1986. This was the third quarter during which labor costs have fallen in manufacturing.

Next release date

The next issue of Productivity and Costs is scheduled for release at 10:00 AM EST, Tuesday, December 2, 1986, and will contain revised third-quarter measures for business, nonfarm business, and manufacturing and preliminary measures for nonfinancial corporations.

News

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PRODUCTIVITY AND COSTS
Third Quarter 1986

Revised Data for Business, Nonfarm Business, and Manufacturing and
Preliminary Measures for Nonfinancial Corporations

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 third quarter of 1986. Based on information now available, the seasonally-adjusted annual rates of productivity increase in the third quarter were:

0.2 percent in the business sector,
0.2 percent in the nonfarm business sector,
3.7 percent in manufacturing,
3.1 percent in durable goods manufacturing, and
4.8 percent in nondurable goods manufacturing.

Revised third-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Preliminary measures for nonfinancial corporations also announced today indicate that productivity in that sector increased 0.3 percent in the third quarter (tables B and 6).

Business

Productivity increased at a 0.2 percent annual rate during the third quarter of 1986 in the business sector. The increase was virtually the same as the preliminary 0.1 percent increase published last month. Output rose 2.5 percent and hours of all persons engaged in the sector increased 2.3 percent (seasonally adjusted annual rates). During the second quarter of 1986, productivity rose 0.5 percent as output increased 0.3 percent and hours of all persons declined 0.2 percent (table 1).

Hourly compensation increased at a 2.9 percent annual rate during the third quarter of 1986, compared with a 2.8 percent gain during the second quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 2.7 percent annual rate during the third quarter, compared with a 2.3 percent increase during the second quarter.

Real hourly compensation, which takes into account the increase in the Consumer Price Index for All Urban Consumers (CPI-U), increased 0.3 percent in the third quarter. Real hourly compensation had increased 4.5 percent in the second quarter of 1986, partly reflecting falling consumer prices.

-2-

Table A. Productivity and costs; Revised third quarter 1986 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	0.2	2.5	2.3	2.9	0.3	2.7
Nonfarm business	0.2	3.0	2.8	2.3	-0.2	2.2
Manufacturing	3.7	3.0	-0.6	2.4	-0.2	-1.3
Durable	3.1	1.3	-1.7	2.4	-0.1	-0.6
Nondurable	4.8	5.0	1.0	2.6	0.1	-2.1
Percent change from same quarter a year ago						
Business	0.2	2.1	2.0	3.0	1.3	2.8
Nonfarm business	0.3	2.4	2.1	2.9	1.2	2.5
Manufacturing	2.3	2.0	-0.3	2.5	0.8	0.2
Durable	1.7	0.4	-1.3	2.7	1.0	1.0
Nondurable	3.4	4.7	1.2	2.4	0.7	-1.0

The implicit price deflator for the business sector (which reflects changes in unit labor costs and unit nonlabor payments) increased 3.4 percent in the third quarter, the largest increase in 2 years.

Nonfarm business

Productivity also increased 0.2 percent in the nonfarm business sector during the third quarter of 1986, the same as the preliminary measure. Output rose 3.0 percent and hours of all persons--employees, proprietors, and unpaid family workers--increased 2.8 percent. As in the more comprehensive business sector, output and hours grew more strongly in the third than in the second quarter (table 2).

Hourly compensation increased a modest 2.3 percent in the third quarter, but fell 0.2 percent when the increase in the CPI-U is taken into account. Although hourly compensation increased at the same rate in the second and third quarters, real hourly compensation moved quite differently, reflecting the changes in the CPI-U. Unit labor costs increased 2.2 percent in the third quarter.

The implicit price deflator for the nonfarm business sector rose 3.3 percent in the third quarter, compared with a 1.0 percent increase one quarter earlier.

-3-

Manufacturing

Productivity increased at a 3.7 percent seasonally adjusted annual rate in manufacturing in the third quarter of 1986, compared with the 4.2-percent previously published figure. Output rose 3.0 percent and hours of all persons decreased 0.6 percent. During the second quarter, output and hours both declined (table 3). Productivity grew in both durables and nondurables, but hours of all persons declined in durables while increasing slightly in the nondurable subsector. (Nearly 50 percent more people are employed in durable goods production as in nondurable goods.) Output grew more slowly among durable goods industries (tables 4 and 5).

Hourly compensation of all manufacturing sector workers increased 2.4 percent during the third quarter, but declined 0.2 percent when the increase in consumer prices is taken into account. Unit labor costs fell at a 1.3 percent annual rate, compared with a 0.5 percent decrease during the second quarter of 1986. This was the third consecutive quarter during which labor costs have fallen in manufacturing.

Nonfinancial corporations

Preliminary third-quarter 1986 measures of productivity and costs were also announced today for the nonfinancial corporate sector (tables B and 6). Output per all-employee hour increased 0.3 percent from the second to the third quarter of 1986, as output increased 1.4 percent and hours of all employees increased 1.1 percent (table 6). This was the first quarter in which productivity rose since the third quarter of 1985. The sector includes all corporations doing business in the United States, except banks, stock and commodity brokers, and finance and insurance agencies. Output and hours grew less rapidly than in the more comprehensive nonfarm business sector reported above.

Table B. Nonfinancial corporations: Preliminary third-quarter productivity and cost measures
Quarterly percent change at seasonally adjusted annual rates

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
1986 II to 1986 III	0.3	1.4	1.1	1.8	-0.7	1.5	6.4	3.2
1985 III to 1986 III	-0.8	0.8	1.7	2.2	0.5	3.0	-5.2	2.0

-4-

Hourly compensation increased 1.8 percent, but declined 0.7 percent when the rise in the CPI-U is taken into account. Unit labor costs rose 1.5 percent, unit nonlabor costs increased 6.6 percent, and unit profits rose 6.4 percent (table 6). The implicit deflator for nonfinancial corporate output increased 3.2 percent in the third quarter.

Revised measured

All preliminary and revised productivity and cost measures for the third quarter are compared in table C for the business and manufacturing sectors. The revised productivity movements in business and nonfarm business are nearly the same as those reported on October 29, based on preliminary information then available. In manufacturing, opposite revisions in output and hours resulted in smaller productivity gains than had previously been reported.

Table C. Preliminary and revised productivity and related measures, third quarter 1986
Quarterly percent change at seasonally adjusted annual rates

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Preliminary	0.1	2.5	2.4	2.9	0.3	2.8
Revised	0.2	2.5	2.3	2.9	0.3	2.7
Nonfarm business:						
Preliminary	0.2	3.2	3.0	2.3	-0.2	2.1
Revised	0.2	3.0	2.8	2.3	-0.2	2.2
Manufacturing:						
Preliminary	4.2	3.4	-0.8	2.7	0.1	-1.5
Revised	3.7	3.0	-0.6	2.4	-0.2	-1.3

Next release date

The next issue of Productivity and Costs is scheduled for release at 10:00 AM EST, Monday, February 2, 1987, and will contain preliminary fourth-quarter measures for business, nonfarm business, and manufacturing. Tentative release dates for 1987 are:

Reference period	Preliminary measures	Revised measures
1986:		
Fourth Qtr.	February 2	March 2
1987:		
First Qtr.	April 27	June 1
Second Qtr.	July 30	August 27
Third Qtr.	October 29	November 30

News

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PRODUCTIVITY AND COSTS
Fourth Quarter
and Annual Averages, 1986

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 fourth quarter and year of 1986. Based on information now available, productivity changes were:

	Fourth quarter	1985- 1986
Business sector.....	-2.3	0.7
Nonfarm business sector.....	-1.7	0.7
Manufacturing.....	0.2	2.7
Durable goods manufacturing.....	0.7	2.7
Nondurable goods manufacturing..	-0.5	2.9

Productivity advanced slowly in the business and nonfarm business sectors when 1986 is compared with 1985, reflecting moderate growth during the first half of the year and declines in the third and fourth quarters. Productivity growth in these 2 sectors in 1986 was similar to the 1985 experience. In manufacturing, productivity growth was more rapid than in the broader sectors, but was nonetheless smaller than the preceding year's increase.

Fourth-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Annual changes in productivity and related measures appear in tables B and C.

THIRD TO FOURTH QUARTER CHANGES, 1986

Business

Productivity fell at a 2.3 percent annual rate during the fourth quarter of 1986 in the business sector, the second consecutive quarter of decline. Output rose 2.1 percent but hours of all persons engaged in the sector increased 4.5 percent (seasonally adjusted annual rates). The increase in hours reflected the largest gain in business employment and the only increase in average weekly hours of the year. During the third quarter of 1986, productivity fell 0.4 percent as output increased 2.0 percent and hours of all persons increased 2.4 percent (table 1).

Table A. Productivity and costs: Preliminary fourth quarter 1986 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	-2.3	2.1	4.5	2.4	-0.4	4.9
Nonfarm business	-1.7	2.4	4.2	3.1	0.2	4.9
Manufacturing	0.2	3.8	3.7	2.1	-0.7	1.9
Durable	0.7	3.7	3.0	3.1	0.2	2.4
Nondurable	-0.5	4.0	4.6	0.6	-2.2	1.1
Percent change from same quarter a year ago						
Business	0.3	2.3	2.0	2.7	1.4	2.4
Nonfarm business	0.7	2.7	2.0	2.7	1.4	2.0
Manufacturing	2.4	2.3	-0.1	2.3	1.0	-0.1
Durable	1.9	0.8	-1.1	2.6	1.3	0.8
Nondurable	3.4	4.9	1.5	2.1	0.8	-1.2

Hourly compensation increased at a 2.4 percent annual rate during the fourth quarter of 1986, compared with a 2.9 percent gain during the third quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 4.9 percent annual rate during the fourth quarter, compared with a 3.3 percent increase during the third quarter.

Real hourly compensation, which takes into account the increase in the Consumer Price Index for All Urban Consumers (CPI-U), declined 0.4 percent in the fourth quarter. Real hourly compensation increased 0.3 percent in the third quarter of 1986, partly reflecting slowly rising consumer prices.

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, declined 0.2 percent in the fourth quarter, the first drop in nearly 20 years.

Nonfarm business

Productivity also declined in the second half of 1986 in the nonfarm business sector, dropping 1.7 percent during the fourth quarter. Output rose 2.4 percent during the quarter and hours of all persons--employees,

proprietors, and unpaid family workers--increased 4.2 percent (table 2). As in the more comprehensive business sector, nonfarm employment and average weekly hours posted their best performance of 1986 during the October-December period.

Hourly compensation increased 3.1 percent in the fourth quarter, but only 0.2 percent when the increase in the CPI-U is taken into account. Unit labor costs increased 4.9 percent in the fourth quarter.

The implicit price deflator for nonfarm business output was unchanged in the fourth quarter, compared with a 3.6 percent increase one quarter earlier. This was the first quarter these prices failed to rise since 1967.

Manufacturing

Productivity increased at a 0.2 percent seasonally-adjusted annual rate in manufacturing in the final quarter of 1986, compared with a 3.6-percent increase during the third quarter. Output rose 3.8 percent and hours of all persons increased 3.7 percent. Although the productivity gain was the smallest all year, increases in output and hours were the largest of 1986. During the third quarter of 1986, output rose 2.9 percent but hours declined 0.6 percent (table 3).

Productivity grew in durables while declining in nondurables, but output and hours increased in both subsectors (nearly half again as many jobs produce durable as nondurable goods). Output grew more slowly among durable goods industries (tables 4, 5).

Hourly compensation of all manufacturing workers increased 2.1 percent during the fourth quarter, but most of the gain was attributable to durables. When the increase in consumer prices is taken into account, real hourly compensation declined 0.7 percent. Unit labor costs increased at a 1.9 percent annual rate, compared with a 1.1 percent decrease during the third quarter of 1986. This was the first quarter during which manufacturing unit labor costs rose this year.

ANNUAL CHANGES, 1985-1986

Business

Business productivity for 1986 was 0.7 percent higher than in 1985, as output advanced 2.5 percent and hours of all persons rose 1.9 percent (table B). During 1985, productivity rose 1.0 percent. Hourly compensation increased 3.2 percent in 1986, compared with a 4.3 percent gain during 1985. The increase in 1986 was the smallest since 1955, when a 2.5 percent increase was recorded. Unit labor costs increased 2.5 percent during 1986, compared with a 3.2 percent increase during 1985.

Real hourly compensation increased 1.3 percent in 1986, compared with a 0.7 percent rise in 1985. The implicit price deflator for the business sector increased 2.1 percent in 1986, down from the 2.9 percent gain of 1985.

Table B. Productivity and costs: Preliminary 1986 measures

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change in annual averages, 1985 - 1986						
Business	0.7	2.5	1.9	3.2	1.3	2.5
Nonfarm business	0.7	2.8	2.0	3.0	1.1	2.3
Manufacturing	2.7	2.5	-0.2	3.0	1.0	0.2
Durable	2.7	1.5	-1.1	3.3	1.4	0.7
Nondurable	2.9	4.1	1.2	2.5	0.6	-0.4

Annual changes in productivity and related measures for the 1977-1986 decade are shown in table C. These values were computed by comparing annual average values for adjacent years.

Nonfarm business

Productivity also increased 0.7 percent in the nonfarm business sector during 1986. Output rose 2.8 percent and hours of all persons increased 2.0 percent (table 2).

Hourly compensation increased a modest 3.0 percent in 1986, the smallest rise since 1949. Unit labor costs increased 2.3 percent in 1986, compared with a 3.5 percent rise in these costs a year earlier. The implicit price deflator for the nonfarm business sector rose 2.2 percent in 1986, compared with a 3.3 percent rise in 1985. The 1986 increase was the smallest since 1965 (when these prices rose only 2.0 percent).

Manufacturing

Productivity increased 2.7 percent in manufacturing in 1986, compared with a 4.4 percent increase during 1985. Output rose 2.5 percent and hours of all persons decreased 0.2 percent (table 3). Hours declined in both 1985 and 1986, reflecting a loss of nearly 200,000 manufacturing jobs over the 2-year period. Productivity grew in both durables and nondurables, but hours of all persons increased only in the nondurable subsector. Output grew more slowly among durable goods industries (tables 4, 5).

Hourly compensation of all manufacturing sector workers increased 3.0 percent during 1986, or 1.0 percent when the increase in consumer prices is taken into account. The 1986 compensation gain was the least since the 2.0 percent rise of 1965. Unit labor costs rose 0.2 percent, compared with a 0.6 percent rise during 1985.

Table C. Annual changes in productivity and related measures, 1977-1986.

Measure	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Business:										
Productivity.....	1.7	0.8	-1.2	-0.3	1.4	-0.4	2.7	2.3	1.0	0.7
Output.....	5.8	5.8	2.0	-1.1	2.1	-3.1	4.2	8.1	3.3	2.5
Hours.....	4.0	4.9	3.2	-0.8	0.7	-2.8	1.5	5.7	2.2	1.9
Hourly compensation..	7.8	8.5	9.7	10.5	9.2	7.8	4.2	4.1	4.3	3.2
Real hourly comp.....	1.3	0.8	-1.4	-2.7	-1.0	1.6	1.0	-0.1	0.7	1.3
Unit labor costs.....	6.0	7.6	11.1	10.9	7.7	8.3	1.5	1.8	3.2	2.5
Implicit price def...	6.4	7.3	9.0	9.0	9.6	5.9	3.3	3.5	2.9	2.1
Nonfarm business:										
Productivity.....	1.6	0.8	-1.6	-0.4	1.0	-0.6	3.3	1.8	0.5	0.7
Output.....	5.9	6.0	1.9	-1.2	1.7	-3.3	4.9	8.0	3.0	2.8
Hours.....	4.3	5.1	3.5	-0.7	0.7	-2.7	1.6	6.0	2.6	2.0
Hourly compensation..	7.7	8.6	9.5	10.5	9.4	7.8	4.3	4.0	4.0	3.0
Real hourly comp.....	1.2	0.9	-1.6	-2.7	-0.9	1.5	1.1	-0.3	0.4	1.1
Unit labor costs.....	6.1	7.7	11.2	11.0	8.3	8.4	1.1	2.1	3.5	2.3
Implicit price def...	6.6	7.0	8.9	9.7	9.7	6.3	3.5	3.2	3.3	2.2
Manufacturing:										
Productivity.....	3.0	1.5	-0.1	0.0	2.2	2.2	5.8	4.1	4.4	2.7
Output.....	7.4	6.0	2.0	-4.5	1.6	-6.1	6.4	10.8	3.8	2.5
Hours.....	4.3	4.4	2.1	-4.5	-0.6	-8.1	0.6	6.4	-0.5	-0.2
Hourly compensation..	8.6	8.2	9.7	11.6	9.6	8.5	3.1	3.6	5.0	3.0
Real hourly comp.....	2.0	0.5	-1.4	-1.7	-0.7	2.2	-0.1	-0.7	1.4	1.0
Unit labor costs.....	5.4	6.6	9.7	11.7	7.3	6.2	-2.5	-0.5	0.6	0.2
Implicit price def...	5.9	5.2	6.2	8.4	8.9	5.1	1.1	1.3	-0.1	n.a.

REVISED THIRD QUARTER 1986 MEASURES

The Bureau of Labor Statistics also reported revised measures for the third quarter of 1986 for nonfinancial corporations (table D). Productivity increased somewhat less rapidly in the third quarter than had been reported on December 2, 1986, based on preliminary information then available.

Previous and revised productivity and cost measures for the third quarter are compared in table E for the business and manufacturing sectors. The revisions mainly reflect revisions in the underlying output measures since December.

-6-

Table C. Preliminary and revised measures for nonfinancial corporations,
third quarter 1986
Percent change from previous quarter
(Seasonally-adjusted annual rates)

Item	Productivity	Output	Hours	Hourly compensation	hourly compensation	Unit labor costs	Unit nonlabor costs	Unit profits
Preliminary	0.3	1.4	1.1	1.8	-0.7	1.5	6.4	3.2
Revised	0.2	1.3	1.2	1.8	-0.8	1.6	6.1	11.0

Table D. Previous and revised productivity and related measures,
third quarter 1986
Percent change from previous quarter
(Seasonally-adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Previous	0.2	2.5	2.3	2.9	0.3	2.7
Revised	-0.4	2.0	2.4	2.9	0.3	3.3
Nonfarm business:						
Previous	0.2	3.0	2.8	2.3	-0.2	2.2
Revised	-0.3	2.6	2.9	2.3	-0.2	2.6
Manufacturing:						
Previous	3.7	3.0	-0.6	2.4	-0.2	-1.3
Revised	3.6	2.9	-0.6	2.4	-0.1	-1.1

Next release date

The next issue of Productivity and Costs is scheduled for release at **10:00 AM EST, Monday, March 2, 1987**, and will contain measures for nonfinancial corporations, business, nonfarm business, and manufacturing.

News

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PRODUCTIVITY AND COSTS

Revised Fourth-Quarter and 1986 Annual Data for
Business, Nonfarm Business, and Manufacturing,
and Preliminary 1986 Annual Measures for
Nonfinancial Corporations

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 fourth quarter and year of 1986. Based on more complete information than was available earlier, the revised productivity changes were:

	Fourth quarter	1985- 1986
Business sector.....	-2.8	0.7
Nonfarm business sector.....	-2.2	0.7
Manufacturing.....	-0.1	2.7
Durable goods manufacturing.....	0.6	2.7
Non durable goods manufacturing..	-1.2	2.8

Productivity advanced slowly in the business and nonfarm business sectors when 1986 is compared with 1985, reflecting moderate growth during the first half of the year and declines in the third and fourth quarters. Productivity growth in these two sectors in 1986 was similar to the 1985 experience. In manufacturing, productivity growth was more rapid than in the broader sectors, but was nonetheless smaller than the preceding year's increase. These revised annual measures are virtually the same as the preliminary movements published last month.

Fourth-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Preliminary 1986 annual measures for nonfinancial corporations announced today indicate productivity showed no change over 1985 (tables B and 6).

THIRD TO FOURTH QUARTER CHANGES, 1986**Business**

Productivity fell at a 2.8 percent annual rate from the third to the fourth quarter of 1986 in the business sector, the second consecutive quarterly decline. Output rose 1.7 percent, but hours of all persons engaged in the sector increased 4.6 percent (seasonally-adjusted annual rates). The

See page 5 for new release dates for
Productivity and Costs in 1987.

-2-

Table A. Productivity and costs: Revised fourth quarter 1986 measures (Seasonally-adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	-2.8	1.7	4.6	2.1	-0.6	5.0
Nonfarm business	-2.2	1.9	4.3	2.7	0.0	5.1
Manufacturing	-0.1	3.3	3.4	2.1	-0.6	2.2
Durable	0.6	3.2	2.5	3.0	0.4	2.4
Nondurable	-1.2	3.4	4.6	0.6	-2.0	1.9
Percent change from same quarter a year ago						
Business	0.1	2.2	2.0	2.6	1.2	2.4
Nonfarm business	0.5	2.5	2.0	2.6	1.2	2.1
Manufacturing	2.3	2.2	-0.1	2.3	1.0	0.0
Durable	1.8	0.6	-1.2	2.6	1.3	0.8
Nondurable	3.2	4.8	1.5	2.1	0.7	-1.1

increase in hours reflected the largest gain in business employment and the only increase in average weekly hours of the year. During the third quarter of 1986, productivity had fallen 0.4 percent, as output increased 2.0 percent and hours of all persons increased 2.4 percent (table 1).

From the fourth quarter of 1985 to the fourth quarter of 1986, productivity edged upward 0.1 percent, as output rose 2.2 percent and hours of all persons increased 2.0 percent. Hourly compensation increased 2.6 percent, but rose only 1.2 percent in real terms. Unit labor costs increased 2.4 percent, and the implicit price deflator rose 1.5 percent.

Hourly compensation increased at a 2.1 percent annual rate during the fourth quarter of 1986, compared with a 2.9 percent gain during the third quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 5.0 percent annual rate during the fourth quarter, compared with a 3.3 percent increase during the third quarter.

Real hourly compensation, which takes into account the increase in the Consumer Price Index for All Urban Consumers (CPI-U), declined 0.6 percent in the fourth quarter. Real hourly compensation increased 0.4 percent in the third quarter of 1986, partly reflecting slowly rising consumer prices.

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, declined 0.5 percent in the fourth quarter, the first drop in nearly 20 years.

Nonfarm business

Productivity also declined in the second half of 1986 in the nonfarm business sector, dropping 2.2 percent during the fourth quarter. Output rose 1.9 percent during the quarter, and hours of all persons--employees, proprietors, and unpaid family workers--increased 4.3 percent (table 2). Over the 4 quarters ended with the last quarter of 1986, nonfarm productivity increased 0.5 percent, as output and hours rose 2.5 percent and 2.0 percent, respectively. As in the more comprehensive business sector, nonfarm employment and average weekly hours posted their best performance of 1986 during the October-December period.

Hourly compensation increased 2.7 percent in the fourth quarter, but was unchanged when the increase in the CPI-U was taken into account. Unit labor costs increased 5.1 percent in the fourth quarter.

The implicit price deflator for nonfarm business output declined at a 0.4 percent annual rate in the fourth quarter, compared with a 3.6 percent increase one quarter earlier. This was the first quarter these prices failed to rise since 1967.

Manufacturing

Productivity declined at a 0.1 percent seasonally-adjusted annual rate in manufacturing in the final quarter of 1986, compared with a 3.6-percent increase during the third quarter. Output rose 3.3 percent, and hours of all persons increased 3.4 percent. Although the productivity decline was the first since the fourth quarter of 1985, increases in output and hours were the largest of 1986. During the third quarter of 1986, output had risen 2.9 percent, but hours declined 0.6 percent (table 3). Manufacturing productivity was 2.3 percent higher in the fourth quarter of 1986 than in the same quarter of the preceding year; output rose 2.2 percent, while hours fell 0.1 percent.

Productivity grew in durables while declining in nondurables, but output and hours increased in both subsectors. Output grew more slowly among durable goods industries (tables 4 and 5).

Hourly compensation of all manufacturing workers increased 2.1 percent during the fourth quarter, but most of the gain was attributable to durables. When the increase in consumer prices is taken into account, real hourly compensation declined 0.6 percent. Unit labor costs increased at a 2.2 percent annual rate, compared with an 1.1 percent decrease during the third quarter of 1986. This was the only quarter during which manufacturing unit labor costs rose this year.

