

# News

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**Bureau of Labor Statistics**

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## **PRODUCTIVITY AND COSTS** Second Quarter 2006, Revised

The Bureau of Labor Statistics of the U.S. Department of Labor today reported revised productivity data—as measured by output per hour of all persons—for the second quarter of 2006. The seasonally adjusted annual rates of productivity change in the second quarter were:

1.5 percent in the business sector and  
1.6 percent in the nonfarm business sector.

In both sectors increases in productivity were larger than reported on Aug. 8, as output was revised up more than hours (See table C).

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

2.6 percent in manufacturing,  
3.7 percent in durable goods manufacturing, and  
2.3 percent in nondurable goods manufacturing.

In total manufacturing, the change in productivity was revised down from a preliminary estimate of 3.0 percent. Output and hours in manufacturing, which includes about 13 percent of U.S. business-sector employment, tend to vary more from quarter to quarter than data for the aggregate business and nonfarm business sectors. Second-quarter measures are summarized in table A and appear in detail in tables 1 through 5; the differences between these measures and the preliminary second-quarter figures issued on Aug. 8 are shown in table C.

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

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

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	1.5	3.2	1.7	6.3	1.3	4.8
Nonfarm business	1.6	3.1	1.5	6.6	1.6	4.9
Manufacturing	2.6	5.1	2.4	4.0	-0.9	1.3
Durable	3.7	7.7	3.9	4.2	-0.7	0.5
Nondurable	2.3	2.1	-0.2	3.4	-1.5	1.1
Percent change from same quarter a year ago						
Business	2.8	4.1	1.3	7.8	3.7	4.9
Nonfarm business	2.5	4.1	1.5	7.7	3.6	5.0
Manufacturing	3.7	5.7	2.0	6.1	2.1	2.4
Durable	6.0	8.7	2.6	6.8	2.7	0.7
Nondurable	1.1	1.9	0.9	4.8	0.8	3.7

## Business

From the first quarter to the second quarter of 2006, productivity in the business sector grew 1.5 percent as output increased 3.2 percent and hours worked by all persons engaged in the sector—employees, proprietors, and unpaid family workers—rose 1.7 percent (tables A and 1). Productivity had increased 4.5 percent during the first quarter of 2006, as output increased 6.7 percent and hours increased 2.1 percent (seasonally adjusted annual rates).

Hourly compensation in the business sector grew at a 6.3 percent annual rate in the second quarter of 2006, compared with a 13.6 percent rate of growth one quarter earlier (as revised). Hourly compensation includes wages and salaries, supplements, employer contributions to employee benefit plans, and taxes. Real hourly compensation, which takes into account changes in consumer prices, rose 1.3 percent in the second quarter of 2006 after increasing 11.3 percent in the first quarter of the year.

Unit labor costs, which reflect changes in hourly compensation and productivity, rose 4.8 percent in the second quarter of 2006. Unit labor costs had increased 8.7 percent in the first quarter of 2006, when hourly compensation grew much faster than output per hour. The implicit price deflator for business output, which exhibits changes in unit labor costs and unit nonlabor payments, rose 3.1 percent in the second quarter and 2.7 percent in the first quarter of 2006.

## **Nonfarm business**

Productivity in the nonfarm business sector grew at a 1.6 percent annual rate in the second quarter of 2006, reflecting increases of 3.1 percent in output and 1.5 percent in hours of all persons (tables A and 2). In the first quarter of 2006, productivity gained 4.3 percent, output increased 6.7 percent, and hours grew 2.3 percent.

Hourly compensation rose 6.6 percent in the second quarter of 2006, following a 13.7 percent advance in the first quarter. When the rise in consumer prices was taken into account, real hourly compensation rose 1.6 percent in the second quarter of 2006.

Unit labor costs increased 4.9 percent in the second quarter of 2006, somewhat less than the 9.0-percent increase posted in the first quarter of the year. The implicit price deflator for nonfarm business output increased 3.4 percent in the second quarter of 2006 and 2.9 percent one quarter earlier.