ANNUAL CHANGES, 1985-1986

Nonfinancial corporations

The Bureau of Labor Statistics also reported the annual change in productivity and related measures for nonfinancial corporations for 1986.

-4-

Table B. Annual changes in productivity and related measures, 1977-1986

Measure	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Nonfinancial corporations:										
Productivity.....	1.6	0.6	-0.8	-0.7	0.6	0.7	3.2	2.0	1.2	0.0
Output.....	6.5	6.1	2.8	-1.8	1.6	-3.0	4.7	8.8	3.7	1.8
Hours.....	4.8	5.5	3.7	-1.0	1.0	-3.7	1.5	6.7	2.5	1.8
Hourly compensation..	7.7	8.4	9.5	10.4	9.3	7.7	3.6	3.7	3.9	2.4
Real hourly comp.....	1.2	0.7	-1.6	-2.7	-1.0	1.5	0.4	-0.5	0.3	0.5
Unit labor costs.....	6.0	7.8	10.4	11.2	8.7	6.9	0.4	1.7	2.7	2.4
Unit nonlabor cost...	4.0	5.7	9.6	18.0	16.4	10.9	-1.2	0.1	2.6	1.2
Total unit cost.....	5.5	7.3	10.2	12.9	10.7	8.0	0.0	1.3	2.7	2.1
Unit profit.....	11.8	2.0	-7.3	-9.9	15.2	-20.0	41.4	20.2	-0.2	0.0
Implicit price def...	6.2	6.6	8.2	10.7	11.0	5.7	2.6	2.9	2.4	1.9

According to preliminary measures, productivity was unchanged in 1986, as output and hours of all employees both gained 1.8 percent. Hourly compensation rose 2.4 percent in 1986 (the smallest rise in this series which begins with 1959) and increased only 0.5 percent when the rise in the CPI-U is taken into account. Unit labor costs rose 2.4 percent, unit nonlabor cost rose 1.2 percent, and unit profits were unchanged from 1985 levels. Annual changes from 1977 to 1986 are shown in table B.

REVISED FOURTH QUARTER 1986 MEASURES

The Bureau of Labor Statistics also reported revised measures for the fourth quarter of 1986 for the business, nonfarm business, and manufacturing sectors (table C). Productivity performed somewhat more poorly in the fourth quarter than had been reported on February 2, 1987, based on preliminary information then available.

Table C. Preliminary and revised productivity and related measures, fourth quarter 1986
Percent change from previous quarter
(Seasonally-adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Preliminary	-2.3	2.1	4.5	2.4	-0.4	4.9
Revised	-2.8	1.7	4.6	2.1	-0.6	5.0
Nonfarm business:						
Preliminary	-1.7	2.4	4.2	3.1	0.2	4.9
Revised	-2.2	1.9	4.3	2.7	0.0	5.1
Manufacturing:						
Preliminary	0.2	3.8	3.7	2.1	-0.7	1.9
Revised	-0.1	3.3	3.4	2.1	-0.6	2.2

-5-

NEXT RELEASE DATE

The next issue of Productivity and Costs is scheduled for release at 10:00 AM EDT, Monday, May 4, 1987, and will contain measures for nonfinancial corporations, business, nonfarm business, and manufacturing.

The Department of Commerce recently announced that release of national income and product accounts data will be delayed in order to incorporate more accurate trade measures. This delay will affect the availability of productivity and cost measures. The following tabulation shows new release dates for productivity and cost measures for the remainder of 1987.

Reference period	Preliminary measures	Revised measures
1987:		
First quarter	May 4	June 2
Second quarter	August 3	August 31
Third quarter	November 2	December 3

News

United States
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of Labor



Bureau of Labor Statistics

Washington, D.C. 20212

Historical, technical
information: (202) 523-9261
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Media contact: (202) 523-1913

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For Release: 10:00 AM EDT
Monday, May 4, 1987

PRODUCTIVITY AND COSTS First Quarter 1987

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 1987. Based on preliminary data, the seasonally-adjusted annual rates of productivity change in the first quarter were:

- 1.8 percent in the business sector,
- 1.7 percent in the nonfarm business sector,
- 1.4 percent in manufacturing,
- 1.6 percent in durable goods manufacturing, and
- 1.2 percent in nondurable goods manufacturing.

First-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Productivity rose in all sectors in the first quarter and, combined with moderate gains in hourly compensation, contributed to falling unit labor costs.

Business

Productivity increased at an 1.8 percent annual rate during the first quarter of 1987 in the business sector, as output rose 5.1 percent and hours of all persons engaged in the sector increased 3.2 percent (seasonally adjusted annual rates). During the fourth quarter of 1986, productivity declined 2.0 percent, as output grew more slowly than hours (table 1). The increase in output during the first three months of 1987 was the largest since the first quarter of 1984 (when output rose at a 12.2 percent annual rate).

Hourly compensation increased only 0.4 percent during the first quarter of 1987, the smallest quarterly gain in this series since the third quarter of 1960 (when it fell 1.0 percent). This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, declined at a 1.4 percent annual rate during the first quarter, the first decline in this measure in a year. During the fourth quarter of 1985, these costs rose at a 4.2 percent annual rate.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), declined at a 4.6 percent annual rate in the first quarter, compared with a 0.6 percent decline in the fourth quarter of 1985.

-2-

Table A. Productivity and costs: Preliminary first quarter 1987 measures (Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
PRELIMINARY						
Percent change from preceding quarter						
Business	1.8	5.1	3.2	0.4	-4.6	-1.4
Nonfarm business	1.7	5.4	3.6	0.1	-4.9	-1.6
Manufacturing	1.4	2.8	1.3	-0.9	-5.9	-2.3
Durable	1.6	2.2	0.6	-2.2	-7.1	-3.7
Nondurable	1.2	3.7	2.4	1.5	-3.6	0.2
Percent change from same quarter a year ago						
Business	0.0	2.4	2.5	2.0	-0.2	2.1
Nonfarm business	0.1	2.8	2.7	1.8	-0.4	1.7
Manufacturing	2.0	2.1	0.1	1.6	-0.7	-0.4
Durable	1.7	0.8	-0.9	1.5	-0.7	-0.2
Nondurable	2.7	4.3	1.6	1.9	-0.3	-0.7

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, increased 3.0 percent in the first quarter.

Nonfarm business

Productivity increased 1.7 percent in the nonfarm business sector during the first quarter of 1987, as output rose 5.4 percent and hours of all persons increased 3.6 percent. As in the more comprehensive business sector reported above, the first-quarter increase in productivity followed 2 quarters of decline. The increase in output was the largest since the first quarter of 1984. During the fourth quarter of 1986, productivity declined 1.5 percent in this sector (table 2).

Hourly compensation edged up 0.1 percent in the first quarter, but declined at a 4.9 percent annual rate when the rise in the CPI-U is taken into account. Unit labor costs declined 1.6 percent, compared with a 4.2 percent rise during the fourth quarter of 1986.

The implicit price deflator for the nonfarm business sector rose 3.1 percent in the first quarter, compared with a 0.3 percent decline one quarter earlier.

-3-

Manufacturing

Productivity increased at a 1.4 percent seasonally adjusted annual rate in manufacturing in the first quarter of 1987, as output rose 2.8 percent and hours of all persons increased 1.3 percent (seasonally adjusted annual rates). In contrast to the business sectors, manufacturing output growth was slower in the first quarter of 1987 than in the fourth quarter of 1986.

Hourly compensation of manufacturing workers declined 0.9 percent during the first quarter, as a rise in nondurables was more than offset by a decline in durable goods. Real hourly compensation for the whole sector fell 5.9 percent when the increase in consumer prices is taken into account. Unit labor costs declined at a 2.3 percent annual rate, compared with a 2.3 percent increase during the fourth quarter of 1986.

Both durable and nondurable goods subsectors experienced productivity increases in the first quarter (tables 4, 5). While output increased in both subsectors, hours of all persons increased mainly in nondurables.

Fourth quarter measures for nonfinancial corporations

Fourth-quarter 1986 measures of productivity and costs were also announced today for the nonfinancial corporate sector, together with revised annual movements (tables B and C). Output per all-employee hour increased 1.4 percent from the third to the fourth quarter of 1986, as output increased 4.1 percent and all-employee hours increased 2.7 percent. In the first two quarters of 1986, productivity declined, but increases were recorded for the third and fourth quarters (table 6). Hourly compensation increased 2.3 percent in the fourth quarter, but declined 0.3 percent when the rise in the CPI-U is taken into account. Unit labor costs rose 0.9 percent, unit nonlabor costs declined 3.6 percent, and unit profits rose 2.8 percent. The implicit deflator for nonfinancial corporate output was unchanged in the fourth quarter.

Table B. Nonfinancial corporations: Preliminary fourth quarter and revised 1986 annual productivity and cost measures
Quarterly change at seasonally adjusted annual rates
(Percent change)

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
1986 III- 1986 IV	1.4	4.1	2.7	2.3	-0.3	0.9	2.8	0.0
1985 IV- 1986 IV	0.2	1.7	1.5	1.9	0.6	1.7	4.2	1.7
1986 Annual	0.1	1.9	1.8	2.4	0.5	2.3	0.7	1.9

Table C. Nonfinancial corporations: Preliminary and revised 1986 annual change in productivity and related measures
Percent

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
Preliminary	0.0	1.8	1.8	2.4	0.5	2.4	0.0	1.9
Revised	0.1	1.9	1.8	2.4	0.5	2.3	0.7	1.9

Next release date

The next release of productivity and cost measures is scheduled for 10:00 AM EDT Tuesday, June 2, 1987. Released at that time will be preliminary first-quarter measures for the nonfinancial corporate sector and revised first-quarter measures for business, nonfarm business, and manufacturing.

News

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Bureau of Labor Statistics

Washington, D.C. 20212

Historical, technical
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USDL 87-218
For Release: 10:00 AM EDT
Tuesday, June 2, 1987

PRODUCTIVITY AND COSTS

Revised First-Quarter Measures for
Business, Nonfarm Business, and Manufacturing and
Preliminary Measures for Nonfinancial Corporations

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 1987. Based on information now available, the seasonally-adjusted annual rates of productivity change in the first quarter were:

- 0.6 percent in the business sector,
- 0.5 percent in the nonfarm business sector,
- 2.1 percent in manufacturing,
- 2.6 percent in durable goods manufacturing, and
- 1.3 percent in nondurable goods manufacturing.

First-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Productivity rose in all the above sectors in the first quarter and, combined with declines or very small gains in hourly compensation, contributed to falling unit labor costs. In nonfinancial corporations, however, productivity was unchanged in the first quarter, as output and hours both rose 5.5 percent (tables B and 6).

For business and nonfarm business, the revised output measures show somewhat smaller increases than had been reported on May 4, based on preliminary information then available. Manufacturing output increased more than was earlier reported. Hours of labor input also have been revised upwards (table D).

Business

Productivity increased at an 0.6 percent annual rate during the first quarter of 1987 in the business sector, as output rose 4.1 percent and hours of all persons engaged in the sector increased 3.4 percent (seasonally adjusted annual rates). During the fourth quarter of 1986, productivity declined 2.0 percent, as output grew more slowly than hours (table 1).

Hourly compensation increased at a 0.3 percent annual rate during the first quarter of 1987, the smallest quarterly gain in this series since the 1960 (when it declined in the second and third quarters). This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, declined at a 0.3 percent annual rate during the first quarter, the first decline in a year. During the fourth quarter of 1986, these costs rose at a 4.2 percent annual rate.

-2-

Table A. Productivity and costs: Revised first-quarter 1987 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	0.6	4.1	3.4	0.3	-4.7	-0.3
Nonfarm business	0.5	4.3	3.8	0.0	-5.0	-0.5
Manufacturing	2.1	3.7	1.6	-1.1	-6.0	-3.1
Durable	2.6	3.5	0.8	-2.3	-7.2	-4.8
Nondurable	1.3	4.1	2.7	1.3	-3.7	0.0
Percent change from same quarter a year ago						
Business	-0.3	2.2	2.5	2.0	-0.2	2.3
Nonfarm business	-0.2	2.6	2.8	1.8	-0.4	2.0
Manufacturing	2.7	2.9	0.2	1.5	-0.7	-1.1
Durable	3.0	2.2	-0.8	1.5	-0.8	-1.5
Nondurable	2.3	4.0	1.7	1.9	-0.3	-0.4

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), declined at a 4.7 percent annual rate in the first quarter, compared with a 0.6 percent decline in the fourth quarter of 1986. The first-quarter decline was the largest since 1974 (when a 4.8 percent decline was recorded in the first quarter).

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 4.0 percent in the first quarter, the largest rise in 3 years.

Nonfarm business

Productivity increased 0.5 percent in the nonfarm business sector during the first quarter of 1987, as output rose 4.3 percent and hours of all persons—employees, proprietors, and unpaid family workers—increased 3.8 percent. During the fourth quarter of 1986, nonfarm productivity declined 1.5 percent (table 2).

Hourly compensation was unchanged in the first quarter, but fell 5.0 percent when the change in the CPI-U is taken into account. This was the greatest decline since 1951 (when a 6.1 percent decline occurred in the first quarter). Unit labor costs declined 0.5 percent, compared with a 4.2 percent rise during the fourth quarter of 1986. In the past year, this was the first quarter during which these costs declined.

The implicit price deflator for nonfarm business output rose 4.2 percent in the first quarter, compared with a 0.3 percent decline one quarter earlier. This was the largest increase in this series since the 5.7 percent rise during the third quarter of 1982.

Manufacturing

Productivity increased at a 2.1 percent seasonally adjusted annual rate in manufacturing in the first quarter of 1987, as output rose 3.7 percent and hours of all persons increased 1.6 percent. During the fourth quarter of 1986, productivity rose 0.2 percent as output and hours rose 3.6 percent and 3.4 percent, respectively (table 3).

Hourly compensation of manufacturing workers declined 1.1 percent during the first quarter, and fell 6.0 percent when the increase in consumer prices is taken into account. The decline in hourly compensation was the first since 1983. Real hourly compensation has declined for 2 quarters, and the drop in the first quarter of 1987 was the largest since 1951 (when it declined 6.8 percent in the first quarter). Unit labor costs fell at a 3.1 percent annual rate, compared with a 1.9 percent increase during the fourth quarter of 1986. Manufacturing unit labor costs have declined in 4 of the past 5 quarters.

Both durable and nondurable goods industries experienced productivity increases in the first quarter (tables 4 and 5). Output increased in both subsectors; hours of all persons increased more rapidly in nondurables than in durable goods manufacturing.

Nonfinancial corporations

Preliminary first-quarter 1987 measures of productivity and costs also were announced today for nonfinancial corporations (tables B and 6). Output per all-employee hour was unchanged from the fourth quarter of 1986 to the first quarter of 1987, as output and hours both increased 5.5 percent, at

Table B. Nonfinancial corporations: Preliminary first-quarter productivity and cost measures
Quarterly percent change at seasonally adjusted annual rates

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
1986 IV to 1987 I	0.0	5.5	5.5	-0.6	-5.6	-0.6	36.4	2.9
1986 I to 1987 I	0.3	2.4	2.1	1.3	-0.9	0.9	12.2	1.8

annual rates (table 6). The sector includes all corporations doing business in the United States, except banks, stock and commodity brokers, and finance and insurance agencies. Output and hours grew more rapidly than in the more comprehensive nonfarm business sector reported above.

Hourly compensation declined 0.6 percent (the first decline since the first quarter of 1965), and dropped 5.6 percent when the rise in the CPI-U is taken into account. Real hourly compensation has declined in the past 3 quarters, and the first-quarter decline was the largest in this series, which begins with data for 1958. Unit labor costs fell 0.6 percent, unit nonlabor costs increased 0.1 percent, and unit profits rose 36.4 percent (table 6). This was the largest profits gain since the 40.1 percent rise during the third quarter of 1985. The implicit deflator for nonfinancial corporate output increased 2.9 percent in the first quarter.

Table C shows indexes of the implicit price deflator for nonfinancial corporate output and related series from 1977 forward. Changes in price reflect changes in total unit costs and unit profits. Total unit costs consist of unit labor costs and unit nonlabor costs.

Table C. Price, costs, and profits in nonfinancial corporations
Index, 1977 = 100

Period	Implicit price deflator	Total unit costs	Unit labor costs	Unit nonlabor costs	Unit profits
1977	100.0	100.0	100.0	100.0	100.0
1978	106.6	107.3	107.8	105.7	102.0
1979	115.4	118.2	119.0	115.8	94.5
1980	127.6	133.4	132.3	136.7	85.2
1981	141.7	147.7	143.8	159.1	98.1
1982	149.8	159.5	153.8	176.4	78.5
1983	153.7	159.5	154.5	174.3	110.9
1984	158.1	161.5	157.0	174.6	133.4
1985	161.8	165.8	161.2	179.1	133.1
1986	164.9	169.1	165.0	181.2	134.1
1986 I	164.0	168.3	164.0	181.1	131.7
II	164.3	168.6	164.8	179.9	132.3
III	165.7	169.8	165.4	182.6	135.8
IV	165.7	169.6	165.8	180.9	136.8
1987 I	166.9	169.5	165.6	181.0	147.8

-5-

Revised measures

Preliminary and revised productivity and cost measures for the first quarter are compared in table D for business, nonfarm business, and manufacturing.

In manufacturing, new preliminary annual output levels for 1986 published by the Bureau of Economic Analysis of the U.S. Department of Commerce on May 15 are introduced with this release. As a result, quarterly productivity changes since 1981 were revised somewhat. Appendix tables 1-3 contains revised productivity and cost indexes for manufacturing and the durable and nondurable subsectors for 1981 to 1985.

Table D. Preliminary and revised productivity and related measures, first-quarter 1987

Percent change from previous quarter
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Preliminary	1.8	5.1	3.2	0.4	-4.6	-1.4
Revised	0.6	4.1	3.4	0.3	-4.7	-0.3
Nonfarm business:						
Preliminary	1.7	5.4	3.6	0.1	-4.9	-1.6
Revised	0.5	4.3	3.8	0.0	-5.0	-0.5
Manufacturing:						
Preliminary	1.4	2.8	1.3	-0.9	-5.9	-2.3
Revised	2.1	3.7	1.6	-1.1	-6.0	-3.1

Next release date

The next issue of Productivity and Cost is scheduled for release at 10:00 AM EDT, Monday, August 3, 1987, and will contain preliminary second-quarter measures for the business, nonfarm business, and manufacturing.

NEWS

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Bureau of Labor Statistics

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Monday, August 3, 1987

PRODUCTIVITY AND COSTS Second Quarter 1987

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 second quarter of 1987. The seasonally-adjusted annual rates of productivity change in the second quarter were:

- 1.3 percent in the business sector,
- 1.4 percent in the nonfarm business sector,
- 3.3 percent in manufacturing,
- 2.9 percent in durable goods manufacturing, and
- 4.2 percent in nondurable goods manufacturing.

Second-quarter results show faster productivity advances than during the first quarter, as growth in hours slowed more than output. Hourly compensation and unit labor costs grew more rapidly than during the first quarter, and declines in real hourly compensation were smaller. Second-quarter measures are summarized in table A and appear in detail in tables 1 through 5.

Business

Productivity increased at a 1.3 percent annual rate during the second quarter of 1987 in the business sector, as output rose 3.0 percent and hours of all persons engaged in the sector increased 1.7 percent (seasonally adjusted annual rates). During the first quarter of 1987, productivity had increased 0.5 percent (table 1). Although productivity grew more rapidly in the April-June period, output and hours increases were smaller than during the first quarter.

Hourly compensation increased at a 3.2 percent annual rate during the second quarter of 1987, compared with a 1.4 percent gain during the previous quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 1.9 percent annual rate during the second quarter, compared with a 0.9 percent increase during the first quarter.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), declined at a 1.7 percent annual rate during the second quarter. During the first quarter, this measure declined at a 3.7 percent annual rate.

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 3.7 percent in the first and second quarters. Last year, this deflator rose 2.1 percent.

- 2 -

Table A. Productivity and costs: Preliminary second quarter 1987 measures (Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	1.3	3.0	1.7	3.2	-1.7	1.9
Nonfarm business	1.4	3.2	1.8	2.9	-1.9	1.5
Manufacturing	3.3	1.7	-1.5	1.8	-2.9	-1.4
Durable	2.9	0.4	-2.4	1.4	-3.4	-1.4
Nondurable	4.2	3.9	-0.3	2.8	-2.0	-1.4
Percent change from same quarter a year ago						
Business	0.3	2.8	2.5	2.8	-1.0	2.4
Nonfarm business	0.3	2.9	2.6	2.7	-1.1	2.4
Manufacturing	2.8	3.0	0.2	1.4	-2.3	-1.3
Durable	3.5	2.7	-0.7	1.1	-2.6	-2.3
Nondurable	1.8	3.5	1.6	2.1	-1.6	0.3

Nonfarm business

Productivity increased 1.4 percent in the nonfarm business sector during the second quarter of 1987, as output rose 3.2 percent and hours of all persons --employees, proprietors, and unpaid family workers--increased 1.8 percent. During the first quarter of 1987, productivity had increased 0.4 percent in this sector (table 2). As in the more comprehensive business sector, growth in output and hours slowed in the second quarter.

Hourly compensation increased 2.9 percent in the second quarter, but real hourly compensation fell 1.9 percent when the increase in the CPI-U was taken into account. During the first quarter, the comparable changes were 1.1 percent and -3.9 percent, respectively. Unit labor costs increased 1.5 percent, compared with a 0.8 percent rise during the first quarter of 1987.

The implicit price deflator for nonfarm business output rose 2.1 percent in the second quarter, compared with a 3.4 percent increase one quarter earlier.

Manufacturing

Productivity increased at a 3.3 percent seasonally adjusted annual rate in manufacturing in the second quarter of 1987, as output increased 1.7 percent and hours of all persons dropped 1.5 percent. Output growth slowed and hours declined in the second quarter of 1987, but productivity grew more rapidly than during the first quarter (table 3).

- 3 -

Hourly compensation of manufacturing workers increased 1.8 percent during the second quarter, compared with a 1.0 percent decline during the first quarter. Real hourly compensation declined 2.9 percent when the increase in the CPI-U was taken into account. During the first quarter, real hourly compensation fell at a 6.0 percent annual rate. No increase has occurred in manufacturing real hourly compensation in a year. Unit labor costs were down (1.4 percent annual rate) in the second quarter, compared with a 3.9 percent decline during the first quarter of 1987.

Both durable and nondurable goods industries experienced productivity increases in the second quarter, but growth was greater among nondurable goods producers (tables 4 and 5). Hours of all persons engaged in manufacturing declined in both subsectors.

Revised measures

The productivity and cost measures contained in this news release for business, nonfarm business, manufacturing, and nonfinancial corporations are based on the latest measures of output and hours available. Revised quarterly and annual output and compensation measures prepared by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce are reflected in the productivity and cost measures for business, nonfarm business, and nonfinancial corporations. These new values were published by BEA on July 24 as part of the regular revision cycle of the national income and product accounts and affect the last 3 years. For manufacturing, revised quarterly changes in output and related measures were computed by BLS to take into account the new annual output levels from BEA for 1984-1986. See appendix tables 1-6.

In addition, recent information on employment and average weekly hours of all persons engaged in these sectors is also incorporated in productivity and cost measures at this time. Historical tables are available on request from the BLS Office of Productivity and Technology, Division of Productivity Research, Washington, D.C. 20212; (202) 523-9261.

Productivity and cost measures also are available on diskettes formatted for use on IBM-compatible microcomputers using LOTUS 1-2-3. For ordering information, contact BLS Data Diskettes, 441 G Street NW, Room 2127, Washington, D.C. 20212; (202) 523-1090.

Next release date

The next release of productivity and cost measures is scheduled for **10:00 AM EDT, Monday, August 31, 1987**. Preliminary second-quarter measures for nonfinancial corporations will be released at that time.