## **Manufacturing**

Productivity increased 2.6 percent in manufacturing for the second quarter of 2006, as output grew 5.1 percent and hours of all persons increased 2.4 percent (seasonally adjusted annual rates). In the durable goods sector, productivity grew 3.7 percent in the second quarter of 2006, reflecting increases in output and hours of 7.7 percent and 3.9 percent, respectively. In nondurable goods, output per hour rose 2.3 percent as output increased 2.1 percent and hours declined 0.2 percent (tables 3, 4, and 5).

The hourly compensation of all manufacturing workers increased 4.0 percent during the second quarter of 2006, reflecting a 4.2-percent rise in hourly compensation in durable goods industries and a 3.4-percent increase in the nondurable goods sector. Real hourly compensation in the total manufacturing sector fell 0.9 percent in the second quarter after increasing 11.0 percent one quarter earlier.

Unit labor costs in manufacturing increased 1.3 percent in the second quarter of 2006. The first-quarter 2006 increase in this measure, 9.3 percent, was the largest since the third quarter of 2000, when it increased 12.0 percent. Unit labor costs grew 0.5 percent in durable goods and 1.1 percent in nondurable goods in the second quarter of 2006.

## Nonfinancial corporations

Preliminary second-quarter 2006 measures of productivity and costs were reported today for nonfinancial corporations (tables B and 6). Productivity increased 2.2 percent during the second quarter, reflecting a 3.8-percent rise in output and 1.6 percent growth in employee hours (seasonally adjusted annual rates). In the first quarter of 2006, output per hour rose 11.1 percent, output increased 13.0 percent, and employee hours rose 1.7 percent (as revised). The first-quarter productivity gain was the largest since the first quarter of 1971, when output per hour also increased 11.1 percent. Nonfinancial corporations include all corporations doing business in the United States except those classified as offices in the finance and insurance sector, offices of bank holding companies, or offices of other holding companies.

Table B. Nonfinancial corporations: Preliminary second-quarter 2006 productivity and cost measures (Seasonally adjusted annual rates)								
Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
Percent change from preceding quarter								
2006 II	2.2	3.8	1.6	6.5	1.4	4.2	-1.2	2.8
Percent change from same quarter a year ago								
2006 II	4.8	6.6	1.7	7.5	3.4	2.6	8.4	2.3

Hourly compensation rose 6.5 percent in the second quarter of 2006, following a 12.4 percent gain in the first quarter (as revised). When the rise in consumer prices is taken into account, real hourly compensation rose 1.4 percent in the second quarter after increasing 10.1 percent one quarter earlier.

Unit labor costs for nonfinancial corporations increased 4.2 percent in the second quarter of 2006. Hourly compensation grew almost twice as fast in the first quarter of 2006 as in the second quarter, 12.4 percent. This increase was largely offset by the 11.1-percent productivity gain and unit labor costs rose only 1.2 percent in the first quarter.

Unit profits declined 1.2 percent in second quarter 2006, following a 37.9 percent increase in the first quarter. The implicit price deflator for nonfinancial corporate output rose 2.8 percent in the second quarter of 2006.

## Revised Measures

Current and previous measures for the first and second quarters of 2006 for the business, nonfarm business, and manufacturing sectors are compared in table C. The quarterly movements differ from those reported on Aug. 8 based on information then available. In the business and nonfarm business sectors, productivity was revised up in the second quarter, as output was revised up by more than hours worked. In both of these sectors upward revisions to hourly compensation were larger than those to productivity in the second quarter, so unit labor costs were also revised upwards. In the manufacturing sector, a downward revision to productivity in the second quarter resulted from a downward revision to output combined with a small upward revision to hours. Manufacturing hourly compensation was revised upwards for the second quarter, contributing to an increase in unit labor costs rather than the previously reported decline.