News

United States
Department
of Labor



Bureau of Labor Statistics

Washington, D.C. 20212

Historical, technical
information: (202) 523-9261
Current data : (202) 523-1221 or 1208
Media contact: (202) 523-1913

USDL 87-375
For Release: 10:00 AM EDT
Monday, August 31, 1987

PRODUCTIVITY AND COSTS

Revised Second-Quarter Measures for
Business, Nonfarm Business, and Manufacturing and
Preliminary Measures for Nonfinancial Corporations

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 1987. Based on information now available, the seasonally-adjusted annual rates of productivity change in the second quarter were:

- 1.3 percent in the business sector,
- 1.3 percent in the nonfarm business sector,
- 4.9 percent in manufacturing,
- 4.1 percent in durable goods manufacturing, and
- 6.8 percent in nondurable goods manufacturing.

Revised second-quarter measures are summarized in table A and appear in detail in tables 1 through 5. In nonfinancial corporations, productivity rose 1.2 percent in the second quarter, as output and hours rose 2.8 percent and 1.6 percent, respectively (tables B and 6).

For business and nonfarm business, the revised productivity measures showed virtually the same increases reported on August 3, based on preliminary information then available. Manufacturing productivity and output, however, increased more than was earlier reported (table D).

Business

Productivity increased at a 1.3 percent annual rate during the second quarter of 1987 in the business sector, as output rose 3.0 percent and hours of all persons engaged in the sector increased 1.6 percent (seasonally adjusted annual rates). During the first quarter of 1987, productivity increased 0.5 percent, as output grew more slowly than hours. The second-quarter increase was the largest in over a year (table 1).

Hourly compensation increased at a 3.3 percent annual rate during the second quarter of 1987, compared with a 1.4 percent rise during the first quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 1.9 percent annual rate during the second quarter, compared with a 0.9 percent gain in the January-March period.

- 2 -

Table A. Productivity and costs: Revised second-quarter 1987 measures
(Seasonally adjusted annual rates)

Sector	Productivity		Hours	Hourly compensation	Real hourly compensation	Unit labor costs
	Output	Output				
Percent change from preceding quarter						
Business	1.3	3.0	1.6	3.3	-1.5	1.9
Nonfarm business	1.3	3.0	1.7	3.0	-1.9	1.7
Manufacturing	4.9	3.4	-1.5	2.0	-2.8	-2.9
Durable	4.1	1.7	-2.3	1.5	-3.2	-2.4
Nondurable	6.8	6.5	-0.2	2.9	-2.0	-3.7
Percent change from same quarter a year ago						
Business	0.4	2.8	2.5	2.8	-1.0	2.4
Nonfarm business	0.3	2.8	2.6	2.7	-1.0	2.5
Manufacturing	3.4	3.6	0.2	1.4	-2.3	-1.9
Durable	4.0	3.2	-0.7	1.2	-2.5	-2.7
Nondurable	2.5	4.2	1.6	2.1	-1.6	-0.4

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), declined at a 1.5 percent annual rate in the second quarter, compared with a 3.7 percent decline in the first quarter of 1987. This marked the first 6-month period during which real hourly compensation declined since 1983 (when declines occurred in the second and third quarters).

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 4.0 percent in the second quarter, the largest quarterly gain since 1983.

Nonfarm business

Productivity increased 1.3 percent in the nonfarm business sector during the second quarter of 1987, as output rose 3.0 percent and hours of all persons--employees, proprietors, and unpaid family workers--increased 1.7 percent. During the first quarter of 1987, nonfarm productivity edged up 0.4 percent. As in the more comprehensive business sector, the second-quarter increase in nonfarm business productivity was the largest in more than a year (table 2).

Hourly compensation rose 3.0 percent in the second quarter, but fell 1.8 percent when the change in the CPI-U was taken into account. The decline in real hourly compensation was the second decline in succession. Unit labor costs increased 1.7 percent, compared with a 0.8 percent rise during the first quarter of 1987.

- 3 -

The implicit price deflator for nonfarm business output rose 2.8 percent in the second quarter, compared with a 3.4 percent increase one quarter earlier.

Manufacturing

Productivity increased at a 4.9 percent seasonally adjusted annual rate in manufacturing in the second quarter of 1987, as output rose 3.4 percent and hours of all persons declined 1.5 percent. During the first quarter of 1987, productivity rose 3.5 percent, as output and hours rose 4.3 percent and 0.8 percent, respectively (table 3).

Hourly compensation of manufacturing workers rose 2.0 percent during the second quarter, but fell 2.8 percent when the increase in consumer prices was taken into account. Real hourly compensation has declined for 2 quarters; the drop in the first quarter was 6.0 percent. Unit labor costs fell at a 2.9 percent annual rate, compared with a 4.4 percent decrease during the first quarter of 1987. Manufacturing unit labor costs have declined in 4 of the past 6 quarters.

Both durable and nondurable goods industries experienced productivity increases in the second quarter (tables 4 and 5). Output increased and hours declined in both subsectors. Productivity and output grew more rapidly in nondurable-goods manufacturing firms where the 6.8 percent productivity gain was the largest since a 7.6 percent increase which occurred during the third quarter of 1982.

Nonfinancial corporations

Preliminary second-quarter 1987 measures of productivity and costs also were announced today for nonfinancial corporations (tables B and 6). Output per all-employee hour increased 1.2 percent from the first to the second quarters of 1987, as output and hours increased 2.8 percent and 1.6 percent, respectively (table 6). During the first quarter, productivity declined 2.9 percent. The sector includes all corporations doing business in the

Table B. Nonfinancial corporations: Preliminary second-quarter productivity and cost measures
Quarterly percent change at seasonally adjusted annual rates

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
1987 I to 1987 II	1.2	2.8	1.6	2.7	-2.1	1.4	-1.2	2.0
1986 II to 1987 II	0.3	2.4	2.0	2.0	-1.7	1.7	1.8	2.1

- 4 -

United States, except banks, stock and commodity brokers, and finance and insurance agencies.

Hourly compensation increased 2.7 percent, but dropped 2.1 percent when the rise in the CPI-U was taken into account. Real hourly compensation has declined in the past 2 quarters. Unit labor costs rose 1.4 percent, unit non-labor costs increased 4.9 percent, and unit profits fell 1.2 percent (table 6). The implicit deflator for nonfinancial corporate output increased 2.0 percent in the second quarter.

Revised measures

Preliminary and revised productivity and cost measures for the second quarter are compared in table D for business, nonfarm business, and manufacturing. There was little change in reported productivity measures for business and nonfarm business, but the upward revision in manufacturing productivity reflected the availability of more complete information on manufacturing output movements.

Table D. Preliminary and revised productivity and related measures, second-quarter 1987
Percent change from previous quarter
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Preliminary	1.3	3.0	1.7	3.2	-1.7	1.9
Revised	1.3	3.0	1.6	3.3	-1.5	1.9
Nonfarm business:						
Preliminary	1.4	3.2	1.8	2.9	-1.9	1.5
Revised	1.3	3.0	1.7	3.0	-1.8	1.7
Manufacturing:						
Preliminary	3.3	1.7	-1.5	1.8	-2.9	-1.4
Revised	4.9	3.4	-1.5	2.0	-2.8	-2.9

Next release date

The next issue of Productivity and Costs is scheduled for release at 10:00 AM EST, Monday, November 2, 1987, and will contain preliminary third-quarter measures for business, nonfarm business, and manufacturing.

News

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Bureau of Labor Statistics

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Monday, November 2, 1987

PRODUCTIVITY AND COSTS Third Quarter 1987

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 third quarter of 1987. Based on information currently available, the seasonally-adjusted annual rates of productivity change in the third quarter were:

- 2.9 percent in the business sector,
- 2.6 percent in the nonfarm business sector,
- 4.5 percent in manufacturing,
- 4.7 percent in durable goods manufacturing, and
- 4.2 percent in nondurable goods manufacturing.

Preliminary third-quarter measures are summarized in table A and appear in detail in tables 1 through 5.

For business and nonfarm business, the third-quarter productivity measures showed an acceleration over the increases reported for the second quarter. Output growth also speeded up in both sectors. Manufacturing productivity grew more slowly than during the second quarter, but third-quarter growth in both output and hours was more rapid.

Business

Productivity increased at a 2.9 percent annual rate during the third quarter of 1987 in the business sector, as output rose 4.2 percent and hours of all persons engaged in the sector increased 1.3 percent (seasonally adjusted annual rates). During the second quarter of 1987, productivity had increased 1.4 percent, as output grew 3.0 percent and hours increased 1.6 percent. The third-quarter productivity increase was the largest in 6 quarters (table 1). Between the third quarter of 1987 and the third quarter of 1986, productivity rose 1.2 percent.

-2-

Table A. Productivity and costs: Preliminary third-quarter 1987 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	2.9	4.2	1.3	4.2	0.3	1.3
Nonfarm business	2.6	4.4	1.7	4.0	0.1	1.3
Manufacturing	4.5	8.2	3.5	1.4	-2.4	-3.0
Durable	4.7	7.9	3.1	1.0	-2.8	-3.5
Nondurable	4.2	8.6	4.2	2.1	-1.8	-2.1
Percent change from same quarter a year ago						
Business	1.2	3.4	2.2	3.1	-1.0	1.9
Nonfarm business	1.1	3.6	2.4	3.0	-1.1	1.9
Manufacturing	3.9	5.1	1.1	1.2	-2.8	-2.6
Durable	4.3	4.7	0.4	1.0	-3.0	-3.1
Nondurable	3.6	5.8	2.2	1.8	-2.3	-1.7

Hourly compensation increased at a 4.2 percent annual rate during the third quarter of 1987, compared with a 3.3 percent rise during the second quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 1.3 percent annual rate during the third quarter, compared with a 1.8 percent gain in the May-June period.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased at a 0.3 percent annual rate in the third quarter, compared with a 1.6 percent decline in the second quarter of 1987. This marked the first quarter during which real hourly compensation increased this year.

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 1.7 percent in the third quarter, the smallest quarterly gain this year.

Nonfarm business

Productivity increased 2.6 percent in the nonfarm business sector during the third quarter of 1987, as output rose 4.4 percent and hours of all persons--employees, proprietors, and unpaid family workers--increased 1.7 percent. During the second quarter of 1987, nonfarm productivity had risen 1.4 percent. As in the more comprehensive business sector, the third-quarter increase in nonfarm business productivity was the largest in more than a year (table 2).

-3-

Hourly compensation rose 4.0 percent in the third quarter, but gained only 0.1 percent when the change in the CPI-U was taken into account. This was the first quarter in this year that real hourly compensation did not decline. Unit labor costs increased 1.3 percent, compared with a 1.5 percent rise during the second quarter of 1987.

The implicit price deflator for nonfarm business output rose 2.0 percent in the third quarter, compared with a 2.6 percent increase one quarter earlier.

Manufacturing

Productivity increased at a 4.5 percent seasonally adjusted annual rate in manufacturing in the third quarter of 1987, as output rose 8.2 percent and hours of all persons increased 3.5 percent. This was the largest output increase since the first quarter of 1984 (when it rose 17.5 percent) and the increase in hours was the greatest since the second quarter of 1984 (when it rose 4.6 percent). During the second quarter of 1987, productivity had risen 6.4 percent, as output rose 4.7 percent and hours fell 1.6 percent (table 3).

Hourly compensation of manufacturing workers rose 1.4 percent during the third quarter, but fell 2.4 percent when the increase in consumer prices was taken into account. Real hourly compensation has not increased for 5 quarters; the cumulative drop was 2.9 percent. Unit labor costs fell again in the third quarter (at a 3.0 percent annual rate), the sixth decline in 7 quarters. Manufacturing unit labor costs were 3.4 percent lower in the third quarter of 1987 than in the fourth quarter of 1985.

Both durable and nondurable goods industries experienced productivity increases in the third quarter (tables 4 and 5). Output and hours increased strongly in both subsectors. Output and hours grew more rapidly in nondurable-goods manufacturing firms where a 4.2 percent productivity gain reflected an 8.6 percent gain in output and a 4.2 percent increase in hours.

Revised data

Second-quarter productivity and cost measures for business, nonfarm business, and nonfinancial corporations (tables 1, 2 and 6) were revised to reflect changes in the national income and product accounts since the last publication of Productivity and Costs. Also, new seasonal factors introduced by the Federal Reserve Board affected output measures used in computing productivity movements in manufacturing (tables 3 through 5).

Next release date

The next issue of Productivity and Costs is scheduled for release at 10:00 AM EST, Thursday, December 3, 1987, and will contain preliminary third-quarter measures for nonfinancial corporations and revised measures for business, nonfarm business, and manufacturing.

News

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Thursday, December 3, 1987

PRODUCTIVITY AND COSTS

Third Quarter 1987

Business, Nonfarm Business, Manufacturing,
and Nonfinancial Corporations

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 third quarter of 1987. Based on information now available, the seasonally-adjusted annual rates of productivity increase in the third quarter were:

- 4.0 percent in the business sector,
- 3.6 percent in the nonfarm business sector,
- 3.8 percent in manufacturing,
- 3.5 percent in durable goods manufacturing, and
- 4.2 percent in nondurable goods manufacturing.

Revised third quarter measures are summarized in table A and appear in detail in tables 1 through 5. Third-quarter measures for nonfinancial corporations also announced today indicate that productivity increased 2.6 percent (tables B and 6).

For business and nonfarm business, the revised productivity and output measures showed greater increases than had been reported on November 2, based on information then available. Manufacturing productivity and output, however, showed smaller gains than were reported earlier (table C).

Business

Productivity increased at a revised 4.0 percent annual rate during the third quarter of 1987 in the business sector. Output rose 5.4 percent and hours of all persons engaged in the sector increased 1.4 percent (seasonally adjusted annual rates). The increases in productivity and output were the largest since the first quarter of 1986 (table 1). During the second quarter of 1986, productivity rose 1.4 percent as output increased 3.0 percent and hours of all persons increased 1.6 percent.

Table A. Productivity and costs: Revised third-quarter 1987 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	4.0	5.4	1.4	4.0	0.2	0.1
Nonfarm business	3.6	5.5	1.8	3.8	-0.1	0.2
Manufacturing	3.8	7.4	3.5	1.4	-2.3	-2.3
Durable	3.5	6.8	3.1	1.1	-2.7	-2.4
Nondurable	4.2	8.6	4.2	2.0	-1.8	-2.1
Percent change from same quarter a year ago						
Business	1.4	3.7	2.3	3.1	-1.1	1.6
Nonfarm business	1.3	3.8	2.5	3.0	-1.2	1.6
Manufacturing	3.8	4.9	1.1	1.3	-2.8	-2.4
Durable	4.0	4.4	0.4	1.0	-3.0	-2.8
Nondurable	3.6	5.8	2.2	1.8	-2.3	-1.7

Hourly compensation increased at a 4.0 percent annual rate during the third quarter of 1987, compared with a 3.3 percent gain during the second quarter. The third-quarter increase was the largest since the fourth quarter of 1985 (when a 5.1 percent increase was reported). This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a scant 0.1 percent annual rate during the third quarter, compared with a 1.8 percent increase during the second quarter.

Real hourly compensation, which takes into account the increase in the Consumer Price Index for All Urban Consumers (CPI-U), increased 0.2 percent in the third quarter. It remained 1.0 percent lower than in the first quarter of 1978, the all-time peak for this series, which begins with data for 1947. Real hourly compensation had declined 1.6 percent in the second quarter of 1987.

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, increased 2.4 percent in the third quarter.

Nonfarm business

Productivity increased at a revised 3.6 percent annual rate in the non-farm business sector during the third quarter of 1987. Output rose 5.5 percent and hours of all persons--employees, proprietors, and unpaid family workers--increased 1.8 percent. As in the more comprehensive business sector, output and hours grew much more strongly in the third than in the second quarter, and the gains in productivity and output were the largest since the first quarter of 1986 (table 2).

Hourly compensation increased at a 3.8 percent annual rate in the third quarter, but fell 0.1 percent when the increase in the CPI-U was taken into account. Real hourly compensation remained about 1.7 percent lower than its 1978 peak level. Unit labor costs increased only 0.2 percent in the third quarter.

The implicit price deflator for the nonfarm business sector rose 2.6 percent in both the second and third quarters, compared with a 3.4 percent increase in the first quarter.

Manufacturing

Productivity increased at a revised 3.8 percent seasonally adjusted annual rate in manufacturing in the third quarter of 1987. Output rose 7.4 percent and hours of all persons increased 3.5 percent. The output increase was the largest gain since the 17.5 percent jump during the first quarter of 1984, and the increase in paid hours of persons engaged in manufacturing was the largest since the second quarter of that year (when hours rose at a 4.6 percent annual rate). During the second quarter, output rose more modestly and hours declined (table 3). Productivity and output grew more slowly among durable goods industries--nearly half again as many people are employed in producing durable as in nondurable goods (tables 4 and 5).

Hourly compensation of all manufacturing sector workers increased 1.4 percent during the third quarter but declined 2.3 percent when the increase in consumer prices is taken into account, continuing a pattern of smaller gains than in the more comprehensive business sectors reported above. Real hourly compensation remained about 3.1 percent below the level of the first quarter of 1978, the all-time peak for this series. Unit labor costs fell at a 2.3 percent annual rate during the third quarter of 1987, compared with a 4.2 percent decrease during the second quarter. This was the third consecutive quarter during which labor costs have fallen in manufacturing.

Nonfinancial corporations

Third-quarter 1987 measures of productivity and costs also were announced today for the nonfinancial corporate sector (tables B and 6). Output per all-employee hour increased 2.6 percent from the second to the third quarter of 1987, as output increased 5.5 percent and hours of all employees increased 2.8 percent (table 6). As in the more comprehensive business sectors, the gains in productivity and output were the largest since the first quarter of 1986. The sector accounts for about three-fifths of gross national product and includes all corporations doing business in the United States, except banks, stock and commodity brokers, and finance and insurance agencies. Output and hours grew as rapidly or more rapidly than in the more comprehensive business and nonfarm business sectors reported above.

Hourly compensation increased 3.0 percent in the third quarter of 1987, but declined 0.8 percent when the rise in the CPI-U is taken into account. Unit labor costs rose only 0.4 percent (compared with a 2.0 percent increase during the second quarter), unit nonlabor costs increased 1.2 percent, and unit profits rose 25.0 percent (table 6). This was the largest 1-quarter increase in profits since the 34.7 percent increase in the third quarter of 1985, but the level of profit per unit of output remained about 1.8 percent below the level of the second quarter of 1985, the all-time high for this series (which begins with 1958). The implicit deflator for nonfinancial corporate output increased 2.8 percent in the third quarter, the same as the increase in the second quarter.

Table B. Nonfinancial corporations: Third-quarter productivity and cost measures
Quarterly change at seasonally adjusted annual rates
Percent

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
1987 II to								
1987 III	2.6	5.5	2.8	3.0	-0.8	0.4	25.0	2.8
1986 III to								
1987 III	0.6	3.2	2.6	2.2	-1.9	1.6	7.6	2.1

Revised measures

Previously published and revised productivity and cost measures for the third quarter are compared in table C for business and manufacturing. The revised productivity increases in business and nonfarm business are larger than those reported on November 2, based on initial information then available. In manufacturing, a downward revision of the increase in output resulted in a smaller productivity gain than had previously been reported.

Table C. Comparison of previously published and revised productivity and related measures, third-quarter 1987
Percent change from previous quarter
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Previous	2.9	4.2	1.3	4.2	0.3	1.3
Revised	4.0	5.4	1.4	4.0	0.2	0.1
Nonfarm business:						
Previous	2.6	4.4	1.7	4.0	0.1	1.3
Revised	3.6	5.5	1.8	3.8	-0.1	0.2
Manufacturing:						
Previous	4.5	8.2	3.5	1.4	-2.4	-3.0
Revised	3.8	7.4	3.5	1.4	-2.3	-2.3

Next release date

The next issue of Productivity and Costs is scheduled for release at 10:00 AM EST, Thursday, February 4, 1988, and will contain 1987 fourth-quarter and annual average measures for business, nonfarm business, and manufacturing.

Tentative release dates for productivity and cost measures for major sectors of the U.S. economy in 1988 are:

Reference period	Initial measures	Revised measures
1987:		
Fourth Qtr., Annual	February 4	March 3*
1988:		
First Qtr.	May 2	June 6
Second Qtr.	August 4	September 1
Third Qtr.	October 31	December 5

* For nonfinancial corporations, 1987 annuals only; fourth quarter results included in May 2 release.

News

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Bureau of Labor Statistics

Washington, D.C. 20212

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Current data : (202) 523-1221 or 1208
Media contact: (202) 523-1913

USDL 88-53
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PRODUCTIVITY AND COSTS Fourth Quarter and Annual Averages, 1987

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 fourth quarter and year of 1987. Based on information now available, productivity changes were:

	Fourth quarter	1986- 1987
Business sector.....	-0.7	0.9
Nonfarm business sector.....	-0.2	0.8
Manufacturing.....	0.1	3.3
Durable goods manufacturing.....	2.0	3.9
Nondurable goods manufacturing..	-3.4	2.5

Productivity advanced slowly in the business and nonfarm business sectors when 1987 is compared with 1986, reflecting strong growth mid-year and weak performance in the first and fourth quarters. Productivity gains for the year in these 2 sectors were about half as large as those of 1986. In manufacturing, productivity growth was more rapid than in the broader sectors, but was also smaller than the preceding year's increase.

Fourth-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Annual changes in productivity and related measures appear in tables B and C.

THIRD TO FOURTH QUARTER CHANGES, 1987

Business

Productivity fell at a 0.7 percent annual rate during the fourth quarter of 1987 in the business sector, a considerable slowing from the 4.7 percent gain during the third quarter. In spite of the decline in productivity, output and payroll hours posted strong gains. Output rose 4.8 percent; hours of all persons engaged in the sector increased 5.6 percent (seasonally adjusted annual rates). The increase in hours reflected the largest gain in business employment -- 4.0 percent -- since 1984 (when it rose 4.8 percent in the second quarter). During the third quarter of 1987, output increased 6.3 percent and hours of all persons increased 1.5 percent (table 1).

-2-

Table A. Productivity and costs: Preliminary fourth quarter 1987 measures.
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	-0.7	4.8	5.6	3.1	-0.5	3.9
Nonfarm business	-0.2	5.1	5.3	3.4	-0.1	3.7
Manufacturing	0.1	7.0	6.9	2.1	-1.4	2.0
Durable	2.0	9.8	7.7	2.2	-1.4	0.2
Nondurable	-3.4	2.1	5.7	1.8	-1.7	5.3
Percent change from same quarter a year ago						
Business	1.4	4.4	2.9	2.9	-1.5	1.4
Nonfarm business	1.4	4.6	3.1	2.8	-1.6	1.3
Manufacturing	3.3	5.8	2.4	1.1	-3.2	-2.2
Durable	3.8	6.0	2.1	0.7	-3.5	-3.0
Nondurable	2.5	5.5	2.9	1.8	-2.5	-0.7

Hourly compensation increased at a 3.1 percent annual rate during the fourth quarter of 1987, compared with a 3.8 percent gain during the third quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 3.9 percent annual rate during the fourth quarter, compared with a 0.9 percent decrease during the third quarter. The fourth-quarter increase was the largest quarterly gain in 2 years (a 6.2 percent increase was recorded in the fourth quarter of 1985).

Real hourly compensation, which takes into account the increase in the Consumer Price Index for All Urban Consumers (CPI-U), declined 0.5 percent in the fourth quarter, its fourth consecutive drop.

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, increased 1.6 percent in the fourth quarter, the smallest rise in 1987.

Nonfarm business

Productivity declined in the nonfarm business sector, slipping 0.2 percent during the fourth quarter. Output and payroll hours grew strongly; output rose 5.1 percent and hours of all persons -- employees, proprietors, and unpaid family workers -- increased 5.3 percent (table 2). Nonfarm employment posted its biggest advance since 1984 during the October-December 1987 period, mirroring the more comprehensive business sector. During the third quarter, productivity had advanced 4.2 percent.

-3-

Hourly compensation increased 3.4 percent in the fourth quarter, compared with a 3.6 percent gain during the preceding quarter. When the increase in the CPI-U is taken into account, real hourly compensation declined 0.1 percent. Unit labor costs increased 3.7 percent in the fourth quarter. During the third quarter, these costs fell 0.6 percent in spite of more rapid gains in hourly compensation. This reflects the impact of the more rapid productivity gain in the third period.

The implicit price deflator for nonfarm business output rose 1.5 percent in the fourth quarter, compared with a 2.7 percent increase in the third period. This was the smallest quarterly gain in these prices in 1987.