Table C. Business, nonfarm business, and manufacturing: Previous and revised productivity and related measures (Quarterly percent changes at seasonally adjusted annual rates)						
Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Second quarter 2006						
Business:						
Previous .....	1.1	2.6	1.5	5.1	0.2	4.0
Revised.....	1.5	3.2	1.7	6.3	1.3	4.8
Nonfarm business:						
Previous .....	1.1	2.5	1.4	5.4	0.4	4.2
Revised.....	1.6	3.1	1.5	6.6	1.6	4.9
Manufacturing:						
Previous .....	3.0	5.4	2.3	1.7	-3.1	-1.2
Revised.....	2.6	5.1	2.4	4.0	-0.9	1.3
First quarter 2006						
Business:						
Previous .....	4.5	6.7	2.1	6.9	4.7	2.3
Revised.....	4.5	6.7	2.1	13.6	11.3	8.7
Nonfarm business:						
Previous .....	4.3	6.7	2.3	6.9	4.7	2.5
Revised.....	4.3	6.7	2.3	13.7	11.3	9.0
Manufacturing:						
Previous .....	3.7	5.8	2.0	5.2	3.0	1.4
Revised.....	3.7	5.8	2.0	13.3	11.0	9.3

Hourly compensation growth in the first quarter also was revised to reflect new estimates of compensation. In all of the major sectors, hourly compensation grew much faster in the first quarter than reported Aug. 8. As a result, unit labor costs in these sectors increased more than in preliminary estimates.

## Revised Measures: Nonfinancial Corporations

Data for the first quarter of 2006 were revised for the nonfinancial corporate sector. Productivity was revised up substantially along with output as hours were not revised. Hourly compensation was revised up even more than productivity, causing unit labor costs to increase 1.2 percent rather than decline 0.8 percent, as reported on August 8. The first quarter 2006 increase in hourly compensation was the largest since the first quarter of 2000, when this measure increased 15.6 percent.

Table D. Nonfinancial corporations: Previous and revised productivity and cost measures (Quarterly percent changes at seasonally adjusted annual rates)								
	Produc- tivity	Output	Hours	Hourly compen- sation	Real hourly compen- sation	Unit labor costs	Unit profits	Implicit price deflator
First quarter 2006								
Previous .....	7.2	9.0	1.7	6.3	4.1	-0.8	42.9	3.1
Revised.....	11.1	13.0	1.7	12.4	10.1	1.2	37.9	3.1

### Next release date

The next release of **Productivity and Costs** is scheduled for **8:30 AM EST, Thursday, November 2, 2006**. Preliminary third-quarter measures for business, nonfarm business, and manufacturing will be released at that time.

## TECHNICAL NOTES

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

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

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

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

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

Nonfinancial corporate output is an annual-weighted index calculated on the basis of the costs incurred and the incomes earned from production. The output measure excludes the following outputs from GDP: general government; nonprofit institutions; private households; unincorporated business; and those corporations classified as offices of bank holding companies,

offices of other holding companies, or offices in the finance and insurance sector. Nonfinancial corporations accounted for about 54 percent of the value of GDP in 2000.

**Productivity:** These productivity measures describe the relationship between real output and the labor time involved in its production. They show the changes from period to period in the amount of goods and services produced per hour. Although these measures relate output to hours at work of all persons engaged in a sector, they do not measure the specific contribution of labor, capital, or any other factor of production. Rather, they reflect the joint effects of many influences, including changes in technology; capital investment; level of output; utilization of capacity, energy, and materials; the organization of production; managerial skill; and the characteristics and effort of the work force.