Manufacturing

Overall manufacturing productivity showed little change as largely offsetting movements occurred in durables and nondurables. Strong gains occurred in both all-manufacturing output and payroll hours. Output per hour (productivity) increased at a 0.1 percent seasonally-adjusted annual rate in the final quarter of 1987, compared with a 3.7-percent increase during the third quarter. Output rose 7.0 percent in the fourth quarter and hours of all persons increased 6.9 percent. Although the productivity gain was the smallest since 1981 (when a 4.1 percent decline occurred in the fourth quarter), the increase in hours was the largest quarterly gain since 1984. During the third quarter of 1987, output rose 7.6 percent and hours increased 3.8 percent (table 3).

Productivity grew in durables while declining more rapidly in nondurables, but output and hours increased in both subsectors (nearly half again as many jobs produce durable as nondurable goods). Output grew much more rapidly among durable goods industries (tables 4, 5).

Hourly compensation of all manufacturing workers increased 2.1 percent during the fourth quarter. When the increase in consumer prices is taken into account, real hourly compensation declined 1.4 percent, the sixth consecutive quarter in which this series declined or failed to rise. Unit labor costs increased at a 2.0 percent annual rate, compared with a 2.3 percent decrease during the third quarter of 1987. This was the only quarter during which manufacturing unit labor costs rose this year.

ANNUAL CHANGES, 1986-1987

Business

Business productivity for 1987 was 0.9 percent higher than in 1986, as output advanced 3.4 percent and hours of all persons rose 2.4 percent (table B). Employment grew 2.5 percent (about 2.2 million jobs) during 1987, a cumulative increase of 13.6 percent (10.8 million jobs) since the recession-low of 1982. During 1986, productivity rose 1.9 percent. Hourly compensation increased 2.9 percent in 1987, compared with a 3.9 percent gain during 1986. The increase in 1987 was the smallest since 1955 (when a 2.5 percent increase was recorded). Unit labor costs increased a modest 2.0 percent during both 1987 and 1986.

Table B. Productivity and costs: 1987 annual measures.

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change in annual averages, 1986 - 1987						
Business	0.9	3.4	2.4	2.9	-0.7	2.0
Nonfarm business	0.8	3.4	2.6	2.8	-0.8	2.0
Manufacturing	3.3	4.3	1.0	1.3	-2.2	-1.9
Durable	3.9	4.1	0.2	1.1	-2.5	-2.7
Nondurable	2.5	4.6	2.0	2.0	-1.6	-0.5

Real hourly compensation declined 0.7 percent in 1987, compared with a 2.0 percent rise in 1986. This was the first drop since 1984 (when it fell 0.2 percent). The implicit price deflator for the business sector increased 2.5 percent in 1987, up from the 2.1 percent gain of 1986.

Annual changes in productivity and related measures for the 1978-1987 decade are shown in table C. These values were computed by comparing annual average values for adjacent years. The preliminary indexes for 1987 are compared with currently-available measures for 1986.

Nonfarm business

Productivity increased 0.8 percent in the nonfarm business sector during 1987. Output rose 3.4 percent and hours of all persons increased 2.6 percent (table 2). Employment rose 2.6 percent (2.2 million jobs) in 1987, a cumulative increase of 14.6 percent (11.2 million jobs) over the recession-low of 1982.

Hourly compensation increased a modest 2.8 percent in 1987, the smallest rise in this series, which begins with data for 1947. Real hourly compensation fell 0.8 percent, the first drop in the annual measure since 1984 (when it declined 0.2 percent). There has been almost no change in real hourly compensation in a decade.

Unit labor costs increased 2.0 percent in 1987 and 2.2 percent in 1986. The implicit price deflator for the nonfarm business sector rose 2.4 percent in 1987, compared with a 2.3 percent rise in 1986.

Manufacturing

Productivity increased 3.3 percent in manufacturing in 1987, compared with a 3.7 percent increase during 1986. Productivity gains in manufacturing have been substantially larger recently than in the more comprehensive business sector (of which it is a part, accounting for about one-quarter of business hours).

-5-

Table C. Annual changes in productivity and related measures, 1978-1987.

Measure	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Business:										
Productivity.....	0.8	-1.2	-0.3	1.4	-0.4	2.7	2.5	1.8	1.9	0.9
Output.....	5.8	2.0	-1.1	2.1	-3.1	4.2	8.4	4.0	3.3	3.4
Hours.....	4.9	3.2	-0.8	0.7	-2.8	1.5	5.7	2.1	1.4	2.4
Hourly compensation..	8.5	9.7	10.5	9.2	7.8	4.2	4.1	4.7	3.9	2.9
Real hourly comp.....	0.8	-1.4	-2.7	-1.0	1.6	1.0	-0.2	1.1	2.0	-0.7
Unit labor costs.....	7.6	11.1	10.9	7.7	8.3	1.4	1.5	2.8	2.0	2.0
Implicit price def...	7.3	9.0	9.0	9.6	5.9	3.3	3.3	2.7	2.1	2.5
Nonfarm business:										
Productivity.....	0.8	-1.6	-0.4	1.0	-0.6	3.3	2.1	1.2	1.6	0.8
Output.....	6.0	1.9	-1.2	1.7	-3.3	5.0	8.3	3.6	3.2	3.4
Hours.....	5.1	3.5	-0.7	0.7	-2.7	1.6	6.0	2.5	1.6	2.6
Hourly compensation..	8.6	9.5	10.5	9.4	7.8	4.3	3.9	4.4	3.9	2.8
Real hourly comp.....	0.9	-1.6	-2.7	-0.9	1.5	1.1	-0.3	0.8	1.9	-0.8
Unit labor costs.....	7.7	11.2	11.0	8.3	8.4	1.0	1.8	3.2	2.2	2.0
Implicit price def...	7.0	8.9	9.7	9.7	6.3	3.5	3.0	3.2	2.3	2.4
Manufacturing:										
Productivity.....	1.5	-0.1	0.0	2.2	2.2	5.8	5.5	5.1	3.7	3.3
Output.....	6.0	2.0	-4.5	1.6	-6.1	6.4	12.2	4.3	2.8	4.3
Hours.....	4.4	2.1	-4.5	-0.6	-8.1	0.6	6.4	-0.8	-0.9	1.0
Hourly compensation..	8.2	9.7	11.6	9.6	8.5	3.1	3.4	5.3	3.3	1.3
Real hourly comp.....	0.5	-1.4	-1.7	-0.7	2.2	-0.1	-0.8	1.6	1.3	-2.2
Unit labor costs.....	6.6	9.7	11.7	7.3	6.2	-2.5	-1.9	0.2	-0.4	-1.9
Implicit price def...	5.2	6.2	8.4	8.9	5.1	1.1	0.7	-0.7	0.4	n.a.

n.a. - Not available.

Output rose 4.3 percent and hours of all persons increased 1.0 percent (table 3). Employment grew 0.5 percent (101,000 jobs) in 1987. Since 1982, manufacturing employment has grown 1.6 percent cumulatively (312,000 jobs). Productivity grew in both durables and nondurables in 1987, but hours increased mainly in nondurables. Output grew more rapidly in non-durable goods industries (tables 4, 5).

Hourly compensation of all manufacturing sector workers increased 1.3 percent during 1987, the smallest gain ever recorded in this series, which begins with data for 1947. When the increase in consumer prices is taken into account, real hourly compensation fell 2.2 percent, the largest annual drop experienced. There has been little change in manufacturing real hourly compensation in about a decade. Unit labor costs fell 1.9 percent in 1987, compared with a 0.4 percent drop during 1986.

-6-

REVISED THIRD QUARTER 1987 MEASURES

The Bureau of Labor Statistics also reported revised measures for the third quarter of 1987 for nonfinancial corporations (table D). Productivity increased more rapidly in the third quarter than had been reported on December 3, 1987, based on information then available.

Previous and revised productivity and cost measures for the third quarter are compared in table E for the business and manufacturing sectors. The changes mainly reflect upward revisions in the underlying output measures since December.

Table D. Previously published and revised measures for nonfinancial corporations, third quarter 1987.
Percent change from previous quarter
(Seasonally-adjusted annual rates)

Item	Produc- tivity	Output	Hours	Real				
				Hourly compen- sation	hourly compen- sation	Unit labor costs	Unit nonlabor costs	Unit profits
Previous	2.6	5.5	2.8	3.0	-0.8	0.4	1.2	25.0
Revised	3.3	6.4	3.0	2.9	-0.9	-0.4	1.5	30.7

Table E. Previously published and revised productivity and related measures, third quarter 1987.
Percent change from previous quarter
(Seasonally-adjusted annual rates)

Sector	Produc- tivity	Output	Hours	Real		
				Hourly compen- sation	hourly compen- sation	Unit labor costs
Business:						
Previous	4.0	5.4	1.4	4.0	0.2	0.1
Revised	4.7	6.3	1.5	3.8	-0.1	-0.9
Nonfarm business:						
Previous	3.6	5.5	1.8	3.8	-0.1	0.2
Revised	4.2	6.3	2.0	3.6	-0.3	-0.6
Manufacturing:						
Previous	3.8	7.4	3.5	1.4	-2.3	-2.3
Revised	3.7	7.6	3.8	1.3	-2.5	-2.3

News

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PRODUCTIVITY AND COSTS

Fourth-Quarter and Annual Averages 1987
Business, Nonfarm Business, and Manufacturing
and 1987 Annual Averages for
Nonfinancial Corporations

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 fourth quarter and year of 1987. Based on more complete information than was available earlier, the revised productivity changes were:

	Fourth quarter	1986- 1987
Business sector.....	-0.2	1.0
Nonfarm business sector.....	0.3	0.9
Manufacturing.....	0.2	3.3
Durable goods manufacturing.....	2.0	3.9
Nondurable goods manufacturing..	-3.1	2.5

Productivity advanced slowly in the business and nonfarm business sectors when 1987 is compared with 1986, reflecting stronger growth in mid-year and weaker gains in the first and fourth quarters. In manufacturing, productivity growth was more rapid than in the broader sectors, but was nonetheless slower than the preceding year's increase. The revised annual measures are quite similar to preliminary movements published last month. The fourth-quarter revisions mainly reflect upward revisions in output measures (table C).

Fourth-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Preliminary 1987 annual measures for nonfinancial corporations, announced today, indicate productivity increased 0.4 percent over 1986. (tables B and 6).

-2-

**Table A. Productivity and costs: Revised fourth-quarter 1987 measures
(Seasonally-adjusted annual rates)**

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	-0.2	5.4	5.6	3.1	-0.5	3.3
Nonfarm business	0.3	5.6	5.3	3.4	-0.2	3.1
Manufacturing	0.2	7.0	6.8	2.1	-1.5	1.8
Durable	2.0	9.9	7.7	2.2	-1.4	0.1
Nondurable	-3.1	2.1	5.4	1.7	-1.9	4.9
Percent change from same quarter a year ago						
Business	1.6	4.6	2.9	2.9	-1.5	1.3
Nonfarm business	1.6	4.7	3.1	2.8	-1.6	1.2
Manufacturing	3.4	5.8	2.4	1.1	-3.2	-2.2
Durable	3.8	6.0	2.1	0.7	-3.5	-3.0
Nondurable	2.6	5.5	2.8	1.7	-2.6	-0.8

FOURTH QUARTER CHANGES 1987

Business

Productivity fell at a -0.2 percent annual rate from the third to the fourth quarter of 1987 in the business sector, the only decline of the year. Output rose 5.4 percent, and hours of all persons engaged in the sector increased 5.6 percent (seasonally-adjusted annual rates). The increase in hours reflected the largest gain in business employment and average weekly hours since 1984. During the third quarter of 1987, productivity had risen 4.7 percent, as output increased 6.3 percent and hours of all persons increased only 1.5 percent (table 1).

Hourly compensation increased at a 3.1 percent annual rate during the fourth quarter of 1987, compared with a 3.8 percent gain during the third quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 3.3 percent annual rate during the fourth quarter, compared with a 0.9 percent decline during the third quarter.

Real hourly compensation, which takes into account the increase in the Consumer Price Index for All Urban Consumers (CPI-U), declined 0.5 percent in the fourth quarter. Real hourly compensation failed to rise in any quarter of 1987.

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, increased 1.9 percent in the fourth quarter, compared with a 2.5 percent increase in the third quarter. Price increases decelerated in the second through fourth quarters of 1987.

Nonfarm business

Productivity increased 0.3 percent in the fourth quarter in nonfarm businesses. Output rose 5.6 percent and hours of all persons--employees, proprietors, and unpaid family workers--increased 5.3 percent (table 2). As in the more comprehensive business sector, nonfarm employment and average weekly hours posted their best performance since 1984 during the October-December 1987 period.

Hourly compensation increased 3.4 percent in the fourth quarter, but was down 0.2 percent when the increase in the CPI-U was taken into account. Unit labor costs increased 3.1 percent in the fourth quarter. One quarter earlier, these costs declined 0.6 percent.

The implicit price deflator for nonfarm business output rose at a 1.9 percent annual rate in the fourth quarter, compared with a 2.7 percent increase one quarter earlier.

Manufacturing

Productivity increased at a 0.2 percent seasonally-adjusted annual rate in manufacturing in the final quarter of 1987, compared with a 3.7-percent increase during the third quarter. In the fourth quarter, output rose 7.0 percent and hours increased 6.8 percent. Although the productivity gain was the smallest since the fourth quarter of 1981 (when it declined 4.1 percent), increases in output and hours were strong. During the third quarter of 1987, output had risen 7.6 percent, and hours rose 3.8 percent (table 3).

Productivity grew in durable goods manufacturing while declining in nondurables manufacturing, but output and hours increased in both subsectors. Output grew much more rapidly among durable goods industries (tables 4 and 5).

Hourly compensation of all manufacturing workers increased 2.1 percent during the fourth quarter, but gains were larger in durables. When the increase in consumer prices is taken into account, real hourly compensation declined 1.5 percent, the sixth decline in succession. Unit labor costs increased at a 1.8 percent annual rate, compared with an 2.3 percent decrease during the third quarter of 1987. This was the only quarter during which manufacturing unit labor costs rose this year.

ANNUAL CHANGES, 1986-1987

Nonfinancial corporations

The Bureau of Labor Statistics also reported annual productivity and related indexes for nonfinancial corporations for 1987. Productivity rose 0.4 percent in 1987, as output rose 2.7 percent and hours of all employees gained 2.3 percent. Hourly compensation rose 2.1 percent in 1987 (the smallest rise in this series, which begins with 1958) and fell 1.5 percent when the rise in the CPI-U is taken into account (the largest decline since the 2.7 percent drop in 1980). Unit labor costs rose 1.7 percent, unit nonlabor costs rose 2.2 percent, and unit profits were 6.5 percent higher than 1986 levels. Annual changes from 1978 to 1987 are shown in table B.

Table B. Annual changes in productivity and related measures, 1978-1987.

Measure	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Nonfinancial corporations:										
Productivity.....	0.6	-0.8	-0.7	0.6	0.7	3.2	2.4	2.1	1.6	0.4
Output.....	6.1	2.8	-1.8	1.6	-3.0	4.7	9.1	4.4	2.6	2.7
Hours.....	5.5	3.7	-1.0	1.0	-3.7	1.5	6.6	2.3	1.0	2.3
Hourly compensation..	8.4	9.5	10.4	9.3	7.7	3.6	3.7	4.2	3.5	2.1
Real hourly comp.....	0.8	-1.6	-2.7	-0.9	1.5	0.4	-0.6	0.7	1.6	-1.5
Unit labor costs.....	7.8	10.4	11.2	8.7	6.9	0.4	1.3	2.1	1.9	1.7
Unit nonlabor cost...	5.7	9.6	18.0	16.4	10.9	-1.2	-0.4	2.7	2.2	2.2
Total unit cost.....	7.3	10.2	12.9	10.7	8.0	0.0	0.8	2.2	2.0	1.9
Unit profit.....	2.0	-7.3	-9.9	15.2	-20.0	41.4	23.1	-1.9	-3.4	6.5
Implicit price def...	6.6	8.2	10.7	11.0	5.7	2.6	2.8	1.8	1.5	2.3

REVISED MEASURES

Revised and previous measures for the fourth quarter of 1987 for the business, nonfarm business, and manufacturing sectors are compared in table C. Productivity performed somewhat better in the fourth quarter than had been reported on February 4, 1988, based on information then available. Annual movements were virtually the same as previously published.

All measures of real hourly compensation incorporate the new seasonal adjustment factors and re-indexed values of the Consumer Price Index for All Urban Consumers announced by the BLS on February 26, 1988.

-5-

**Table C. Previous and revised productivity and related measures,
fourth quarter and annual averages, 1987
(Seasonally-adjusted annual rates)**

Sector	Produc- tivity	Output	Hours	Hourly compen- sation	Real hourly compen- sation	Unit labor costs
Percent change, third to fourth quarter 1987						
Business:						
Previous	-0.7	4.8	5.6	3.1	-0.5	3.9
Revised	-0.2	5.4	5.6	3.1	-0.5	3.3
Nonfarm business:						
Previous	-0.2	5.1	5.3	3.4	-0.1	3.7
Revised	0.3	5.6	5.3	3.4	-0.2	3.1
Manufacturing:						
Previous	0.1	7.0	6.9	2.1	-1.4	2.0
Revised	0.2	7.0	6.8	2.1	-1.5	1.8
Percent change, 1986 to 1987						
Business:						
Previous	0.9	3.4	2.4	2.9	-0.7	2.0
Revised	1.0	3.4	2.4	2.9	-0.7	1.9
Nonfarm business:						
Previous	0.8	3.4	2.6	2.8	-0.8	2.0
Revised	0.9	3.5	2.6	2.8	-0.8	1.9
Manufacturing:						
Previous	3.3	4.3	1.0	1.3	-2.2	-1.9
Revised	3.3	4.3	0.9	1.3	-2.2	-1.9

NEXT RELEASE DATE

The next issue of Productivity and Costs is scheduled for release at **10:00 AM EDT, Monday, May 2, 1988**, and will contain measures for nonfinancial corporations, business, nonfarm business, and manufacturing.

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PRODUCTIVITY AND COSTS First Quarter 1988

The Bureau of Labor Statistics of the U.S. Department of Labor today reported productivity results --as measured by output per hour of all persons-- for the first quarter of 1988. Based on preliminary data, the seasonally adjusted annual rates of productivity change in the first quarter were:

- 0.8 percent in the business sector,
- 0.9 percent in the nonfarm business sector,
- 2.9 percent in manufacturing,
- 2.6 percent in durable goods manufacturing, and
- 3.7 percent in nondurable goods manufacturing.

First-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Productivity rose in all sectors in the first quarter, but gains were strongest in manufacturing.

Business

Productivity increased at a 0.8 percent annual rate during the first quarter of 1988 in the business sector, as output rose 2.5 percent and hours of all persons engaged in the sector increased 1.7 percent (seasonally adjusted annual rates). During the fourth quarter of 1987, productivity had declined 1.5 percent, as output grew 4.0 percent and hours increased 5.6 percent (table 1). Compared with the first quarter of 1987, productivity rose 1.3 percent.

Hourly compensation increased 3.5 percent during the first quarter of 1988, compared with a 3.2 percent rise in the fourth quarter of 1987. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 2.7 percent annual rate during the first quarter, compared with a 4.7 percent increase in the fourth quarter of last year.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased at a 0.1 percent annual rate in the first quarter, compared with a 0.5 percent decline in the fourth quarter of 1987. No increases were recorded in this measure in 1987.

- 2 -

Table A. Productivity and costs: Preliminary first quarter 1988 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	0.8	2.5	1.7	3.5	0.1	2.7
Nonfarm business	0.9	2.7	1.7	3.4	0.0	2.4
Manufacturing	2.9	4.3	1.3	3.9	0.5	1.0
Durable	2.6	3.1	0.4	5.0	1.5	2.3
Nondurable	3.7	6.5	2.6	2.4	-1.0	-1.3
Percent change from same quarter a year ago						
Business	1.3	3.9	2.6	3.4	-0.5	2.1
Nonfarm business	1.4	4.1	2.6	3.4	-0.5	2.0
Manufacturing	3.4	6.0	2.5	2.3	-1.6	-1.1
Durable	3.4	5.7	2.2	2.5	-1.4	-0.9
Nondurable	3.4	6.6	3.0	2.2	-1.7	-1.3

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, increased a modest 1.2 percent in the first quarter.

Nonfarm business

Productivity increased 0.9 percent in the nonfarm business sector during the first quarter of 1988, as output rose 2.7 percent and hours of all persons increased 1.7 percent. As in the more comprehensive business sector reported above, the first-quarter increase in productivity followed a quarter of decline. (During the fourth quarter of 1987, productivity fell 1.0 percent in this sector (table 2).) Over the past 4 quarters, productivity increased 1.4 percent.

Hourly compensation increased 3.4 percent in the first quarter, but was unchanged when the rise in the CPI-U was taken into account. Unit labor costs rose 2.4 percent, compared with a 4.5 percent rise during the fourth quarter of 1987.

The implicit price deflator for the nonfarm business sector rose 1.1 percent in the first quarter, compared with a 1.9 percent rise one quarter earlier.

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Thursday, August 4, 1988

PRODUCTIVITY AND COSTS Second Quarter 1988

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 second quarter of 1988. The seasonally-adjusted annual rates of productivity change in the second quarter were:

- 2.2 percent in the business sector,
- 1.7 percent in the nonfarm business sector,
- 3.5 percent in manufacturing,
- 3.8 percent in durable goods manufacturing, and
- 2.6 percent in nondurable goods manufacturing.

The productivity declines in the business and nonfarm business sectors were the first since 1986. Although output continued to advance, even faster increases in hours of all persons engaged in these sectors were reflected in productivity declines. On the other hand, although manufacturing output was also up strongly, hours expanded relatively little, and productivity advanced. Second-quarter measures are summarized in table A and appear in detail in tables 1 through 5.

Business

Productivity declined at a 2.2 percent annual rate during the second quarter of 1988 in the business sector, as output rose 3.5 percent and hours of all persons engaged in the sector increased 5.9 percent (seasonally adjusted annual rates). This was the first decline in business productivity since 1986 (appendix table 1). During the first quarter of 1988, productivity had increased 3.5 percent (table 1). Although productivity declined in the April-June period, hours increases were the largest since the first quarter of 1984. In the second quarter of 1988, employment rose 4.8 percent and average weekly hours increased 1.1 percent.

Hourly compensation increased at a 4.7 percent annual rate during the second quarter of 1988, compared with a 3.7 percent gain during the previous quarter. This measure includes wages and salaries, supplements, employer

- 2 -

Table A. Productivity and costs: Preliminary second quarter 1988 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real	Unit labor costs
					hourly compensation	
Percent change from preceding quarter						
Business	-2.2	3.5	5.9	4.7	-0.1	7.0
Nonfarm business	-1.7	4.7	6.5	4.1	-0.6	5.9
Manufacturing	3.5	5.4	1.8	2.9	-1.8	-0.6
Durable	3.8	7.4	3.5	1.4	-3.2	-2.3
Nondurable	2.6	2.1	-0.5	5.2	0.4	2.5
Percent change from same quarter a year ago						
Business	1.4	5.3	3.9	4.8	0.8	3.3
Nonfarm business	1.6	5.7	4.1	4.6	0.7	3.0
Manufacturing	2.8	6.3	3.4	3.1	-0.7	0.3
Durable	3.3	7.2	3.8	3.1	-0.8	-0.2
Nondurable	1.9	4.8	2.9	3.2	-0.7	1.3

contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 7.0 percent annual rate during the second quarter, compared with a 0.2 percent increase during the first quarter. The second-quarter increase was the largest since 1982 (when a 7.2 percent jump occurred in the third quarter).

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), declined at a 0.1 percent annual rate during the second quarter. During the first quarter, this measure had increased at a 0.3 percent annual rate.

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 3.9 percent in the second quarter, compared with a 1.0 percent rise in the first quarter.

Nonfarm business

Productivity declined 1.7 percent in the nonfarm business sector during the second quarter of 1988, as output rose 4.7 percent and hours of all persons—employees, proprietors, and unpaid family workers—increased 6.5 percent. This was the first productivity decline since 1986 (appendix table 2), and the largest gain in hours since 1984, when they rose 7.7 percent during the first quarter. During the first quarter of 1988, productivity had increased 3.4 percent in this sector (table 2). As in the more comprehensive business sector, growth in output slowed and hours growth accelerated in the second quarter.

- 3 -

Hourly compensation increased 4.1 percent in the second quarter, but fell 0.6 percent when the increase in the CPI-U was taken into account. During the first quarter the comparable changes were 3.5 percent and 0.1 percent, respectively. Unit labor costs increased 5.9 percent, compared with a 0.1 percent rise during the first quarter of 1988. The increase in these costs was the largest since 1986 (when they rose 6.1 percent in the fourth quarter).

The implicit price deflator for nonfarm business output rose 3.8 percent in the second quarter, compared with a 0.6 percent increase one quarter earlier.

Manufacturing

Productivity increased at a 3.5 percent seasonally adjusted annual rate in manufacturing in the second quarter of 1988, as output increased 5.4 percent and hours of all persons increased 1.8 percent. Productivity, output, and hours all grew faster in the second quarter of 1988 than in the first (table 3).

Hourly compensation of manufacturing workers increased 2.9 percent during the second quarter, compared with a 5.4 percent increase during the first quarter. Real hourly compensation declined 1.8 percent in the second quarter when the increase in consumer prices was taken into account. During the first quarter, this measure rose at a 2.0 percent annual rate. Only one increase has occurred in manufacturing real hourly compensation in the past 6 quarters. Unit labor costs were down at a 0.6 percent annual rate in the second quarter, compared with a 2.2 percent increase during the first quarter of 1988.

Both durable and nondurable goods industries experienced productivity increases in the second quarter, but growth was faster among durable goods producers (tables 4 and 5). Hours of all persons engaged in manufacturing declined in nondurable goods production.

Revised measures

The productivity and cost measures contained in this news release for business, nonfarm business, manufacturing, and nonfinancial corporations are based on the latest measures of output and hours available.

Revised quarterly and annual output and compensation measures prepared by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce are reflected in the productivity and cost measures for business, nonfarm business, and nonfinancial corporations. These new values were published by BEA on July 27 as part of the regular revision cycle of the national income and product accounts and affect the last 3 years. For manufacturing, revised quarterly changes in output and related measures were computed by BLS to take into account the new annual output levels from BEA for 1985-1987. See appendix tables 1-6.

- 4 -

In addition, recent information on employment and average weekly hours of all persons engaged in these sectors is also incorporated in productivity and cost measures at this time. Historical tables are available on request from the Bureau of Labor Statistics, Office of Productivity and Technology, Washington, D.C. 20212; (202) 523-9261.

Productivity and cost measures on diskettes formatted for use on IBM-compatible microcomputers using LOTUS 1-2-3 are also available for \$35. For ordering information, contact BLS Data Diskettes, 441 G Street NW, Room 2127, Washington, D.C. 20212; (202) 523-1090.

Next release date

The next release of productivity and cost measures is scheduled for 10:00 AM EDT, Thursday, September 1, 1988. Preliminary second-quarter measures for nonfinancial corporations will be released at that time.

News

United States
Department
of Labor



Bureau of Labor Statistics

Washington, D.C. 20212

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PRODUCTIVITY AND COSTS

Revised Second-Quarter Measures for
Business, Nonfarm Business, and Manufacturing and
Preliminary Measures for Nonfinancial Corporations

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 1988. Based on information now available, the seasonally-adjusted annual rates of productivity change in the second quarter were:

- 2.5 percent in the business sector,
- 1.4 percent in the nonfarm business sector,
- 3.6 percent in manufacturing,
- 3.9 percent in durable goods manufacturing, and
- 2.8 percent in nondurable goods manufacturing.

Revised second-quarter measures are summarized in table A and appear in detail in tables 1 through 5. For nonfinancial corporations, productivity rose 0.4 percent in the second quarter, as output and hours rose 5.2 percent and 4.7 percent, respectively (tables B and 6).

For the business sector, the revised productivity measure shows a larger decline than reported on August 4, based on preliminary information then available. In the nonfarm business sector, output grew more and productivity declined less than originally reported. Manufacturing productivity and output showed increases similar to those reported earlier (table C).

Business

Productivity declined at a 2.5 percent annual rate during the second quarter of 1988 in the business sector, as output rose 3.4 percent and hours of all persons engaged in the sector increased 6.0 percent (seasonally adjusted annual rates). During the first quarter of 1988, productivity had increased 3.5 percent, as output grew more than hours (table 1).

Table A. Productivity and costs: Revised second-quarter 1988 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	-2.5	3.4	6.0	4.8	0.0	7.5
Nonfarm business	-1.4	5.2	6.6	4.2	-0.6	5.7
Manufacturing	3.6	5.7	2.0	3.0	-1.7	-0.6
Durable	3.9	7.7	3.7	1.5	-3.1	-2.3
Nondurable	2.8	2.4	-0.4	5.2	0.4	2.3
Percent change from same quarter a year ago						
Business	1.3	5.3	3.9	4.8	0.9	3.4
Nonfarm business	1.6	5.8	4.1	4.6	0.7	2.9
Manufacturing	2.8	6.4	3.4	3.2	-0.7	0.3
Durable	3.3	7.3	3.8	3.1	-0.8	-0.2
Nondurable	1.9	4.9	2.9	3.2	-0.7	1.2

Hourly compensation increased at a 4.8 percent annual rate during the second quarter of 1988, compared with a 3.7 percent rise during the first quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 7.5 percent annual rate during the second quarter, compared with a 0.2 percent gain in the January-March period. The 7.5 percent rate was the largest since the first quarter of 1982, when it increased 10.6 percent.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), was unchanged in the second quarter, compared with a 0.3 percent increase in the first quarter of 1988.

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 5.0 percent in the second quarter, compared with 1.0 percent in the previous quarter. The second-quarter increase was the largest quarterly gain since the third quarter of 1986, when it also increased 5.0 percent.

Nonfarm business

Productivity decreased 1.4 percent in the nonfarm business sector during the second quarter of 1988, as output rose 5.2 percent and hours of all persons--employees, proprietors, and unpaid family workers--increased 6.6 percent. During the first quarter of 1988, nonfarm productivity rose 3.4

percent (table 2). The second-quarter decrease in nonfarm business productivity was the largest in more than a year; a decline of 1.5 percent occurred in the third quarter of 1986.

Hourly compensation rose 4.2 percent in the second quarter, but fell 0.6 percent when the change in the CPI-U was taken into account. The decline in real hourly compensation was the first since the second quarter of 1987. Unit labor costs increased 5.7 percent, compared with a 0.1 percent rise during the first quarter of 1988. The April-June increase was the largest since the fourth quarter of 1986, when unit labor costs grew 6.1 percent.

The implicit price deflator for nonfarm business output rose 3.7 percent in the second quarter, compared with a 0.6 percent increase one quarter earlier.

Manufacturing

Productivity increased at a 3.6 percent seasonally adjusted annual rate in manufacturing in the second quarter of 1988, as output rose 5.7 percent and hours of all persons grew 2.0 percent. During the first quarter of 1988, productivity rose 3.2 percent, as output and hours rose 4.6 percent and 1.3 percent, respectively (table 3).

Hourly compensation of manufacturing workers rose 3.0 percent during the second quarter, but fell 1.7 percent when the increase in consumer prices was taken into account. Real hourly compensation has declined in 5 of the last 6 quarters; the increase in the first quarter of 1988 was 2.0 percent. Unit labor costs fell at a 0.6 percent annual rate, compared with a 2.2 percent increase during the first quarter of 1988. Manufacturing unit labor costs have declined in 4 of the past 6 quarters.

Both durable and nondurable goods industries experienced productivity increases in the second quarter (tables 4 and 5). In the durables subsector, productivity increased 3.9 percent as both output and hours rose--7.7 and 3.7 percent, respectively. For nondurable manufacturing firms, productivity and output increased 2.8 and 2.4 percent, respectively, but hours of all persons declined slightly, 0.4 percent.

Nonfinancial corporations

Preliminary second-quarter 1988 measures of productivity and costs also were announced today for nonfinancial corporations (tables B and 6). Output per all-employee hour increased 0.4 percent from the first to the second quarters of 1988, as output and hours increased 5.2 percent and 4.7 percent, respectively (table 6). During the first quarter, productivity rose 4.3 percent. The sector includes all corporations doing business in the United States, except banks, stock and commodity brokers, and finance and insurance agencies.

- 4 -

Table B. Nonfinancial corporations: Preliminary second-quarter productivity and cost measures
Quarterly percent change at seasonally adjusted annual rates

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
1988 I to 1988 II	0.4	5.2	4.7	4.2	-0.6	3.7	4.1	3.1
1987 II to 1988 II	2.3	6.5	4.1	4.1	0.2	1.8	3.2	1.7

Hourly compensation increased 4.2 percent, but dropped 0.6 percent when the rise in the CPI-U was taken into account. Real hourly compensation has declined in the past 2 quarters. Unit labor costs rose 3.7 percent, unit nonlabor costs increased 1.2 percent, and unit profits rose 4.1 percent (table 6). The implicit deflator for nonfinancial corporate output increased 3.1 percent in the second quarter.

Revised measures

Previous and revised productivity and cost measures for the second quarter are compared in table C for business, nonfarm business, and manufacturing. There was little change in reported productivity measures for manufacturing, but the revisions in business and nonfarm business productivity reflected the availability of more complete information on output movements.

Table C. Previous and revised productivity and related measures, second-quarter 1988
Quarterly percent change at seasonally adjusted annual rates

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Previous	-2.2	3.5	5.9	4.7	-0.1	7.0
Revised	-2.5	3.4	6.0	4.8	0.0	7.5
Nonfarm business:						
Previous	-1.7	4.7	6.5	4.1	-0.6	5.9
Revised	-1.4	5.2	6.6	4.2	-0.6	5.7
Manufacturing:						
Previous	3.5	5.4	1.8	2.9	-1.8	-0.6
Revised	3.6	5.7	2.0	3.0	-1.7	-0.6

News

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PRODUCTIVITY AND COSTS Third Quarter 1988

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 third quarter of 1988. Based on information now available, the seasonally-adjusted annual rates of productivity growth in the third quarter were:

- 1.0 percent in the business sector,
- 1.3 percent in the nonfarm business sector,
- 4.3 percent in manufacturing,
- 3.7 percent in durable goods manufacturing, and
- 5.1 percent in nondurable goods manufacturing.

Third-quarter measures are summarized in table A and appear in detail in tables 1 through 5.

For business and nonfarm business, the third-quarter productivity measures showed a return to growth after declining in the second quarter. In manufacturing, productivity growth was more rapid than during the second quarter. Both output and hours grew more slowly in the third quarter in business and nonfarm business, but accelerated in manufacturing. Between the third quarter of 1988 and the third quarter of 1987, business productivity rose 0.4 percent.

Business

Productivity increased at a 1.0 percent annual rate during the third quarter of 1988 in the business sector, as output rose 2.0 percent and hours of all persons engaged in the sector increased 1.0 percent (seasonally adjusted annual rates). During the second quarter of 1988, productivity declined 3.4 percent, as output grew 2.4 percent while hours increased 6.0 percent (table 1). The third-quarter output increase was the smallest in the past 8 quarters.

- 2 -

Table A. Productivity and costs: Preliminary third-quarter 1988 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	1.0	2.0	1.0	5.9	1.1	4.9
Nonfarm business	1.3	2.8	1.5	5.4	0.6	4.0
Manufacturing	4.3	6.5	2.1	4.6	-0.1	0.3
Durable	3.7	6.6	2.8	4.4	-0.4	0.7
Nondurable	5.1	6.2	1.1	4.9	0.1	-0.2
Percent change from same quarter a year ago						
Business	0.4	3.9	3.5	5.1	0.9	4.7
Nonfarm business	0.8	4.6	3.7	4.9	0.7	4.1
Manufacturing	3.1	6.1	2.9	3.8	-0.3	0.7
Durable	3.5	7.2	3.6	3.7	-0.4	0.2
Nondurable	2.3	4.3	1.9	3.8	-0.3	1.4

Hourly compensation increased at a 5.9 percent annual rate during the third quarter of 1988, compared with a 4.8 percent rise during the second quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 4.9 percent annual rate during the third quarter, compared with a 8.5 percent growth rate in the second quarter.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased at a 1.1 percent annual rate in the third quarter, compared with no change in the second quarter of 1988.

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 4.0 percent in the third quarter, compared with a 5.8 percent gain during the second quarter.

Nonfarm business

Productivity increased 1.3 percent in the nonfarm business sector during the third quarter of 1988, as output rose 2.8 percent and hours of all persons--employees, proprietors, and unpaid family workers--increased 1.5 percent. During the second quarter of 1988, nonfarm productivity fell 2.4 percent. In the third quarter, both output and hours grew more slowly than in the previous quarter.

- 3 -

As in the more comprehensive business sector, the increase in nonfarm business productivity reflected a greater slowing in the growth of hours than of output (table 2). Nonfarm productivity has been stronger than business sector productivity in the last 6 months because of the productivity declines that occurred in farming.

Hourly compensation rose 5.4 percent in the third quarter, but gained only 0.6 percent when the change in the CPI-U was taken into account. Unit labor costs increased 4.0 percent, compared with a 6.8 percent rise during the second quarter of 1988.

The implicit price deflator for nonfarm business output rose 3.4 percent in the third quarter, compared with a 4.7 percent increase one quarter earlier.

Manufacturing

Productivity increased at a 4.3 percent seasonally adjusted annual rate in manufacturing in the third quarter of 1988, as output rose 6.5 percent and hours of all persons increased 2.1 percent. In contrast to the more comprehensive business sectors (of which manufacturing is a part) where output gains have been slowing, the increase in manufacturing output in the third quarter was the largest this year (table 3). During the second quarter of 1988, productivity rose 3.7 percent, as output rose 5.8 percent and hours increased 2.0 percent.

Hourly compensation of manufacturing workers rose 4.6 percent during the third quarter, but fell 0.1 percent when the increase in consumer prices was taken into account. Real hourly compensation has declined in 6 of the past 7 quarters. Unit labor costs increased slightly in the third quarter (at a 0.3 percent annual rate), only the third increase in the last 7 quarters.

Both durable and nondurable goods industries experienced productivity increases in the third quarter (tables 4 and 5). Output and hours grew more rapidly in durable-goods manufacturing firms where the 3.7 percent productivity gain reflected a 6.6 percent gain in output and a 2.8 percent increase in hours.

Revised data

Table B shows second-quarter productivity and cost measures which were revised to reflect changes in underlying data since the last publication of Productivity and Costs. Output measures for business and nonfarm business were lower by about 1 percent because of changes in the national income and product accounts.

- 4 -

Table B. Previous and revised productivity and related measures, second-quarter 1988

Quarterly percent change at seasonally adjusted annual rates

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Previous	-2.5	3.4	6.0	4.8	0.0	7.5
Revised	-3.4	2.4	6.0	4.8	0.0	8.5
Nonfarm business:						
Previous	-1.4	5.2	6.6	4.2	-0.6	5.7
Revised	-2.4	4.0	6.6	4.2	-0.5	6.8
Manufacturing:						
Previous	3.6	5.7	2.0	3.0	-1.7	-0.6
Revised	3.7	5.8	2.0	3.0	-1.7	-0.7
Nonfinancial corporations:						
Previous	0.4	5.2	4.7	4.2	-0.6	3.7
Revised	-1.6	3.0	4.7	4.2	-0.6	5.9

Next release date

The next issue of Productivity and Costs is scheduled for release at 10:00 AM EST, Monday, December 5, 1988, and will contain preliminary third-quarter measures for nonfinancial corporations and revised measures for business, nonfarm business, and manufacturing.

News

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PRODUCTIVITY AND COSTS

Third Quarter 1988

Business, Nonfarm Business, Manufacturing,
and Nonfinancial Corporations

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 third quarter of 1988. Based on information now available, the seasonally-adjusted annual rates of productivity increase in the third quarter were:

- 1.5 percent in the business sector,
- 1.9 percent in the nonfarm business sector,
- 5.2 percent in manufacturing,
- 4.3 percent in durable goods manufacturing, and
- 6.7 percent in nondurable goods manufacturing.

Revised third-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Third-quarter measures for nonfinancial corporations also were announced today (tables B and 6).

Business

Productivity increased at a 1.5 percent annual rate during the third quarter of 1988 in the business sector. Output rose 2.6 percent and hours of all persons engaged in the sector increased 1.1 percent (seasonally adjusted annual rates). Compared with the third quarter of 1987, productivity increased 0.5 percent, as output increased 4.0 percent and hours of all persons increased 3.5 percent (table 1).

Table A. Productivity and costs: Revised third quarter 1988 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	1.5	2.6	1.1	6.1	1.3	4.5
Nonfarm business	1.9	3.4	1.5	5.6	0.8	3.7
Manufacturing	5.2	7.2	1.8	4.7	0.0	-0.5
Durable	4.3	6.9	2.5	4.7	0.0	0.4
Nondurable	6.7	7.6	0.9	4.6	-0.1	-1.9
Percent change from same quarter a year ago						
Business	0.5	4.0	3.5	5.2	1.0	4.7
Nonfarm business	0.9	4.7	3.8	4.9	0.8	4.0
Manufacturing	3.3	6.2	2.8	3.8	-0.3	0.4
Durable	3.6	7.2	3.5	3.8	-0.4	0.1
Nondurable	2.7	4.6	1.8	3.7	-0.4	1.0

Hourly compensation increased at a 6.1 percent annual rate during the third quarter of 1988, compared with a 4.8 percent gain during the second quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 4.5 percent annual rate during the third quarter, more slowly than the second quarter rate of 8.5 percent.

Real hourly compensation, which takes into account the increase in the Consumer Price Index for All Urban Consumers (CPI-U), increased 1.3 percent in the third quarter. Real hourly compensation did not change in the second quarter of 1988.

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 4.5 percent in the third quarter. During the second quarter, these prices rose at a 5.8 percent annual rate.

Nonfarm business

Productivity increased at a 1.9 percent annual rate in the nonfarm business sector during the third quarter of 1988. Output rose 3.4 percent and hours of all persons--employees, proprietors, and unpaid family workers--increased 1.5 percent. During the last 4 quarters, productivity increased 0.9 percent as output rose 4.7 percent and hours of all persons increased 3.8 percent (table 2).

- 3 -

Hourly compensation increased at a 5.6 percent annual rate in the third quarter, but rose only 0.8 percent when the increase in the CPI-U was taken into account. Unit labor costs increased 3.7 percent in the third quarter.

The implicit price deflator for the nonfarm business sector rose 3.8 percent in the third quarter, compared with a 4.7 percent increase in the second quarter.

Manufacturing

Productivity increased at a 5.2 percent seasonally adjusted annual rate in manufacturing in the third quarter of 1988. Output rose 7.2 percent and hours of all persons increased 1.8 percent. Productivity and output grew more slowly among durable goods industries than in nondurables (tables 4, 5). Employment in durable goods industries is about 50 percent larger than in nondurables. Compared with the third quarter of 1987, manufacturing productivity increased 3.3 percent as output rose 6.2 percent and hours rose 2.8 percent.

Hourly compensation of all manufacturing workers increased 4.7 percent during the third quarter, but was unchanged from the previous quarter when the increase in consumer prices was taken into account. This continues a pattern of smaller gains than in the more comprehensive business sectors reported above. Real hourly compensation remained about 2.6 percent below the level of the fourth quarter of 1986, the all-time peak for this series which begins with 1947. Unit labor costs fell at a 0.5 percent annual rate during the third quarter of 1988, compared with a 0.7 percent decrease during the second quarter.

Nonfinancial corporations

Third-quarter 1988 measures of productivity and costs were also announced today for the nonfinancial corporate sector (tables B and 6). Output per all-employee hour declined 1.1 percent from the second to the third quarter of 1988, as output increased 2.1 percent and hours of all employees increased 3.3 percent (table 6). During the last 4 quarters, productivity increased 0.3 percent as output rose 4.2 percent and hours of all employees increased 3.9 percent. The sector accounts for about three-fifths of gross national product and includes all corporations doing business in the United States, except banks, stock and commodity brokers, and finance and insurance agencies.

Hourly compensation increased 5.4 percent in the third quarter of 1988, or 0.7 percent when the rise in the CPI-U was taken into account. Unit labor costs rose 6.6 percent (compared with a 5.9 percent increase during the second quarter), unit nonlabor costs increased 5.5 percent, and unit profits fell 9.1 percent (table 6). The implicit deflator for nonfinancial corporate output increased 4.8 percent in the third quarter, the same as the increase in the second quarter.

Table B. Nonfinancial corporations: Third-quarter productivity and cost measures
Quarterly percent change at seasonally adjusted annual rates

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
1988 II to 1988 III	-1.1	2.1	3.3	5.4	0.7	6.6	-9.1	4.8
1987 III to 1988 III	0.3	4.2	3.9	4.5	0.3	4.1	-5.0	2.8

Revised measures

Previously published and revised productivity and cost measures for the third quarter are compared in table C for business, nonfarm business, and manufacturing. The revised productivity increases are larger than those reported on November 2, based on initial information then available. Faster gains in labor productivity are reflected in more favorable movements in unit labor costs.

Table C. Previous and revised productivity and related measures, third-quarter 1988
Percent change from previous quarter at seasonally adjusted annual rates

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Previous	1.0	2.0	1.0	5.9	1.1	4.9
Revised	1.5	2.6	1.1	6.1	1.3	4.5
Nonfarm business:						
Previous	1.3	2.8	1.5	5.4	0.6	4.0
Revised	1.9	3.4	1.5	5.6	0.8	3.7
Manufacturing:						
Previous	4.3	6.5	2.1	4.6	-0.1	0.3
Revised	5.2	7.2	1.8	4.7	0.0	-0.5

Next release date

The next issue of Productivity and Costs is scheduled for release at **10:00 AM EST, Monday, February 6, 1989**, and will contain 1988 fourth-quarter and annual average measures for business, nonfarm business, and manufacturing.

Tentative release dates for productivity and cost measures for major sectors of the U.S. economy in 1989 are:

Reference period	Initial measures	Revised measures
1988:		
Fourth Qtr., Annual	February 6	March 7*
1989:		
First Qtr.	May 3	June 1
Second Qtr.	August 3	September 6
Third Qtr.	November 2	December 6

* For nonfinancial corporations, 1988 annuals only; fourth quarter results included in May 3 release.

The dates in this tabulation are based on presently-available schedules for the release of underlying source data in the coming year.

Each edition of Productivity and Costs contains a "next release date" item which users should regularly note and use to confirm or update the tentative dates above.

News

United States
Department
of Labor



Bureau of Labor Statistics

Washington, D.C. 20212

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PRODUCTIVITY AND COSTS Fourth Quarter and Annual Averages, 1988

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 fourth quarter and the year of 1988. Based on information now available, productivity changes in annual rates were:

	Fourth quarter	Annual averages 1987 - 1988
Business sector.....	-2.0	1.0
Nonfarm business sector.....	0.0	1.4
Manufacturing.....	0.9	3.2
Durable goods manufacturing.....	0.1	3.3
Nondurable goods manufacturing..	2.2	2.9

Productivity advanced moderately in 1988 in the business and nonfarm business sectors. The gains in 1988 were larger than those of 1987. In manufacturing, productivity growth was more rapid than in the broader sectors, but smaller than the preceding year's increase.

Fourth-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Annual changes in productivity and related measures appear in tables B and C.

THIRD-TO-FOURTH QUARTER CHANGES, 1988

Business

Productivity fell at a 2.0 percent annual rate during the fourth quarter of 1988 in the business sector, in contrast with the 1.7 percent gain during the third quarter. The business sector measure is the most comprehensive indicator of productivity change. The decline in the fourth quarter reflects a drop in farm productivity, which does not affect the nonfarm business or manufacturing measures. Output in the business sector rose 2.1 percent, and hours of all persons engaged in the sector increased 4.1 percent (seasonally adjusted annual rates). During the third quarter of 1988, output increased 2.8 percent and hours of all persons increased 1.1 percent (table 1).