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

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

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

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

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



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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	Unit non-labor payments (3)	Implicit price deflator (4)	
Indexes 1992=100									
2004	I	131.4	151.7	115.5	154.4	118.5	117.5	122.9	119.5
	II	132.8	153.5	115.6	155.8	118.3	117.3	126.2	120.6
	III	133.0	154.8	116.4	157.5	119.1	118.5	125.5	121.1
	IV	133.5	155.8	116.7	160.1	120.0	119.9	125.8	122.1
	ANNUAL	132.7	154.0	116.1	157.0	119.0	118.3	125.1	120.8
2005	I	134.5	157.4	117.0	161.6	120.4	120.1	127.9	123.0
	II	134.9	159.0	117.9	162.0	119.5	120.0	130.0	123.7
	III	136.6	160.9	117.8	165.2	120.3	121.0	131.1	124.7
	IV	136.7	161.7	118.3	166.5	120.3	121.8	132.3	125.7
	ANNUAL	135.7	159.8	117.7	163.8	120.2	120.7	130.3	124.3
2006	I	138.2	164.3	118.9	r171.9	r123.6	r124.4	r130.2	126.6
	II	r138.7	r165.6	r119.4	r174.6	r124.0	r125.9	r130.3	r127.5
Percent change from previous quarter at annual rate(5)									
2004	I	3.2	4.5	1.2	2.1	-1.5	-1.1	11.8	3.6
	II	4.5	4.8	0.3	3.5	-0.5	-0.9	11.1	3.6
	III	0.5	3.4	2.9	4.7	2.5	4.1	-2.0	1.7
	IV	1.6	2.6	1.0	6.7	3.0	5.0	0.9	3.4
	ANNUAL	3.1	4.4	1.3	3.8	1.1	0.7	5.8	2.6
2005	I	3.1	4.2	1.0	3.9	1.5	0.7	6.7	3.0
	II	1.2	4.1	2.9	0.8	-2.9	-0.4	6.6	2.3
	III	5.0	4.9	-0.1	8.3	2.7	3.2	3.6	3.3
	IV	0.2	1.8	1.6	3.1	-0.2	2.9	3.6	3.2
	ANNUAL	2.3	3.7	1.4	4.4	1.0	2.1	4.2	2.9
2006	I	4.5	6.7	2.1	r13.6	r11.3	r8.7	r-6.2	2.7
	II	r1.5	r3.2	r1.7	r6.3	r1.3	r4.8	r0.5	3.1
Percent change from corresponding quarter of previous year									
2004	I	4.5	5.1	0.6	4.3	2.4	-0.1	5.5	1.9
	II	3.8	5.2	1.3	3.3	0.5	-0.5	8.1	2.7
	III	1.7	3.5	1.7	3.3	0.6	1.6	4.5	2.7
	IV	2.5	3.8	1.3	4.2	0.9	1.7	5.3	3.1
	ANNUAL	3.1	4.4	1.3	3.8	1.1	0.7	5.8	2.6
2005	I	2.4	3.8	1.3	4.7	1.6	2.2	4.1	2.9
	II	1.6	3.6	1.9	4.0	1.0	2.3	3.0	2.6
	III	2.7	3.9	1.2	4.9	1.1	2.1	4.4	3.0
	IV	2.4	3.7	1.3	4.0	0.3	1.6	5.1	3.0
	ANNUAL	2.3	3.7	1.4	4.4	1.0	2.1	4.2	2.9
2006	I	2.7	4.4	1.6	r6.4	r2.6	r3.6	r1.8	2.9
	II	r2.8	r4.1	1.3	r7.8	r3.7	r4.9	r0.3	3.1

See footnotes following Table 6.  
r=revised

September 6, 2006  
Source: Bureau of Labor Statistics

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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	Unit non-labor payments (3)	Implicit price deflator (4)	
Indexes 1992=100									
2004	I	130.5	151.9	116.4	153.4	117.8	117.6	123.6	119.8
	II	132.2	153.9	116.4	154.8	117.6	117.2	126.8	120.7
	III	132.2	155.1	117.3	156.6	118.3	118.4	126.6	121.4
	IV	132.4	156.0	117.8	158.7	118.9	119.9	127.0	122.5
	ANNUAL	131.8	154.2	117.0	155.9	118.2	118.3	126.0	121.1
2005	I	133.5	157.6	118.0	160.4	119.5	120.1	129.4	123.5
	II	134.3	159.4	118.6	161.0	118.9	119.9	131.8	124.3
	III	135.8	161.3	118.8	164.1	119.5	120.9	133.1	125.3
	IV	135.8	162.0	119.3	165.3	119.4	121.7	134.3	126.4
	ANNUAL	134.9	160.0	118.7	162.7	119.3	120.7	132.2	124.9
2006	I	137.2	164.6	120.0	r170.6	r122.6	r124.4	r132.2	127.3
	II	r137.7	r165.9	r120.4	r173.4	r123.1	r125.9	r132.5	r128.3
Percent change from previous quarter at annual rate(5)									
2004	I	1.9	3.6	1.7	1.3	-2.2	-0.5	10.8	3.6
	II	5.1	5.2	0.1	3.7	-0.4	-1.4	10.6	3.1
	III	0.2	3.2	3.0	4.5	2.3	4.3	-0.6	2.4
	IV	0.4	2.4	2.0	5.6	2.0	5.1	1.3	3.7
	ANNUAL	3.0	4.3	1.3	3.6	0.9	0.7	5.4	2.4
2005	I	3.6	4.2	0.6	4.3	1.9	0.7	7.7	3.3
	II	2.3	4.4	2.1	1.6	-2.0	-0.7	7.8	2.5
	III	4.4	4.9	0.4	7.8	2.2	3.3	3.9	3.5
	IV	-0.1	1.8	1.8	2.9	-0.4	3.0	3.7	3.3
	ANNUAL	2.3	3.8	1.5	4.4	1.0	2.0	4.9	3.1
2006	I	4.3	6.7	2.3	r13.7	r11.3	r9.0	r-6.2	2.9
	II	r1.6	r3.1	r1.5	r6.6	r1.6	r4.9	r1.0	3.4
Percent change from corresponding quarter of previous year									
2004	I	4.3	5.1	0.7	4.2	2.3	-0.1	4.5	1.6
	II	4.1	5.3	1.2	3.4	0.6	-0.7	7.3	2.3
	III	1.6	3.4	1.7	3.2	0.4	1.5	4.2	2.5
	IV	1.9	3.6	1.7	3.8	0.4	1.8	5.4	3.2
	ANNUAL	3.0	4.3	1.3	3.6	0.9	0.7	5.4	2.4
2005	I	2.3	3.8	1.4	4.5	1.5	2.2	4.7	3.1
	II	1.6	3.6	1.9	4.0	1.0	2.3	4.0	3.0
	III	2.7	4.0	1.3	4.8	1.0	2.1	5.1	3.3
	IV	2.5	3.8	1.2	4.1	0.4	1.6	5.7	3.2
	ANNUAL	2.3	3.8	1.5	4.4	1.0	2.0	4.9	3.1
2006	I	2.7	4.4	1.7	r6.4	r2.6	r3.6	r2.2	3.0
	II	r2.5	r4.1	1.5	r7.7	r3.6	r5.0	r0.5	3.3

See footnotes following Table 6.  
r=revised

September 6, 2006  
Source: Bureau of Labor Statistics

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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	
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Indexes 1992=100							
2004	I	161.8	138.1	85.4	157.5	120.8	97.3
	II	163.3	138.9	85.0	159.8	121.4	97.8
	III	164.0	139.3	84.9	163.0	123.2	99.4
	IV	166.1	140.3	84.4	165.5	124.0	99.6
	ANNUAL	163.8	139.1	84.9	161.4	122.3	98.5
2005	I	168.1	141.7	84.3	166.1	123.7	98.8
	II	169.7	142.2	83.8	167.8	123.8	98.9
	III	171.2	143.1	83.6	170.7	124.3	99.7
	IV	173.2	146.3	84.5	170.9	123.4	98.7
	ANNUAL	170.5	143.3	84.0	168.8	123.8	99.0
2006	I	174.8	148.4	84.9	r176.3	r126.7	r100.9
	II	r175.9	r150.3	r85.4	r178.0	r126.4	r101.2
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Percent change from previous quarter at annual rate(5)							
2004	I	-2.1	0.1	2.2	-10.6	-13.7	-8.7
	II	3.9	2.2	-1.6	5.9	1.8	2.0
	III	1.7	1.2	-0.4	8.3	6.0	6.5
	IV	5.2	2.8	-2.3	6.3	2.7	1.0
	ANNUAL	1.9	1.3	-0.5	2.0	-0.7	0.1
2005	I	4.8	4.2	-0.5	1.5	-0.8	-3.2
	II	3.9	1.2	-2.5	4.0	0.3	0.2
	III	3.7	2.6	-1.0	7.1	1.5	3.2
	IV	4.7	9.4	4.6	0.5	-2.7	-4.0
	ANNUAL	4.1	3.0	-1.1	4.6	1.2	0.5
2006	I	3.7	5.8	2.0	r13.3	r11.0	r9.3
	II	r2.6	r5.1	r2.4	r4.0	r-0.9	r1.3
-----							
Percent change from corresponding quarter of previous year							
2004	I	2.4	0.6	-1.8	1.9	0.0	-0.5
	II	2.3	1.7	-0.6	1.6	-1.1	-0.7
	III	0.6	1.5	0.9	2.3	-0.4	1.7
	IV	2.1	1.6	-0.6	2.2	-1.1	0.0
	ANNUAL	1.9	1.3	-0.5	2.0	-0.7	0.1
2005	I	3.9	2.6	-1.2	5.5	2.4	1.5
	II	3.9	2.4	-1.5	5.0	2.0	1.1
	III	4.4	2.7	-1.6	4.7	0.9	0.3
	IV	4.3	4.3	0.1	3.2	-0.5	-1.0
	ANNUAL	4.1	3.0	-1.1	4.6	1.2	0.5
2006	I	4.0	4.7	0.7	r6.1	r2.4	r2.1
	II	r3.7	r5.7	r2.0	r6.1	r2.1	r2.4
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See footnotes following Table 6.  
r=revised