- 2 -

Table A. Productivity and costs: Preliminary fourth quarter 1988 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	-2.0	2.1	4.1	4.7	0.3	6.8
Nonfarm business	0.0	3.6	3.5	5.6	1.2	5.6
Manufacturing	0.9	4.9	3.9	5.4	1.0	4.4
Durable	0.1	4.7	4.6	5.8	1.4	5.7
Nondurable	2.2	5.1	2.8	4.4	0.1	2.2
Percent change from same quarter a year ago						
Business	-0.1	3.2	3.3	4.8	0.5	4.9
Nonfarm business	0.7	4.2	3.4	4.8	0.4	4.0
Manufacturing	3.2	5.6	2.3	4.6	0.3	1.3
Durable	3.0	5.9	2.8	4.8	0.4	1.7
Nondurable	3.6	5.1	1.5	4.3	0.0	0.7

Hourly compensation increased at a 4.7 percent annual rate during the fourth quarter of 1988, compared with a 6.2 percent gain during the third quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 6.8 percent annual rate during the fourth quarter, compared with a 4.4 percent increase during the third quarter.

Real hourly compensation, which takes into account the increase in the Consumer Price Index for All Urban Consumers (CPI-U), increased 0.3 percent in the fourth quarter.

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, increased 4.7 percent in the fourth quarter, matching the third-quarter rise.

Nonfarm business

Productivity was unchanged in the nonfarm business sector in the fourth quarter. Output and payroll hours grew, however; output rose 3.6 percent and hours of all persons -- employees, proprietors, and unpaid family workers -- increased 3.5 percent (table 2). During the third quarter, productivity had advanced 2.0 percent.

- 3 -

Hourly compensation increased 5.6 percent in the fourth quarter, compared with a 5.7 percent gain during the preceding quarter. When the increase in the CPI-U is taken into account, real hourly compensation rose 1.2 percent. Unit labor costs increased 5.6 percent in the fourth quarter. During the third quarter, unit labor costs rose only 3.7 percent with a similar gain in hourly compensation. This reflects the impact of the productivity gain in the third quarter.

The implicit price deflator for nonfarm business output rose 5.5 percent in the fourth quarter, compared with a 4.1 percent increase in the third quarter.

Manufacturing

Total manufacturing productivity showed little movement as largely offsetting changes occurred in durables and nondurables. Output per hour (productivity) increased at a 0.9 percent seasonally-adjusted annual rate in the final quarter of 1988, compared with a 5.2 percent increase during the third quarter. Output rose 4.9 percent in the fourth quarter and hours of all persons increased 3.9 percent. Although the productivity gain was the smallest since 1982 (when a 0.8 percent increase occurred in the fourth quarter), the increase in hours was the largest quarterly gain in 1988. During the third quarter of 1988, output rose 7.1 percent and hours increased 1.8 percent (table 3).

Productivity grew little in durables while increasing more rapidly in nondurables, but output and hours increased in both subsectors. (Nearly half again as many jobs are in durable as nondurable goods industries.) Output grew more rapidly in the nondurable goods industries (tables 4 and 5).

Hourly compensation of all manufacturing workers increased 5.4 percent during the fourth quarter. When the increase in consumer prices is taken into account, real hourly compensation rose 1.0 percent. Unit labor costs increased at a 4.4 percent annual rate, compared with a 0.5 percent decrease during the third quarter of 1988. The fourth-quarter rise in unit labor costs was the largest since 1982 (when a 9.7 percent increase occurred in the first quarter.)

ANNUAL AVERAGE CHANGES, 1987-1988

Business

Business productivity for 1988 was 1.0 percent higher than in 1987, as output advanced 4.5 percent and hours of all persons rose 3.4 percent (table B). During 1987, productivity rose 0.8 percent. Productivity, output, and employment have increased in every year since the recession year of 1982. Hourly compensation increased 4.8 percent in 1988, compared with a 4.0 percent gain during 1987. Unit labor costs increased 3.7 percent during 1988 and 3.1 percent in 1987; the 1988 increase was the largest since the 8.3 percent rise of 1982.

- 4 -

Table B. Productivity and costs: 1988 annual measures

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change in annual averages, 1987 - 1988						
Business	1.0	4.5	3.4	4.8	0.7	3.7
Nonfarm business	1.4	5.1	3.6	4.7	0.5	3.2
Manufacturing	3.2	6.1	2.8	3.5	-0.6	0.4
Durable	3.3	6.6	3.2	3.5	-0.6	0.2
Nondurable	2.9	5.3	2.3	3.5	-0.6	0.6

Real hourly compensation increased 0.7 percent in 1988, compared with a 0.3 percent rise in 1987. The implicit price deflator for the business sector increased 3.0 percent in 1988, up from the 2.8 percent gain of 1987.

Annual changes in productivity and related measures for the 1979-1988 decade are shown in table C. These measures were computed by comparing annual average values for adjacent years.

Nonfarm business

Productivity increased 1.4 percent in the nonfarm business sector during 1988. Output rose 5.1 percent and hours of all persons increased 3.6 percent (table 2). Employment rose 3.7 percent (3.3 million jobs) in 1988 and increased 22.1 percent (16.8 million jobs) from the recession low of the fourth quarter of 1982 to the fourth quarter of 1988.

Hourly compensation increased 4.7 percent in 1988, compared with a 3.8 percent increase in 1987. Real hourly compensation rose 0.5 percent, compared with a 0.2 percent increase in 1987. There has been little change in real hourly compensation in the last decade.

Unit labor costs increased 3.2 percent in 1988, the largest rise in these costs since 1982 (when they rose 8.4 percent). The implicit price deflator for the nonfarm business sector rose 2.7 percent in 1988, compared with a 2.8 percent rise in 1987.

Manufacturing

Productivity increased 3.2 percent in manufacturing in 1988, compared with a 3.4 percent increase during 1987. Productivity gains in manufacturing have been substantially larger recently than in the more comprehensive business sector (of which it is a part, accounting for about one-quarter of business hours).

Table C. Annual changes in productivity and related measures, 1979-1988

Measure	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Business:										
Productivity.....	-1.2	-0.3	1.4	-0.4	2.7	2.5	2.1	2.2	0.8	1.0
Output.....	2.0	-1.1	2.1	-3.1	4.2	8.4	4.2	3.5	3.6	4.5
Hours.....	3.2	-0.8	0.7	-2.8	1.5	5.7	2.1	1.3	2.8	3.4
Hourly comp.....	9.7	10.5	9.2	7.8	4.2	4.1	4.5	4.3	4.0	4.8
Real hourly comp...	-1.5	-2.7	-1.0	1.6	0.9	-0.2	0.9	2.4	0.3	0.7
Unit labor costs...	11.1	10.9	7.7	8.3	1.4	1.5	2.4	2.1	3.1	3.7
Implicit price def.	9.0	9.0	9.6	5.9	3.3	3.3	2.5	2.3	2.8	3.0
Nonfarm business:										
Productivity.....	-1.6	-0.4	1.0	-0.6	3.3	2.1	1.4	2.0	0.8	1.4
Output.....	1.9	-1.2	1.7	-3.3	5.0	8.3	3.9	3.5	3.8	5.1
Hours.....	3.5	-0.7	0.7	-2.7	1.6	6.0	2.5	1.5	3.0	3.6
Hourly comp.....	9.5	10.5	9.4	7.8	4.3	3.9	4.2	4.2	3.8	4.7
Real hourly comp...	-1.7	-2.7	-0.8	1.5	1.1	-0.4	0.6	2.3	0.2	0.5
Unit labor costs...	11.2	11.0	8.3	8.4	1.0	1.8	2.8	2.2	3.1	3.2
Implicit price def.	8.9	9.7	9.7	6.3	3.5	3.0	3.0	2.4	2.8	2.7
Manufacturing:										
Productivity.....	-0.1	0.0	2.2	2.2	5.8	5.5	4.6	3.3	3.4	3.2
Output.....	2.0	-4.5	1.6	-6.1	6.4	12.2	3.8	2.3	4.3	6.1
Hours.....	2.1	-4.5	-0.6	-8.1	0.6	6.4	-0.8	-1.0	0.9	2.8
Hourly comp.....	9.7	11.6	9.6	8.5	3.1	3.4	5.0	3.7	2.1	3.5
Real hourly comp...	-1.5	-1.7	-0.6	2.2	-0.1	-0.8	1.4	1.9	-1.5	-0.6
Unit labor costs...	9.7	11.7	7.3	6.2	-2.5	-1.9	0.3	0.5	-1.2	0.4
Implicit price def.	6.2	8.4	8.9	5.1	1.1	0.7	-1.5	1.6	-0.2	n.a.

n.a. - Not available.

Output rose 6.1 percent and hours of all persons increased 2.8 percent (table 3). Employment grew 2.6 percent (507,000 jobs) in 1988. Since 1982, employment has grown 8.7 percent (1.6 million jobs). Productivity grew in both durables and nondurables in 1988, but hours increased faster in durables. Output also grew more rapidly in durable goods industries (tables 4 and 5).

Hourly compensation of all manufacturing workers increased 3.5 percent during 1988. When the increase in consumer prices is taken into account, real hourly compensation fell 0.6 percent, the second consecutive annual drop. Unit labor costs rose 0.4 percent in 1988, compared with a 1.2 percent drop during 1987.

REVISED THIRD QUARTER 1988 MEASURES

The Bureau of Labor Statistics also reported revised measures for the third quarter of 1988 for nonfinancial corporations (table D). Productivity declined less in the third quarter than had been reported on December 5, 1988, based on information then available.

- 6 -

Table D. Previously published and current measures for nonfinancial corporations, third quarter 1988
Percent change from previous quarter
(Seasonally-adjusted annual rates)

Item	Produc- tivity	Output	Hours	Real		Unit labor costs	Unit profits	Implicit price deflator
				Hourly compen- sation	hourly compen- sation			
Previous	-1.1	2.1	3.3	5.4	0.7	6.6	-9.1	4.8
Current	-0.8	2.5	3.3	5.5	0.8	6.4	-8.9	4.8

Previous and revised productivity and cost measures for the third quarter are compared in table E for the business, nonfarm business, and manufacturing sectors. The changes mainly reflect revisions in the underlying output measures since December.

Table E. Previously published and current productivity and related measures, third quarter 1988
Percent change from previous quarter
(Seasonally-adjusted annual rates)

Sector	Produc- tivity	Output	Hours	Hourly compen- sation	Real		
					hourly compen- sation	Unit labor costs	
Business:							
Previous	1.5	2.6	1.1	6.1	1.3	4.5	
Current	1.7	2.8	1.1	6.2	1.4	4.4	
Nonfarm business:							
Previous	1.9	3.4	1.5	5.6	0.8	3.7	
Current	2.0	3.5	1.5	5.7	0.9	3.7	
Manufacturing:							
Previous	5.2	7.2	1.8	4.7	0.0	-0.5	
Current	5.2	7.1	1.8	4.8	0.0	-0.5	

NEXT RELEASE DATE

The next issue of Productivity and Costs is scheduled for release at **10:00 AM EST, Tuesday, March 7, 1989**, and will contain measures for nonfinancial corporations, business, nonfarm business, and manufacturing.

- 2 -

Table A. Productivity and costs: Preliminary first-quarter 1989 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	3.5	6.7	3.1	5.7	0.3	2.1
Nonfarm business	0.5	3.6	3.1	5.7	0.3	5.2
Manufacturing	3.8	4.6	0.8	4.1	-1.2	0.4
Durable	3.6	4.2	0.5	4.5	-0.9	0.8
Nondurable	4.0	5.3	1.2	3.7	-1.7	-0.4
Percent change from same quarter a year ago						
Business	0.2	3.8	3.6	5.2	0.4	5.1
Nonfarm business	0.2	4.0	3.7	5.2	0.4	4.9
Manufacturing	3.6	5.7	2.0	4.2	-0.5	0.6
Durable	3.2	6.0	2.7	4.0	-0.8	0.7
Nondurable	4.0	5.1	1.1	4.5	-0.2	0.5

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased at a 0.3 percent annual rate in the first quarter, compared with a 0.2 percent decline in the fourth quarter of 1988.

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, increased 3.3 percent in the first quarter.

Nonfarm business

Productivity increased 0.5 percent in the nonfarm business sector during the first quarter of 1989, as output rose 3.6 percent and hours of all persons increased 3.1 percent. During the fourth quarter of 1988, productivity rose 1.0 percent in this sector (table 2).

Hourly compensation increased 5.7 percent in the first quarter, but increased only 0.3 percent when the rise in the CPI-U was taken into account. Unit labor costs rose 5.2 percent, compared with a 4.1 percent rise during the fourth quarter of 1988.

The implicit price deflator for the nonfarm business sector rose 3.1 percent in the first quarter, compared with a 6.0 percent rise one quarter earlier.

Manufacturing

Productivity increased at a 3.8 percent seasonally adjusted annual rate in manufacturing in the first quarter of 1989, as output rose 4.6 percent and hours of all persons increased 0.8 percent (seasonally adjusted annual rates). Manufacturing productivity growth was much faster in the first quarter of 1989 than in the fourth quarter of 1988 (table 3). Productivity, output, and hours of labor input all advanced faster in nondurable goods industries than in durables (tables 4 and 5). While output increased in both subsectors, the increase in hours occurred mainly in nondurables.

Hourly compensation of all manufacturing workers increased 4.1 percent during the first quarter, with faster gains recorded for producers of durable goods. Real hourly compensation for the whole sector fell 1.2 percent when the increase in consumer prices is taken into account. Unit labor costs increased at a 0.4 percent annual rate, compared with a 3.5 percent increase during the fourth quarter of 1988.

Fourth quarter measures for nonfinancial corporations

Fourth-quarter 1988 measures of productivity and costs also were announced today for the nonfinancial corporate sector, together with revised annual movements (tables B and C). Output per all-employee hour increased 0.2 percent from the third to the fourth quarter of 1988, as output increased 4.5 percent and all-employee hours increased 4.2 percent (seasonally-adjusted annual rates). Productivity thus increased for the first and last quarters of 1988, but fell during the second and third quarters (table 6).

Table B. Nonfinancial corporations: Fourth quarter and current 1988 annual measures
(Seasonally adjusted annual rates)

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
1988 III- 1988 IV	0.2	4.5	4.2	4.6	0.1	4.3	14.1	5.0
1987 IV - 1988 IV	0.5	4.3	3.7	4.3	0.0	3.8	4.3	3.7
1988 Annual	1.3	5.3	3.9	4.1	0.0	2.7	1.1	2.5

- 4 -

Table C. Nonfinancial corporations: Previous and current 1988 annual change in productivity and related measures (Percent change)

Measure	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
Previous	1.2	5.1	3.9	4.2	0.0	2.9	-0.8	2.5
Current	1.3	5.3	3.9	4.1	0.0	2.7	1.1	2.5

Hourly compensation increased 4.6 percent in the fourth quarter, but rose only 0.1 percent when the rise in the CPI-U is taken into account. Unit labor costs rose 4.3 percent, unit nonlabor costs increased 3.8 percent, and unit profits rose at a 14.1 percent annual rate. The implicit deflator for nonfinancial corporate output rose 5.0 percent during the fourth quarter.

REVISED MEASURES

Current and previous measures for the fourth quarter and full year 1988 for the business, nonfarm business, and manufacturing sectors are compared in table D. Fourth quarter movements differ somewhat from those that had been reported on March 7, based on information then available. Annual movements were virtually the same as previously published.

- 5 -

Table D. Previous and current productivity and related measures,
fourth quarter and annual averages, 1988
(Seasonally-adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change, third to fourth quarter 1988						
Business:						
Previous	-2.0	2.2	4.3	4.7	0.3	6.8
Current	-1.0	3.3	4.3	4.3	-0.2	5.4
Nonfarm business:						
Previous	0.1	3.7	3.6	5.6	1.1	5.6
Current	1.0	4.8	3.7	5.2	0.7	4.1
Manufacturing:						
Previous	1.8	5.5	3.6	5.5	1.0	3.5
Current	1.6	5.1	3.5	5.1	0.6	3.5
Percent change, 1987 to 1988						
Business:						
Previous	1.0	4.5	3.4	4.8	0.7	3.7
Current	1.1	4.6	3.5	4.8	0.6	3.7
Nonfarm business:						
Previous	1.4	5.1	3.6	4.7	0.5	3.2
Current	1.5	5.2	3.7	4.6	0.4	3.1
Manufacturing:						
Previous	3.2	6.1	2.8	3.6	-0.6	0.3
Current	3.2	6.1	2.8	3.5	-0.6	0.3

Next release date

The next release of Productivity and Costs is scheduled for **10:00 AM EDT Thursday, June 1, 1989**. First-quarter measures for nonfinancial corporations and measures for business, nonfarm business, and manufacturing will be released at that time.

News

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Thursday, June 1, 1989

PRODUCTIVITY AND COSTS

First Quarter 1989

Business, Nonfarm Business, Manufacturing, and
Nonfinancial Corporations

The Bureau of Labor Statistics of the U.S. Department of Labor today reported productivity results--as measured by output per hour of all persons--for the first quarter of 1989. Based on revised information now available, the seasonally-adjusted annual rates of productivity change in the first quarter were:

- 1.7 percent in the business sector,
- 1.1 percent in the nonfarm business sector,
- 2.1 percent in manufacturing,
- 1.6 percent in durable goods manufacturing,
- 3.1 percent in nondurable goods manufacturing.

First-quarter measures are summarized in table A and appear in detail in tables 1 through 5. In the business and manufacturing sectors, productivity rose more rapidly than in the previous quarter; these gains contributed to a less rapid growth of unit labor costs. In the nonfarm business sector, the increase in unit labor costs was greater, partly reflecting the decline in productivity.

In nonfinancial corporations, productivity fell 1.3 percent in the first quarter, as output and hours rose 1.4 percent and 2.7 percent, respectively (tables B and 6).

For business and manufacturing, the revised productivity and output measures show smaller increases than had been reported on May 3, based on preliminary information then available (table D). For nonfarm business, the revised productivity measure shows a decrease. The revisions mainly reflect lowered measures of output growth during the first 3 months of 1989.

- 2 -

Table A. Productivity and costs: First-quarter 1989 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	1.7	5.1	3.4	5.4	0.0	3.6
Nonfarm business	-1.1	2.2	3.4	5.4	0.0	6.6
Manufacturing	2.1	2.8	0.7	4.1	-1.3	2.0
Durable	1.6	1.8	0.3	4.4	-0.9	2.8
Nondurable	3.1	4.4	1.3	3.6	-1.7	0.5
Percent change from same quarter a year ago						
Business	-0.3	3.4	3.7	5.2	0.4	5.5
Nonfarm business	-0.2	3.6	3.8	5.1	0.3	5.3
Manufacturing	3.1	5.2	2.0	4.2	-0.5	1.0
Durable	2.7	5.4	2.6	4.0	-0.8	1.2
Nondurable	3.7	4.9	1.1	4.5	-0.2	0.8

Business

Productivity increased at a 1.7 percent annual rate during the first quarter of 1989 in the business sector, as output rose 5.1 percent and hours of all persons engaged in the sector increased 3.4 percent (seasonally adjusted annual rates). The increase in productivity partly reflected a very large increase in farm productivity, which in turn resulted from a substantial increase in output over the drought-lowered levels of 1988. During the fourth quarter of 1988, business productivity had declined 1.0 percent, as output grew more slowly than hours (table 1).

Hourly compensation increased at a 5.4 percent annual rate during the first quarter of 1989, compared with a 4.3 percent increase during the fourth quarter of 1988. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 3.6 percent annual rate during the first quarter, compared with a 5.4 percent increase one quarter earlier.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), was unchanged in the first quarter, compared with a 0.2 percent decline in the fourth quarter of 1988.

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 3.6 percent in the first quarter.

Nonfarm business

Productivity declined 1.1 percent in the nonfarm business sector during the first quarter of 1989, as output rose 2.2 percent and hours of all persons --employees, proprietors, and unpaid family workers--increased 3.4 percent. During the fourth quarter of 1988, productivity had increased 1.0 percent (table 2).

Hourly compensation increased 5.4 percent in the first quarter, but was unchanged when the rise in the CPI-U was taken into account. Unit labor costs increased 6.6 percent, compared with a 4.1 percent rise during the fourth quarter of 1988.

The implicit price deflator for the nonfarm business sector rose 3.2 percent in the first quarter, compared with a 6.0 percent rise one quarter earlier.

Manufacturing

Manufacturing productivity increased more rapidly than in the more comprehensive business sectors reported above, growing at a 2.1 percent seasonally adjusted annual rate in the first quarter of 1989. Output rose 2.8 percent and hours of all persons increased 0.7 percent. During the fourth quarter of 1988, productivity rose 1.6 percent, but output and hours rose much more rapidly--5.1 percent and 3.5 percent, respectively (table 3).

Hourly compensation of all manufacturing workers increased 4.1 percent during the first quarter, or -1.3 percent when the increase in consumer prices was taken into account. Unit labor costs increased at a 2.0 percent annual rate, compared with a 3.5 percent increase during fourth quarter of 1988.

Both durable and nondurable goods industries experienced productivity increases in the first quarter (tables 4 and 5). Productivity, output, and hours of all persons increased more rapidly in nondurable than in durable goods manufacturing.

- 4 -

Nonfinancial corporations

Preliminary first-quarter 1989 measures of productivity and costs also were announced today for nonfinancial corporations (tables B and 6). Output per all-employee hour declined 1.3 percent from the fourth quarter of 1988 to the first quarter of 1989, as output and hours increased 1.4 percent and 2.7 percent, respectively, at annual rates. The sector includes all corporations doing business in the United States, except banks, stock and commodity brokers, and finance and insurance agencies. Output and hours grew less rapidly than in the more comprehensive nonfarm business sector reported above.

Table B. Nonfinancial corporations: Preliminary first-quarter 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								
1989 I	-1.3	1.4	2.7	5.2	-0.2	6.5	-27.8	3.0
Percent change from preceding year								
1989 I	-0.9	2.8	3.7	4.9	0.1	5.8	-6.9	4.4

Hourly compensation increased 5.2 percent but declined 0.2 percent when the rise in the CPI-U was taken into account (table 6). Unit labor costs rose 6.5 percent in the first quarter (the largest quarterly gain in this series since 1982), unit nonlabor costs rose 6.8 percent (their largest increase since 1986), and unit profits fell 27.8 percent (their largest decline since 1982). The implicit deflator for nonfinancial corporate output rose 3.0 in the first quarter.

Table C shows indexes of the implicit price deflator for nonfinancial corporate output and related series from 1977 forward. Changes in the prices of goods and services produced by nonfinancial corporations reflect changes in their costs and profits. Total unit costs consist of labor costs and nonlabor costs per unit of output.

- 5 -

Table C. Nonfinancial corporations: Prices, costs, and profits Index, 1977 = 100

Period	Implicit price deflator	Total unit costs	Unit labor costs	Unit nonlabor costs	Unit profits
1977	100.0	100.0	100.0	100.0	100.0
1978	106.6	107.3	107.8	105.7	102.0
1979	115.4	118.2	119.0	115.8	94.5
1980	127.6	133.4	132.3	136.7	85.2
1981	141.7	147.7	143.8	159.1	98.1
1982	149.8	159.5	153.8	176.4	78.5
1983	153.7	159.5	154.5	174.3	110.9
1984	157.9	160.8	156.5	173.6	136.5
1985	160.4	164.1	160.2	175.8	133.0
1986	163.2	167.3	163.6	178.4	132.4
1987	165.8	170.6	166.6	182.5	130.8
1988	169.9	175.0	171.1	186.5	132.2
1988 I	166.9	171.5	167.5	183.4	132.5
II	168.8	173.8	170.0	185.1	132.0
III	170.8	176.4	172.6	187.8	129.5
IV	172.9	178.3	174.4	189.6	133.9
1989 I	174.2	181.1	177.2	192.7	123.4

Revised measures

Previous and revised productivity and cost measures for the first quarter are compared in table D for business, nonfarm business, and manufacturing. Business sector productivity and cost revisions are larger than usual, reflecting a substantial revision in sector output measures--which are based on revised Gross National Product measures published by the Bureau of Economic Analysis--and smaller changes in measures of labor input.