September 6, 2006  
Source: Bureau of Labor Statistics

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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	
-----							
Indexes 1992=100							
2004	I	184.0	164.2	89.2	153.6	117.9	83.5
	II	185.0	164.6	89.0	156.4	118.9	84.6
	III	185.5	165.7	89.3	159.8	120.8	86.1
	IV	188.2	167.3	88.9	161.7	121.2	85.9
	ANNUAL	185.7	165.4	89.1	157.9	119.7	85.0
2005	I	191.3	170.1	88.9	161.7	120.5	84.5
	II	193.2	171.1	88.6	162.8	120.2	84.3
	III	196.3	174.0	88.7	165.8	120.8	84.5
	IV	201.0	180.3	89.7	165.8	119.8	82.5
	ANNUAL	195.4	173.9	89.0	164.1	120.3	83.9
2006	I	202.9	182.6	90.0	r172.1	r123.6	r84.8
	II	r204.7	r186.1	r90.9	r173.8	r123.4	r84.9
-----							
Percent change from previous quarter at annual rate(5)							
2004	I	-3.9	0.1	4.2	-16.1	-19.0	-12.7
	II	2.1	0.8	-1.2	7.5	3.3	5.3
	III	1.1	2.7	1.5	8.9	6.6	7.6
	IV	6.0	4.0	-1.9	5.0	1.4	-1.0
	ANNUAL	1.1	1.8	0.6	0.7	-1.9	-0.4
2005	I	6.6	6.8	0.1	0.0	-2.3	-6.3
	II	4.0	2.6	-1.4	2.8	-1.0	-1.2
	III	6.5	7.0	0.4	7.5	1.9	0.9
	IV	9.9	15.2	4.8	0.0	-3.2	-9.0
	ANNUAL	5.3	5.1	-0.1	3.9	0.5	-1.3
2006	I	3.8	5.3	1.4	r15.9	r13.5	r11.6
	II	r3.7	r7.7	3.9	r4.2	r-0.7	r0.5
-----							
Percent change from corresponding quarter of previous year							
2004	I	2.2	1.3	-1.0	0.4	-1.4	-1.8
	II	1.8	2.2	0.4	0.5	-2.3	-1.3
	III	-0.7	1.8	2.5	1.2	-1.5	1.9
	IV	1.3	1.9	0.6	0.8	-2.5	-0.5
	ANNUAL	1.1	1.8	0.6	0.7	-1.9	-0.4
2005	I	3.9	3.5	-0.4	5.3	2.2	1.3
	II	4.4	4.0	-0.4	4.1	1.1	-0.3
	III	5.8	5.1	-0.7	3.8	0.0	-1.9
	IV	6.8	7.8	1.0	2.5	-1.2	-4.0
	ANNUAL	5.3	5.1	-0.1	3.9	0.5	-1.3
2006	I	6.0	7.4	1.3	r6.4	r2.6	r0.3
	II	6.0	r8.7	2.6	r6.8	r2.7	r0.7
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See footnotes following Table 6.  
r=revised

September 6, 2006  
Source: Bureau of Labor Statistics

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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	
-----							
Indexes 1992=100							
2004	I	139.4	110.9	79.6	163.0	125.1	116.9
	II	141.6	112.0	79.1	164.2	124.8	116.0
	III	142.7	111.9	78.4	166.9	126.2	117.0
	IV	144.2	112.2	77.8	170.5	127.8	118.2
	ANNUAL	142.0	111.8	78.7	166.1	125.9	117.0
2005	I	145.2	112.5	77.5	172.3	128.4	118.7
	II	146.7	112.4	76.6	175.0	129.1	119.3
	III	147.0	111.6	75.9	177.5	129.3	120.8
	IV	146.3	112.2	76.7	178.1	128.7	121.8
	ANNUAL	146.3	112.2	76.7	175.7	128.9	120.1
2006	I	147.4	114.0	77.3	r181.9	r130.7	r123.4
	II	r148.3	r114.5	r77.3	r183.4	r130.2	r123.7
-----							
Percent change from previous quarter at annual rate(5)							
2004	I	1.2	0.1	-1.1	0.3	-3.2	-0.8
	II	6.5	4.0	-2.3	3.1	-0.9	-3.2
	III	3.2	-0.6	-3.6	6.8	4.5	3.5
	IV	4.4	1.4	-2.8	8.8	5.1	4.3
	ANNUAL	3.3	0.8	-2.4	4.2	1.5	0.9
2005	I	2.7	0.9	-1.7	4.3	1.9	1.5
	II	4.2	-0.4	-4.4	6.3	2.5	2.0
	III	0.7	-2.8	-3.5	5.9	0.4	5.2
	IV	-1.9	2.3	4.2	1.4	-1.9	3.3
	ANNUAL	3.0	0.4	-2.6	5.8	2.3	2.6
2006	I	3.2	6.4	3.1	r8.8	r6.5	r5.4
	II	r2.3	r2.1	r-0.2	r3.4	r-1.5	r1.1
-----							
Percent change from corresponding quarter of previous year							
2004	I	2.9	-0.3	-3.1	4.6	2.7	1.6
	II	3.4	1.2	-2.2	3.6	0.8	0.2
	III	3.0	1.2	-1.7	4.0	1.2	0.9
	IV	3.8	1.2	-2.5	4.7	1.3	0.9
	ANNUAL	3.3	0.8	-2.4	4.2	1.5	0.9
2005	I	4.2	1.4	-2.6	5.7	2.6	1.5
	II	3.6	0.3	-3.2	6.5	3.5	2.8
	III	3.0	-0.3	-3.1	6.3	2.5	3.2
	IV	1.4	0.0	-1.4	4.5	0.7	3.0
	ANNUAL	3.0	0.4	-2.6	5.8	2.3	2.6
2006	I	1.5	1.3	-0.2	r5.6	r1.8	r4.0
	II	1.1	r1.9	r0.9	r4.8	r0.8	r3.7
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See footnotes following Table 6.  
r=revised