- 6 -

Table D. Previous and revised productivity and related measures,
 first-quarter 1989
 Quarterly percent change at seasonally adjusted annual rate

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Previous	3.5	6.7	3.1	5.7	0.3	2.1
Revised	1.7	5.1	3.4	5.4	0.0	3.6
Nonfarm business:						
Previous	0.5	3.6	3.1	5.7	0.3	5.2
Revised	-1.1	2.2	3.4	5.4	0.0	6.6
Manufacturing:						
Previous	3.8	4.6	0.8	4.1	-1.2	0.4
Revised	2.1	2.8	0.7	4.1	-1.3	2.0

Next release date

The next issue of Productivity and Costs is scheduled for release at 10:00 AM EDT, Thursday, August 3, 1989, and will contain second-quarter measures for business, nonfarm business, and manufacturing.

NOTE: Beginning in August, the hours measures used in the productivity and cost series will be hours at work rather than hours paid. Until this time, hours paid have been used. The difference between hours paid and hours at work is paid leave. The new series will reflect more precisely labor inputs to the production of goods and services.

News

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PRODUCTIVITY AND COSTS
Second Quarter 1989

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 second quarter of 1989. The preliminary seasonally-adjusted annual rates of productivity change in the second quarter were:

- 0.9 percent in the business sector,
- 0.2 percent in the nonfarm business sector,
- 2.4 percent in manufacturing,
- 4.6 percent in durable goods manufacturing, and
- 0.7 percent in nondurable goods manufacturing.

Productivity advanced modestly in business and nonfarm business as output and hours both increased. In manufacturing, a more rapid productivity increase occurred, but hours declined while output rose. All of the manufacturing productivity gain took place among durable goods industries. Second-quarter measures are summarized in table A and appear in detail in tables 1 through 5.

Productivity and cost measures for business, nonfarm business, and nonfinancial corporations in this release incorporate revised output and compensation series reported by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce on July 27 as part of their regular revision cycle. Data for 1986-1989 are affected. For manufacturing, compensation measures are revised for this period, but output continues to be based on the Industrial Production Index data prepared by the Board of Governors of the Federal Reserve. BEA plans to announce revised manufacturing output measures later this year.

In addition, hours of labor input have undergone two revisions. The first revision, announced in the June 1 edition of this news release, is the redefinition of labor input to hours at work. Incorporating the results of the BLS Hours at Work Survey, labor input now reflects hours at the work site (rather than hours paid). This change affects all labor input series, which begin with data for 1947 (or, in the case of nonfinancial corporations, 1958). See Note on page 4. The second revision incorporates the benchmarking of employment levels of employees in nonagricultural establishments to the most current information from Unemployment Insurance records. This regular revision affects data for 1987-1989.

-2-

Table A. Productivity and costs: Second-quarter 1989 measures (Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	0.9	1.4	0.4	6.6	0.3	5.7
Nonfarm business	0.2	1.7	1.5	5.5	-0.9	5.2
Manufacturing	2.4	2.1	-0.3	2.5	-3.7	0.1
Durable	4.6	2.0	-2.4	1.3	-4.8	-3.1
Nondurable	-0.7	2.3	3.0	5.0	-1.3	5.7
Percent change from same quarter a year ago						
Business	1.3	3.4	2.1	5.6	0.3	4.2
Nonfarm business	1.0	3.4	2.3	5.4	0.2	4.3
Manufacturing	3.0	4.4	1.3	4.1	-1.1	1.1
Durable	2.9	4.1	1.1	3.8	-1.4	0.9
Nondurable	3.1	4.8	1.7	4.6	-0.6	1.4

Business

Productivity increased at a 0.9 percent annual rate during the second quarter of 1989 in the business sector, as output rose 1.4 percent and hours of all persons engaged in the sector increased 0.4 percent (seasonally adjusted annual rates). These were the smallest increases in output and hours since 1986 (appendix table 1). During the first quarter of 1989, productivity had increased 1.0 percent (table 1). In the second quarter of 1989, employment rose 0.9 percent and average weekly hours declined 0.4 percent.

Hourly compensation increased at a 6.6 percent annual rate during the second quarter of 1989, compared with a 4.8 percent gain during the previous quarter. The second-quarter increase was the largest since 1987. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 5.7 percent annual rate during the second quarter, compared with a 3.7 percent increase during the first quarter.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased at a 0.3 percent annual rate during the second quarter. During the first quarter, this measure had declined at a 0.6 percent annual rate.

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 4.9 percent in the second quarter, compared with a 3.3 percent rise in the first quarter.

Nonfarm business

Productivity increased 0.2 percent in the nonfarm business sector during the second quarter of 1989, as output rose 1.7 percent and hours of all persons--employees, proprietors, and unpaid family workers--increased 1.5 percent. During the first quarter of 1989, productivity had decreased 1.3 percent in this sector (table 2). As in the more comprehensive business sector, growth in both output and hours slowed in the second quarter.

Hourly compensation increased 5.5 percent in the second quarter, but fell 0.9 percent when the increase in the CPI-U was taken into account. During the first quarter the comparable changes were 4.8 percent and -0.6 percent, respectively. Unit labor costs increased 5.2 percent, compared with a 6.2 percent rise during the first quarter of 1989.

The implicit price deflator for nonfarm business output rose 4.8 percent in the second quarter, compared with a 2.8 percent increase one quarter earlier.

Manufacturing

Productivity increased at a 2.4 percent seasonally adjusted annual rate of manufacturing in the second quarter of 1989, as output increased 2.1 percent and hours of all persons decreased 0.3 percent. The productivity increase in total manufacturing resulted from opposite movements in durable and nondurable goods industries. Productivity increased among durable goods manufacturers, but declined in nondurables (tables 4, 5).

Hourly compensation of all manufacturing workers increased 2.5 percent during the second quarter, compared with a 3.1 percent increase during the first quarter. Real hourly compensation declined 3.7 percent in the second quarter when the increase in consumer prices was taken into account. During the first quarter, this measure fell at a 2.2 percent annual rate. Manufacturing real hourly compensation has declined in 6 of the past 10 quarters. Unit labor costs edged up at a 0.1 percent annual rate in the second quarter, compared with a 1.0 percent increase during the first quarter of 1989.

Revised measures

The productivity and cost measures contained in this news release are based on the latest measures of output and compensation available. Revised quarterly and annual output and compensation measures prepared by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce were published on July 27 as part of the regular revision cycle of the national income and product accounts and affect the last 3 years. (For manufacturing, revised output measures will be announced by BEA later this year. Until then, post-1987 manufacturing output will continue to be based on the Federal Reserve Board's Index of Industrial Production.) See appendix tables 1-6.

In addition, the productivity and cost measures in this release incorporate recent information on employment and average weekly hours of all persons engaged in these sectors and the redefinition of labor input. (See Note below.) Appendix tables 7-12 show annual indexes of productivity and related measures using the new benchmarked data and the new hours at work definition. Historical tables containing quarterly values are available on request from the Bureau of Labor Statistics, Office of Productivity and Technology, Washington, D.C. 20212; (202) 523-9261.

Current productivity and cost measures on the BLS Major Sector Labor and Multifactor Productivity diskette, formatted for use on IBM-compatible microcomputers using LOTUS 1-2-3, also are available for \$38 prepaid. For ordering information, contact BLS Data Diskettes, 441 G Street NW, Room 2831 A, Washington, D.C. 20212; (202) 523-7827.

Note

The Bureau of Labor Statistics has long been interested in replacing the labor input measure for productivity and cost series with an indicator of hours at work, rather than hours paid. Accordingly, in 1982 the BLS initiated a survey to collect data on paid leave practices of establishments reporting to the Current Employment Statistics program, the major source of labor input information for productivity measurement.

Survey data for 7 years (1981-1987) are now available; information from other sources has been linked to the survey results to produce continuous series from 1947 on. BLS plans to use this measure of labor input in future major sector productivity and cost series and will no longer maintain aggregate hours indexes on the old--hours paid--basis. A forthcoming article in the Monthly Labor Review will provide information on the methods used to construct the hours at work measure.

-5-

The survey results confirm that hours paid was a good proxy for hours at work. In the business sector, there is no difference between the 1947-1988 trends in hours at work and hours paid. For other major sectors reported here, long term trends of hours at work are 0.1 percent slower than hours paid. Year-to-year movements change by 0.1 percentage points or less in most cases, but larger changes occasionally occur. These result in equal and opposite changes in productivity and hourly compensation. Unit labor costs, the ratio of hourly compensation to productivity, are not directly affected. (There is a small indirect effect on unit labor costs due to a change in imputed labor compensation of proprietors.) See appendix tables 7-12.

Next release date

The next release of productivity and cost measures is scheduled for 10:00 AM EDT, Wednesday, September 6, 1989. Second-quarter measures for nonfinancial corporations will be released at that time.

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PRODUCTIVITY AND COSTS
Second Quarter 1989
Business, Nonfarm Business, Manufacturing, and
Nonfinancial Corporations

The Bureau of Labor Statistics of the U.S. Department of Labor today reported productivity results--as measured by output per hour of all persons--for the second quarter of 1989. Based on revised information now available, the seasonally-adjusted annual rates of productivity change in the second quarter were:

- 1.3 percent in the business sector,
- 0.7 percent in the nonfarm business sector,
- 2.9 percent in manufacturing,
- 4.8 percent in durable goods manufacturing, and
- 0.2 percent in nondurable goods manufacturing.

Second-quarter measures are summarized in table A and appear in detail in tables 1 through 6. In business, nonfarm business, and manufacturing, productivity rose more rapidly than in the previous quarter. Unit labor costs declined in manufacturing and grew more slowly in nonfarm business than during the first quarter. In the business sector, growth in unit labor cost accelerated.

In nonfinancial corporations, productivity fell 0.2 percent in the second quarter, as output and hours rose 1.7 percent and 1.9 percent, respectively (tables B and 6).

For business, nonfarm business, and manufacturing, the revised productivity and output measures show larger increases than had been reported on August 3, based on preliminary information then available (table C). The revisions reflect higher measures of output and hours growth during the second 3 months of 1989.

Business

Productivity increased at a 1.3 percent annual rate during the second quarter of 1989 in the business sector, as output rose 1.9 percent and hours of all persons engaged in the sector increased 0.6 percent (seasonally adjusted annual rates). Employment growth slowed to its lowest rate since 1986, and average weekly hours declined. The increase in productivity partly reflected an increase in farm productivity. During the first quarter of 1989, business productivity had increased 1.0 percent as hours again grew more slowly than output (table 1).

Table A. Productivity and costs: Second-quarter 1989 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	1.3	1.9	0.6	6.8	0.4	5.5
Nonfarm business	0.7	2.4	1.7	5.6	-0.7	4.9
Manufacturing	2.9	2.9	0.0	2.4	-3.7	-0.4
Durable	4.8	2.5	-2.2	1.3	-4.8	-3.4
Nondurable	0.2	3.6	3.3	4.9	-1.4	4.7
Percent change from same quarter a year ago						
Business	1.4	3.5	2.1	5.7	0.4	4.2
Nonfarm business	1.2	3.6	2.4	5.5	0.2	4.2
Manufacturing	3.1	4.6	1.4	4.1	-1.1	0.9
Durable	3.0	4.2	1.2	3.8	-1.4	0.8
Nondurable	3.4	5.2	1.7	4.6	-0.6	1.2

Hourly compensation increased at a 6.8 percent annual rate during the second quarter of 1989, compared with a 4.8 percent increase during the first quarter. This was the largest gain in hourly compensation since a 7.4-percent increase in the fourth quarter of 1987. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 5.5 percent annual rate during the second quarter, compared with a 3.7 percent increase one quarter earlier.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), rose 0.4 percent in the second quarter, compared with a 0.6 percent decline in the first quarter.

The implicit price deflator for business output, which reflects changes in labor costs and unit nonlabor payments, increased 4.6 percent in the second quarter.

Nonfarm business

Productivity increased 0.7 percent in the nonfarm business sector during second quarter of 1989, as the growth rate of output held steady at 2.4 percent and hours of all persons--employees, proprietors, and unpaid family workers--slowed to a 1.7 percent increase. During the first quarter, nonfarm productivity had decreased 1.3 percent (table 2).

Hourly compensation rose 5.6 percent in the second quarter, but real hourly compensation fell 0.7 percent when the increase in the CPI-U was taken into account. (During the first quarter, these measures increased 4.8 percent and declined 0.6 percent, respectively). Unit labor costs increased 4.9 percent,

compared with a 6.2 percent rise during the first quarter.

The implicit price deflator for nonfarm business output rose 4.5 percent in the second quarter, compared with a 2.8 percent increase one quarter earlier.

Manufacturing

Manufacturing productivity increased more rapidly than in the more comprehensive business sectors reported above, growing at a 2.9 percent seasonally adjusted annual rate in the second quarter of 1989. Output rose 2.9 percent and hours of all persons were unchanged (table 3). Most of the productivity gain occurred in durable goods industries, where hours and employment declined (table 4). During the first quarter, productivity in all of manufacturing had increased 2.1 percent, but output and hours both increased--3.1 percent and 1.1 percent, respectively (table 3).

Hourly compensation of manufacturing workers increased 2.4 percent during the second quarter, but real hourly compensation fell 3.7 percent when the increase in consumer prices was taken into account. This decline in real hourly compensation was the largest since the second quarter of 1987, when a 4.1 percent decline occurred. Unit labor costs fell at a 0.4 percent annual rate in the second quarter of 1989, compared with a 1.0 percent increase during the first quarter.

Nonfinancial corporations

Preliminary second-quarter 1989 measures of productivity and costs also were announced today for nonfinancial corporations (tables B and 6). Output per all-employee hour declined 0.2 percent from the first quarter to the second quarter of 1989, as output and hours increased 1.7 percent and 1.9 percent, respectively, at annual rates. The sector includes all corporations doing business in the United States, except banks, stock and commodity brokers, and finance and insurance agencies. Although output grew less rapidly than in the more comprehensive business and nonfarm business sector reported above, hours rose faster.

Table B. Nonfinancial corporations: Preliminary second-quarter 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								
1989 II	-0.2	1.7	1.9	5.3	-1.0	5.6	-23.1	4.3
Percent change from preceding year								
1989 II	-0.3	2.5	2.8	5.0	-0.2	5.3	-13.2	4.0

Hourly compensation increased 5.3 percent, but real hourly compensation declined 1.0 percent when the rise in the CPI-U was taken into account (table 6). Unit labor costs rose 5.6 percent in the second quarter, unit nonlabor costs rose 11.1 percent (their largest increase since 1986), and unit profits fell 23.1 percent (their second decline in succession). The implicit deflator for nonfinancial corporate output rose 4.3 percent in the second quarter.

Revised measures

Previous and current productivity and cost measures for the second quarter are compared in table C for business, nonfarm business, and manufacturing. Measures of both output and hours were revised upward, but the larger revision to output led to a greater increase in productivity than had been reported August 3.

Table C. Previous and current productivity and related measures, second-quarter 1989
(Quarterly percent change at seasonally adjusted annual rate)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Previous	0.9	1.4	0.4	6.6	0.3	5.7
Current	1.3	1.9	0.6	6.8	0.4	5.5
Nonfarm business:						
Previous	0.2	1.7	1.5	5.5	-0.9	5.2
Current	0.7	2.4	1.7	5.6	-0.7	4.9
Manufacturing:						
Previous	2.4	2.1	-0.3	2.5	-3.7	0.1
Current	2.9	2.9	0.0	2.4	-3.7	-0.4

Next release date

The next issue of Productivity and Costs is scheduled for release at **10:00 AM EST, Thursday, November 2, 1989**, and will contain third-quarter measures for business, nonfarm business, and manufacturing.

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PRODUCTIVITY AND COSTS Third Quarter 1989

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 third quarter of 1989. The data show that productivity advanced modestly in business and manufacturing, while a larger productivity increase occurred, in the nonfarm sector, partly reflecting smaller gains in hours than in the more comprehensive business sector. The preliminary seasonally-adjusted annual rates of productivity change in the third quarter were:

- 1.2 percent in the business sector,
- 2.1 percent in the nonfarm business sector,
- 1.4 percent in manufacturing,
- 1.7 percent in durable goods manufacturing, and
- 1.2 percent in nondurable goods manufacturing.

Third-quarter measures are summarized in table A and appear in detail in tables 1 through 5.

Business

Productivity increased at a 1.2 percent annual rate during the third quarter of 1989 in the business sector, as output rose 3.0 percent and hours of all persons engaged in the sector increased 1.7 percent (seasonally adjusted annual rates). The hours increase partly reflects a strong rebound in farming during the July-September period. During the second quarter of 1989, productivity had increased 1.6 percent (table 1). In the third quarter of 1989, business employment rose 1.6 percent and average weekly hours increased 0.1 percent, the first lengthening in the average workweek this year.

Hourly compensation increased at a 4.8 percent annual rate during the third quarter of 1989, significantly slower than the 6.8 percent gain during the previous quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 3.5 percent annual rate during the third quarter, compared with a 5.1 percent increase during the second quarter.

(2)

Table A. Productivity and costs: Third-quarter 1989 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	1.2	3.0	1.7	4.8	2.3	3.5
Nonfarm business	2.1	3.1	1.0	5.3	2.9	3.2
Manufacturing	1.4	1.3	-0.1	6.0	3.5	4.5
Durable	1.7	0.1	-1.6	6.6	4.1	4.7
Nondurable	1.2	3.3	2.1	5.5	3.0	4.2
Percent change from same quarter a year ago						
Business	1.0	3.4	2.3	5.4	0.7	4.3
Nonfarm business	0.9	3.3	2.3	5.4	0.7	4.4
Manufacturing	2.4	3.3	0.8	4.5	-0.2	2.0
Durable	2.7	2.7	0.0	4.6	-0.1	1.8
Nondurable	2.1	4.2	2.1	4.5	-0.2	2.3

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), increased at a 2.3 percent annual rate during the third quarter. This was the largest increase in this measure since the 3.4-percent increase during the fourth quarter of 1987. During the second quarter of 1989, it had increased at a 0.4 percent annual rate.

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 2.1 percent in the third quarter, compared with a 4.6 percent rise in the second quarter.

Nonfarm business

Productivity increased 2.1 percent in the nonfarm business sector during the third quarter of 1989, as output rose 3.1 percent and hours of all persons--employees, proprietors, and unpaid family workers--increased 1.0 percent. During the second quarter of 1989, productivity had increased 1.1 percent in this sector. Quarterly output gains have accelerated during 1989, while hours increases have slowed in this sector (table 2). The third-quarter increase in hours was the smallest gain in any quarter since the second quarter of 1986 (when hours fell 0.6 percent).

(3)

Hourly compensation increased 5.3 percent in the third quarter, or 2.9 percent when the increase in the CPI-U was taken into account. During the second quarter, the comparable changes were 5.6 percent and -0.7 percent, respectively. The third-quarter increase in real hourly compensation was the largest gain since 1987 (when it rose 3.4 percent in the fourth quarter). Unit labor costs increased 3.2 percent, compared with a 4.5 percent rise during the second quarter of 1989.

The implicit price deflator for nonfarm business output rose 2.6 percent in the third quarter, compared with a 4.4 percent increase one quarter earlier.

Manufacturing

Productivity increased at a 1.4 percent seasonally adjusted annual rate in manufacturing in the third quarter of 1989, compared with a 3.7 percent gain during the second quarter. The third-quarter gain was the smallest since 1987 (when it grew 1.3 percent in the fourth quarter). In the third quarter, output increased 1.3 percent (the smallest gain since 1986) and hours of all persons decreased 0.1 percent. The growth in both output and hours was much faster in nondurables than in durables (tables 4, 5).

Hourly compensation of all manufacturing workers increased 6.0 percent during the third quarter, a large increase over the 2.7 percent rise during the second quarter and the largest gain since 1985. Real hourly compensation rose 3.5 percent in the third quarter when the increase in consumer prices was taken into account, the largest gain since a 4.3 percent increase occurred in the second quarter of 1986. Unit labor costs rose at a rapid 4.5 percent annual rate in the third quarter, compared with a 1.0 percent decline during the second quarter of 1989, and was the largest quarterly increase since a 9.7 percent gain was recorded in the first quarter of 1982.

Revised measures

Previous and revised productivity and cost measures for the second quarter are compared in table B for business, nonfarm business, manufacturing, and nonfinancial corporations. The revised movements are based on more complete information than was available on September 6 when the previous values were announced. In addition, tables 1-6 show revisions in hours which reflect the incorporation of the 1988 Hours at Work Survey. Also affected are series which depend on the hours measure--productivity, hourly compensation, real hourly compensation, and, to a lesser extent, unit labor costs and unit nonlabor payments.

(4)

Table B. Previous and revised productivity and related measures,
second-quarter 1989
Quarterly percent change at seasonally adjusted annual rate

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Business:						
Previous	1.3	1.9	0.6	6.8	0.4	5.5
Revised	1.6	2.3	0.6	6.8	0.4	5.1
Nonfarm business:						
Previous	0.7	2.4	1.7	5.6	-0.7	4.9
Revised	1.1	2.8	1.7	5.6	-0.7	4.5
Manufacturing:						
Previous	2.9	2.9	0.0	2.4	-3.7	-0.4
Revised	3.7	3.5	-0.2	2.7	-3.5	-1.0
Nonfinancial corporations:						
Previous	-0.2	1.7	1.9	5.3	-1.0	5.6
Revised	0.1	2.0	1.8	5.4	-0.9	5.3

Next release date

The next release of productivity and cost measures is scheduled for 10:00 AM EST, Wednesday, December 6, 1989. Third-quarter measures for nonfinancial corporations will be released at that time.

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PRODUCTIVITY AND COSTS

Third Quarter 1989

Business, Nonfarm Business, Manufacturing, and
Nonfinancial Corporations

The Bureau of Labor Statistics of the U.S. Department of Labor today reported productivity results--as measured by output per hour of all persons--for the third quarter of 1989. Based on revised information now available, the seasonally-adjusted annual rates of productivity change in the third quarter were:

- 1.7 percent in the business sector,
- 2.5 percent in the nonfarm business sector,
- 1.0 percent in manufacturing,
- 1.7 percent in durable goods manufacturing, and
- 0.2 percent in nondurable goods manufacturing.

Third-quarter measures are summarized in table A and appear in detail in tables 1 through 6. In business and nonfarm business, productivity rose more rapidly than in the previous quarter, and unit labor costs grew more slowly. In manufacturing, productivity growth was slower in the third quarter than in the more comprehensive business sectors, while hourly compensation and unit labor costs grew more rapidly.

Among nonfinancial corporations, productivity rose strongly at a 2.9 percent annual rate in the third quarter, as output rose 4.2 percent and hours at work increased 1.3 percent (tables B and 6). Unit labor costs increased 2.4 percent.

For business and nonfarm business, the revised productivity and output measures show larger increases than had been reported on November 2, based on preliminary information then available (table C). The revisions reflect higher measures of output and hours growth during the third quarter of 1989. In manufacturing, productivity growth is slower in the revised measures, as the gain in hours was greater than previously reported.

Business

Productivity increased at a 1.7 percent annual rate during the third quarter of 1989 in the business sector, as output rose 3.6 percent and hours at work of all persons engaged in the sector increased 1.9 percent (seasonally adjusted annual rates). During the second quarter of 1989, business productivity had increased 1.6 percent, with gains in output and hours of 2.3 percent and 0.6 percent, respectively (table 1).

Table A. Productivity and costs: Third-quarter 1989 measures
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	1.7	3.6	1.9	4.7	2.3	3.0
Nonfarm business	2.5	3.7	1.3	5.3	2.8	2.8
Manufacturing	1.0	1.2	0.2	5.9	3.5	4.9
Durable	1.7	0.4	-1.3	6.4	4.0	4.7
Nondurable	0.2	2.6	2.4	5.4	2.9	5.2
Percent change from same quarter a year ago						
Business	1.1	3.5	2.4	5.4	0.7	4.2
Nonfarm business	1.0	3.4	2.4	5.4	0.7	4.3
Manufacturing	2.3	3.2	0.9	4.4	-0.2	2.1
Durable	2.7	2.8	0.0	4.5	-0.1	1.8
Nondurable	1.8	4.0	2.2	4.5	-0.2	2.6

Hourly compensation increased at a 4.7 percent annual rate during the third quarter of 1989, significantly slower than the 6.8 percent increase during the second quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 3.0 percent annual rate during the third quarter, compared with a 5.1 percent increase one quarter earlier.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), rose 2.3 percent in the third quarter, compared with a 0.4 percent increase in the second quarter.

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 2.4 percent in the third quarter. During the second quarter, prices rose 4.6 percent in the business sector.

Nonfarm business

Productivity increased 2.5 percent in the nonfarm business sector during the third quarter of 1989, as the growth rate of output increased to 3.7 percent and hours at work of all persons--employees, proprietors, and unpaid family workers--slowed to a 1.3 percent increase. During the second quarter, nonfarm productivity had increased 1.1 percent (table 2).

Hourly compensation rose 5.3 percent in the third quarter, and real compensation per hour rose 2.8 percent when the increase in the CPI-U was taken into account. The third-quarter increase in real hourly compensation was the first rise this year. Unit labor costs increased 2.8 percent, compared with a 4.5 percent rise during the second quarter.

The implicit price deflator for nonfarm business output rose 2.9 percent in the third quarter, compared with a 4.4 percent increase one quarter earlier.

Manufacturing

Uncharacteristically, manufacturing productivity increased less rapidly than in the more comprehensive business sectors reported above. Labor productivity increased at a 1.0 percent seasonally adjusted annual rate in the third quarter of 1989. Output rose only 1.2 percent and hours at work of all persons edged up 0.2 percent (table 3). The increase in output was the smallest since 1986, when a 0.2 percent decline occurred in the second quarter. Most of the productivity gain in the third quarter of 1989 occurred in durable goods industries, where output increased slightly and hours and employment declined (table 4). During the second quarter, productivity in all of manufacturing had increased 3.7 percent as output increased 3.5 percent and hours declined 0.2 percent (table 3).

Hourly compensation of manufacturing workers increased 5.9 percent during the third quarter, and real hourly compensation rose 3.5 percent when the increase in consumer prices was taken into account. This increase in real hourly compensation was the first this year and the largest since the second quarter of 1986, when a 4.3 percent increase occurred. Unit labor costs rose at a 4.9 percent annual rate in the third quarter of 1989, compared with a 1.0 percent decrease during the second quarter. The third-quarter increase was the largest rise since 1982, when a 9.7 percent increase was recorded in the first quarter.

Nonfinancial corporations

Preliminary third-quarter 1989 measures of productivity and costs also were announced today for nonfinancial corporations (tables B and 6). Output per all-employee hour increased 2.9 percent from the second quarter to the third quarter of 1989, as output and hours at work increased 4.2 percent and 1.3 percent, respectively, at annual rates. The sector includes all corporations doing business in the United States, except banks, stock and commodity brokers, and finance and insurance agencies. Although hours grew as rapidly as in the more comprehensive nonfarm business sector reported above, output rose faster.

Hourly compensation increased 5.3 percent, and real hourly compensation rose 2.9 percent when the rise in the CPI-U was taken into account (table 6). Unit labor costs rose 2.4 percent in the third quarter, unit nonlabor costs rose 8.0 percent (their largest increase since 1986), and unit profits fell 11.6 percent (their third decline in succession). The implicit deflator for nonfinancial corporate output rose 2.6 percent in the third quarter.

Table B. Nonfinancial corporations: Preliminary third-quarter productivity and cost measures
Seasonally adjusted annual rates

Period	Productivity	Output	Hours	Real		Unit labor costs	Unit profits	Implicit price deflator
				Hourly compensation	hourly compensation			
Percent change from preceding quarter								
1989 III	2.9	4.2	1.3	5.3	2.9	2.4	-11.6	2.6
Percent change from preceding year								
1989 III	0.2	2.6	2.3	5.1	0.4	4.9	-11.3	3.9

Revised measures

Previous and current productivity and cost measures for the third quarter are compared in table C for business, nonfarm business, and manufacturing. In business and nonfarm business, measures of both output and hours were revised upward, but the larger revision to output led to a greater increase in productivity than had been reported November 2. On the other hand, in manufacturing, a upward revision in hours was reflected in a slower productivity gain than previously reported.

Table C. Previous and current productivity and related measures, third-quarter 1989
(Quarterly percent change at seasonally adjusted annual rate)

Sector	Productivity	Output	Hours	Real		
				Hourly compensation	hourly compensation	Unit labor costs
Business:						
Previous	1.2	3.0	1.7	4.8	2.3	3.5
Current	1.7	3.6	1.9	4.7	2.3	3.0
Nonfarm business:						
Previous	2.1	3.1	1.0	5.3	2.9	3.2
Current	2.5	3.7	1.3	5.3	2.8	2.8
Manufacturing:						
Previous	1.4	1.3	-0.1	6.0	3.5	4.5
Current	1.0	1.2	0.2	5.9	3.5	4.9

Next release date

The next issue of **Productivity and Costs** is scheduled for release at **10:00 AM EST, Monday, February 5, 1990**, and will contain fourth-quarter and annual 1989 measures for business, nonfarm business, and manufacturing.

Tentative release dates for productivity and cost measures for major sectors of the U.S. economy in 1990 are:

Reference period	Initial measures	Revised measures
1989:		
Fourth Qtr., Annual	February 5	March 7*
1990:		
First Qtr.	May 7	June 4
Second Qtr.	August 6	September 4
Third Qtr.	November 6	December 5

* For nonfinancial corporations, 1989 annuals only; fourth quarter results included in May 7 edition.

The dates in this tabulation are based on presently available schedules for the release of underlying source data in the coming year. Each edition of **Productivity and Costs** contains a "Next release date" paragraph which readers should use to confirm the tentative dates above.

News

United States
Department
of Labor



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PRODUCTIVITY AND COSTS

Fourth Quarter
and Annual Averages, 1989

The Bureau of Labor Statistics of the U.S. Department of Labor today reported productivity results--as measured by output per hour of all persons--for the fourth quarter and annual averages for 1989. The changes were:

	Fourth quarter	Annual averages 1988-1989
Business sector,.....	0.2	1.1
Nonfarm business sector.....	0.2	0.9
Manufacturing.....	3.2	2.8
Durable goods manufacturing.....	0.2	2.6
Nondurable goods manufacturing...	8.4	3.1

The 1988-89 productivity increases in business and nonfarm business were the smallest since 1982. Following the pattern of recent years, productivity rose more rapidly in manufacturing than in these two larger sectors.

Fourth-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Annual changes in productivity and related measures appear in tables B and C.

THIRD-TO-FOURTH QUARTER CHANGES, 1989

Business

Productivity increased at a 0.2 percent annual rate during the fourth quarter of 1989 in the business sector, as output was unchanged and hours of all persons engaged in the sector declined 0.2 percent (seasonally adjusted annual rates). The increase in productivity was the smallest in a year, and the decline in hours was the first since the second quarter of 1986. During the third quarter of 1989, business productivity had increased 1.5 percent, as output grew more rapidly than hours (table 1).

-2-

Table A. Productivity and costs: Preliminary fourth-quarter 1989 measures (Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real	Unit labor costs
					hourly compensation	
Percent change from preceding quarter						
Business	0.2	0.0	-0.2	6.5	2.4	6.3
Nonfarm business	0.2	-0.2	-0.4	6.9	2.8	6.7
Manufacturing	3.2	-1.3	-4.4	7.2	3.1	3.9
Durable	0.2	-4.4	-4.6	8.1	3.9	7.8
Nondurable	8.4	4.0	-4.0	5.8	1.7	-2.4
Percent change from same quarter a year ago						
Business	1.1	2.6	1.5	5.7	1.1	4.6
Nonfarm business	0.6	2.2	1.6	5.7	1.1	5.1
Manufacturing	2.6	1.7	-0.9	4.8	0.2	2.1
Durable	2.4	0.3	-2.0	5.0	0.4	2.5
Nondurable	3.2	4.0	0.7	4.7	0.2	1.5

Hourly compensation increased at a 6.5 percent annual rate during the fourth quarter of 1989, compared with a 4.7 percent increase during the third quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 6.3 percent annual rate during the fourth quarter, compared with a 3.2 percent increase one quarter earlier.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), rose 2.4 percent in the fourth quarter, compared with a 2.3 percent gain in the third quarter.

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 3.3 percent in the fourth quarter.

Nonfarm business

Productivity also increased 0.2 percent in the nonfarm business sector during the fourth quarter of 1989, as output fell 0.2 percent and hours of all persons--employees, proprietors, and unpaid family workers--decreased 0.4 percent. During the third quarter, nonfarm productivity had increased 2.4 percent (table 2). As in the more comprehensive business sector, the drop in hours was the first decline since the second quarter of 1986.

Hourly compensation rose 6.9 percent in the fourth quarter, or 2.8 percent when the increase in the CPI-U was taken into account. Unit labor costs increased 6.7 percent, compared with a 2.8 percent rise during the third quarter.

-3-

The implicit price deflator for nonfarm business output rose 3.9 percent in the fourth quarter, compared with a 2.7 percent increase one quarter earlier.

Manufacturing

Manufacturing productivity increased a good deal more rapidly than in the more comprehensive business sectors reported above, growing at a 3.2 percent seasonally adjusted annual rate in the fourth quarter of 1989. Output fell 1.3 percent and hours of all persons decreased 4.4 percent. This was the first quarterly decline in output since the second quarter of 1986 (when it fell 0.2 percent) and the largest decline in hours since the fourth quarter of 1982 (when a 7.6 percent decline was recorded). During the third quarter, productivity rose 1.2 percent, output rose 1.4 percent and hours edged up 0.1 percent (table 3).

Hourly compensation of manufacturing workers increased 7.2 percent during the fourth quarter, or 3.1 percent when the increase in consumer prices was taken into account. Unit labor costs rose at a 3.9 percent annual rate in the fourth quarter of 1989, compared with a 4.6 percent increase during the third quarter.

Both durable and nondurable goods industries experienced productivity increases in the fourth quarter, but the increase in nondurable goods manufacturing was far larger--8.4 percent in nondurables versus 0.2 percent in durables (tables 4 and 5). Output declined in durables but increased strongly in nondurables; hours declined in both.

ANNUAL CHANGES, 1988-1989

Business

Business productivity increased 1.1 percent when the annual average for 1988 was compared with the average for 1989 (table B). This was the smallest gain since 1982. Output rose 3.4 percent in 1989, and hours of all persons engaged in the sector increased 2.3 percent. The increases in productivity, output, and hours were all smaller than the gains in 1988 (table C).

Table B. Productivity and costs: 1989 annual measures

Sector	Productivity	Output	Hours	Hourly compensation	Real	
					hourly compensation	Unit labor costs
Percent change in annual averages, 1988-1989						
Business	1.1	3.4	2.3	5.5	0.7	4.4
Nonfarm business	0.9	3.3	2.4	5.5	0.6	4.6
Manufacturing	2.8	3.7	0.9	4.3	-0.5	1.4
Durable	2.6	3.2	0.6	4.1	-0.7	1.4
Nondurable	3.1	4.6	1.4	4.6	-0.2	1.4

Hourly compensation increased 5.5 percent in 1989, compared with a 4.8 percent increase during 1988. Unit labor costs increased 4.4 percent during 1989, compared with a 3.0 percent increase one year earlier. Real hourly compensation edged up 0.7 percent in 1989, compared with a 0.6 percent gain in 1988.

The implicit price deflator for business output increased 3.9 percent in 1989, compared with a 2.9 percent increase in 1988. This was the largest increase in prices in the business sector since 1982 (table C).

Nonfarm business

Productivity increased only 0.9 percent in the nonfarm business sector during 1989, as output rose 3.3 percent and hours of all persons increased 2.4 percent. This was the smallest gain in the hourly output of goods and services in the nonfarm business sector since 1982.

Hourly compensation rose 5.5 percent in 1989, but rose only 0.6 percent when the increase in the CPI-U was taken into account. Unit labor costs increased 4.6 percent, compared with a 2.7 percent rise during 1988.

Table C. Annual changes in productivity and related measures, 1980-1989

Measure	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Business:										
Productivity.....	-0.3	1.5	-0.7	2.4	2.6	2.0	2.3	1.2	1.7	1.1
Output.....	-1.1	2.1	-3.1	4.2	8.4	4.2	3.1	4.2	4.9	3.4
Hours.....	-0.8	0.6	-2.4	1.8	5.7	2.2	0.8	3.0	3.2	2.3
Hourly comp.....	10.5	9.3	7.5	3.8	4.1	4.4	5.2	3.9	4.8	5.5
Real hourly comp.	-2.6	-0.9	1.2	0.6	-0.2	0.8	3.3	0.2	0.6	0.7
Implicit price def.	9.0	9.6	5.9	3.3	3.3	2.5	2.1	2.6	2.9	3.9
Nonfarm Business:										
Productivity.....	-0.4	1.1	-0.9	3.0	2.1	1.3	2.0	1.1	2.0	0.9
Output.....	-1.2	1.7	-3.3	5.0	8.3	3.9	3.0	4.4	5.4	3.3
Hours.....	-0.7	0.6	-2.4	2.0	6.0	2.6	0.9	3.2	3.4	2.4
Hourly comp.....	10.5	9.5	7.4	4.0	3.9	4.1	5.1	3.7	4.7	5.5
Real hourly comp.	-2.6	-0.7	1.1	0.7	-0.4	0.5	3.2	0.1	0.5	0.6
Implicit price def.	9.7	9.7	6.3	3.5	3.0	3.0	2.3	2.6	2.7	3.9
Manufacturing:										
Productivity.....	0.0	2.3	2.5	5.2	5.4	4.5	3.8	3.7	2.7	2.8
Output.....	-4.5	1.6	-6.1	6.4	12.2	3.8	2.3	4.3	6.1	3.7
Hours.....	-4.6	-0.7	-8.5	1.2	6.5	-0.7	-1.4	0.6	3.3	0.9
Hourly comp.....	11.7	9.7	8.9	2.5	3.3	4.9	4.5	2.7	3.6	4.3
Real hourly comp.	-1.6	-0.5	2.6	-0.7	-0.9	1.2	2.6	-1.0	-0.5	-0.5
Implicit price def.	8.4	8.9	5.1	1.1	0.7	-1.5	1.6	-0.2	n.a.	n.a.

n.a. -, Not available.

-5-

The implicit price deflator for nonfarm business output rose 3.9 percent in 1989, compared with a 2.7 percent increase one year earlier.

Manufacturing

Manufacturing productivity increased more rapidly in 1989 than in the more comprehensive business sectors reported above, growing at a substantial 2.8 percent. Output rose 3.7 percent and hours of all persons increased 0.9 percent. During 1988, productivity rose 2.7 percent, output rose 6.1 percent and hours increased 3.3 percent.

Hourly compensation of manufacturing workers increased 4.3 percent during 1989, but declined 0.5 percent when the increase in consumer prices was taken into account. This marked the third year in a row real hourly compensation declined for manufacturing workers. Unit labor costs rose 1.4 percent in 1989, compared with a 0.9 percent increase during 1988.

Both durable and nondurable goods industries experienced productivity increases in 1989. Productivity, output, and hours of all persons increased more rapidly in nondurable- than in durable-goods manufacturing.

Revised third quarter 1989 measures

Previous and revised productivity and cost measures for the third quarter are compared in table D for nonfinancial corporations. Current measures are little changed from those announced December 6, 1989.

Table D. Previously published and current measures for nonfinancial corporations, third quarter 1989
Percent change from previous quarter
(Seasonally adjusted annual rates)

Item	Produc- tivity	Output	Hours	Real			Unit profits	Implicit price deflator
				Hourly compen- sation	hourly compen- sation	Unit labor costs		
Previous	2.9	4.2	1.3	5.3	2.9	2.4	-11.6	2.6
Current	3.0	4.3	1.2	5.4	2.9	2.3	-10.3	2.6

Next release date

The next issue of Productivity and Costs is scheduled for release at 10:00 AM EST, Wednesday, March 7, 1990, and will contain measures for nonfinancial corporations, business, nonfarm business, and manufacturing.

News

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PRODUCTIVITY AND COSTS

Fourth Quarter and Annual Averages 1989
Business, Nonfarm Business, and Manufacturing
and 1989 Annual Averages for
Nonfinancial Corporations

The Bureau of Labor Statistics of the U.S. Department of Labor today reported revised productivity results--as measured by output per hour of all persons--for the fourth quarter and annual averages for 1989. The percentage changes, based on the latest information available, were:

	Fourth quarter	Annual averages 1988-1989
Business sector.....	0.2	1.1
Nonfarm business sector.....	0.2	0.9
Manufacturing.....	2.8	2.8
Durable goods manufacturing.....	-0.4	2.6
Nondurable goods manufacturing...	8.3	3.1

The 1988-89 productivity increases in business and nonfarm business were the smallest since 1982. Following the pattern of recent years, productivity rose more rapidly in manufacturing than in these two larger sectors.

Fourth-quarter measures are summarized in table A and appear in detail in tables 1 through 5. Annual changes in productivity and related measures appear in tables B and C.

THIRD-TO-FOURTH QUARTER CHANGES, 1989

Business

Productivity increased at a 0.2 percent annual rate during the fourth quarter of 1989 in the business sector, as output increased 0.1 percent and hours of all persons engaged in the sector were unchanged (seasonally adjusted annual rates). The increase in productivity was the smallest in a year, and it was the first time hours did not increase since the second quarter of 1986. During the third quarter of 1989, business productivity had increased 1.5 percent, as output grew more rapidly than hours (table 1).

-2-

Table A. Productivity and costs: Revised fourth quarter 1989 measures
(Seasonally adjusted annual rates)

Sector	Produc- tivity	Output	Hours	Hourly compen- sation	Real hourly compen- sation	Unit labor costs
	Percent change from preceding quarter					
Business	0.2	0.1	0.0	5.5	1.5	5.4
Nonfarm business	0.2	0.0	-0.2	6.0	1.9	5.8
Manufacturing	2.8	-1.6	-4.3	6.9	2.8	4.0
Durable	-0.4	-4.9	-4.5	7.3	3.1	7.7
Nondurable	8.3	4.0	-3.9	6.3	2.2	-1.8
	Percent change from same quarter a year ago					
Business	1.1	2.7	1.6	5.5	0.9	4.3
Nonfarm business	0.6	2.2	1.6	5.4	0.8	4.8
Manufacturing	2.5	1.6	-0.9	4.7	0.1	2.1
Durable	2.2	0.2	-2.0	4.8	0.2	2.4
Nondurable	3.2	4.0	0.7	4.9	0.3	1.6

Hourly compensation increased at a 5.5 percent annual rate during the fourth quarter of 1989, compared with a 4.7 percent increase during the third quarter. This measure includes wages and salaries, supplements, employer contributions to employee-benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 5.4 percent annual rate during the fourth quarter, compared with a 3.2 percent increase one quarter earlier.

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), rose 1.5 percent in the fourth quarter, compared with a 1.9 percent gain in the third quarter.

The implicit price deflator for business output, which reflects changes in unit labor costs and unit nonlabor payments, increased 2.8 percent in the fourth quarter.

Nonfarm business

Productivity also increased 0.2 percent in the nonfarm business sector during the fourth quarter of 1989, as output was unchanged and hours of all persons--employees, proprietors, and unpaid family workers--decreased 0.2 percent. During the third quarter, nonfarm productivity had increased 2.4 percent (table 2). As in the more comprehensive business sector, the drop in hours was the first decline since the second quarter of 1986.

-3-

Hourly compensation rose 6.0 percent in the fourth quarter, or 1.9 percent when the increase in the CPI-U was taken into account. Unit labor costs increased 5.8 percent, compared with a 2.8 percent rise during the third quarter.

The implicit price deflator for nonfarm business output rose 3.4 percent in the fourth quarter, compared with a 2.7 percent increase one quarter earlier.

Manufacturing

Manufacturing productivity increased a good deal more rapidly than in the more comprehensive business sectors reported above, growing at a 2.8 percent seasonally adjusted annual rate in the fourth quarter of 1989. Output fell 1.6 percent and hours of all persons decreased 4.3 percent. This was the first quarterly decline in output since the second quarter of 1986 (when it fell 0.2 percent) and the largest decline in hours since the fourth quarter of 1982 (when a 7.6 percent decline was recorded). During the third quarter, productivity rose 1.2 percent, output rose 1.4 percent, and hours edged up 0.1 percent (table 3).

Hourly compensation of manufacturing workers increased 6.9 percent during the fourth quarter, the largest such increase since the second quarter of 1982 (when it rose 8.2 percent). The fourth quarter 1989 increase was 2.8 percent when the increase in consumer prices was taken into account. Unit labor costs rose at a 4.0 percent annual rate in the fourth quarter of 1989, compared with a 4.6 percent increase during the third quarter.

Productivity increased only in nondurable goods manufacturing in the fourth quarter, but the increase -- 8.3 percent -- outweighed the 0.4 percent productivity decline in durables (tables 4 and 5). Output declined in durables but increased strongly in nondurables; hours declined in both.

ANNUAL CHANGES, 1988-1989

Nonfinancial corporations

The Bureau of Labor Statistics also reported annual productivity and related indexes for nonfinancial corporations for 1989. Productivity was unchanged from 1988, as output and hours both increased 2.5 percent during the year. This was the first year nonfinancial corporate productivity failed to grow since 1980 (when a 0.7 percent decline occurred). Hourly compensation rose 5.1 percent in 1989 but rose only 0.3 percent when the increase in the CPI-U was taken into account. Unit labor costs rose 5.2 percent (their largest increase since 1982), unit nonlabor costs rose 6.1 percent (also the largest gain since 1982), and unit profits declined 12.7 percent (their largest decline since 1982). Annual changes from 1980 to 1989 are shown in table B.

-4-

Table B. Nonfinancial corporations: Annual changes in productivity and related measures, 1980-1989

Measure	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Productivity.....	-0.7	0.6	0.3	2.7	2.4	1.6	2.3	2.2	2.3	0.0
Output.....	-1.8	1.6	-3.0	4.7	9.1	4.0	2.7	5.0	6.0	2.5
Hours.....	-1.1	1.0	-3.3	1.9	6.6	2.3	0.4	2.7	3.6	2.5
Hourly comp.....	10.5	9.4	7.3	3.2	3.8	4.0	4.8	3.4	4.3	5.1
Real hourly comp.	-2.7	-0.9	1.1	0.0	-0.5	0.4	2.9	-0.2	0.2	0.3
Unit labor costs..	11.2	8.7	6.9	0.4	1.3	2.4	2.5	1.2	1.9	5.2
Unit nonlabor cost	18.0	16.4	10.9	-1.2	-0.4	1.2	3.4	2.6	2.1	6.1
Total unit costs..	12.9	10.7	8.0	0.0	0.8	2.1	2.7	1.6	2.0	5.4
Unit profit.....	-9.9	15.2	-20.0	41.4	23.1	-2.6	-7.5	-0.1	4.7	-12.7
Implicit price def	10.7	11.0	5.7	2.6	2.8	1.6	1.7	1.4	2.2	3.8

Revised fourth-quarter and 1989 annual measures

Previous and revised productivity and cost measures for the fourth quarter and full year 1989 are compared in table C for the business, nonfarm business, and manufacturing sectors. In all sectors, measures of real hourly compensation were affected by updated data on consumer prices: revised seasonal adjustment factors affected movements in consumer prices beginning in 1985. Annual measures are virtually unchanged from those released on February 5, based on information then available.

-5-

**Table C. Previous and current productivity and related measures
Fourth quarter and annual averages 1989
(Seasonally adjusted annual rates)**

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change, third to fourth quarter 1989						
Business:						
Previous	0.2	0.0	-0.2	6.5	2.4	6.3
Current	0.2	0.1	0.0	5.5	1.5	5.4
Nonfarm business:						
Previous	0.2	-0.2	-0.4	6.9	2.8	6.7
Current	0.2	0.0	-0.2	6.0	1.9	5.8
Manufacturing:						
Previous	3.2	-1.3	-4.4	7.2	3.1	3.9
Current	2.8	-1.6	-4.3	6.9	2.8	4.0
Percent change, 1988 - 1989						
Business:						
Previous	1.1	3.4	2.3	5.5	0.7	4.4
Current	1.1	3.4	2.3	5.5	0.6	4.4
Nonfarm business:						
Previous	0.9	3.3	2.4	5.5	0.6	4.6
Current	0.9	3.3	2.4	5.4	0.6	4.5
Manufacturing:						
Previous	2.8	3.7	0.9	4.3	-0.5	1.4
Current	2.8	3.7	0.9	4.3	-0.5	1.5

Next release date

The next issue of Productivity and Costs is scheduled for release at **10:00 AM EDT, Monday, May 7, 1990**, and will contain measures for business, nonfarm business, and manufacturing.