September 6, 2006  
Source: Bureau of Labor Statistics

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

Year and quarter	Output per all-employee hour	Output	Employee hours	Hourly compensation (1)	Real hourly compensation(2)	Unit labor costs	Unit non-labor costs(6)	Total unit costs (7)	Unit profits (8)	Implicit price deflator (4)	
Indexes 1992=100											
2004	I	137.6	159.6	116.1	151.8	116.5	110.4	109.1	110.0	131.2	111.9
	II	138.6	161.1	116.2	153.2	116.4	110.5	109.3	110.2	139.2	112.8
	III	140.5	164.0	116.8	155.0	117.1	110.3	109.2	110.0	142.3	112.9
	IV	141.0	165.3	117.2	157.1	117.7	111.4	109.3	110.8	142.4	113.7
	ANNUAL	139.4	162.5	116.6	154.3	116.9	110.7	109.2	110.3	138.8	112.8
2005	I	142.8	167.5	117.4	158.6	118.2	111.1	110.3	110.9	148.5	114.2
	II	144.5	170.6	118.1	159.3	117.6	110.2	110.2	110.2	159.0	114.6
	III	145.6	172.3	118.3	162.4	118.3	111.6	112.6	111.9	149.9	115.3
	IV	146.7	174.7	119.1	163.6	118.2	111.5	110.5	111.3	159.6	115.6
	ANNUAL	144.9	171.3	118.2	161.0	118.1	111.1	110.9	111.1	154.3	114.9
2006	I	r150.6	r180.1	119.6	r168.5	r121.1	r111.9	r108.3	r110.9	r172.9	r116.5
	II	151.4	181.8	120.1	171.2	121.5	113.0	108.6	111.8	172.4	117.3
Percent change from previous quarter at annual rate(5)											
2004	I	2.9	5.6	2.7	-0.5	-3.9	-3.3	-3.6	-3.4	53.5	1.2
	II	3.1	3.6	0.5	3.7	-0.3	0.6	1.1	0.7	27.1	3.3
	III	5.5	7.6	2.0	4.7	2.5	-0.8	-0.5	-0.7	9.2	0.4
	IV	1.6	3.2	1.5	5.6	2.0	4.0	0.3	3.0	0.2	2.7
	ANNUAL	3.7	5.1	1.3	3.2	0.5	-0.4	-1.8	-0.8	26.2	1.6
2005	I	5.0	5.5	0.5	4.0	1.6	-1.0	3.6	0.2	18.1	2.1
	II	4.9	7.4	2.4	1.6	-2.1	-3.2	-0.1	-2.4	31.5	1.2
	III	3.0	4.1	1.0	8.2	2.6	5.0	9.1	6.1	-21.0	2.4
	IV	3.2	5.8	2.6	3.0	-0.3	-0.1	-7.4	-2.1	28.5	1.1
	ANNUAL	3.9	5.4	1.4	4.4	1.0	0.4	1.5	0.7	11.1	1.9
2006	I	r11.1	r13.0	1.7	r12.4	r10.1	r1.2	r-7.7	r-1.2	r37.9	3.1
	II	2.2	3.8	1.6	6.5	1.4	4.2	1.2	3.4	-1.2	2.8
Percent change from corresponding quarter of previous year											
2004	I	4.3	4.9	0.6	3.8	2.0	-0.4	-3.3	-1.2	27.3	1.2
	II	3.7	5.0	1.2	2.9	0.1	-0.8	-1.6	-1.0	31.5	1.8
	III	3.5	5.3	1.8	2.8	0.0	-0.7	-1.5	-0.9	26.1	1.5
	IV	3.3	5.0	1.7	3.4	0.0	0.1	-0.7	-0.1	20.9	1.9
	ANNUAL	3.7	5.1	1.3	3.2	0.5	-0.4	-1.8	-0.8	26.2	1.6
2005	I	3.8	5.0	1.1	4.5	1.5	0.7	1.1	0.8	13.2	2.1
	II	4.3	5.9	1.6	4.0	1.0	-0.3	0.8	0.0	14.2	1.6
	III	3.6	5.0	1.4	4.8	1.0	1.1	3.1	1.7	5.3	2.1
	IV	4.0	5.7	1.6	4.2	0.4	0.1	1.1	0.4	12.0	1.7
	ANNUAL	3.9	5.4	1.4	4.4	1.0	0.4	1.5	0.7	11.1	1.9
2006	I	r5.5	r7.5	1.9	r6.2	r2.5	r0.7	r-1.8	r0.0	r16.5	1.9
	II	4.8	6.6	1.7	7.5	3.4	2.6	-1.4	1.5	8.4	2.3

See footnotes following Table 6.  
r=revised

September 6, 2006

Source: Bureau of Labor Statistics

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

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

### Footnotes, Tables 1-6

- (1) Wages and salaries of employees plus employers' contributions for social insurance and private benefit plans. Except for nonfinancial corporations, where there are no self-employed, data also include an estimate of wages, salaries, and supplemental payments for the self-employed.
- (2) The change for recent quarters is based on the Consumer Price Index for all urban consumers (CPI-U). The trend from 1978-2005 is based on the Consumer Price Index research series (CPI-U-RS).
- (3) Unit nonlabor payments include profits, consumption of fixed capital, taxes on production and imports less subsidies, net interest and miscellaneous payments, business current transfer payments, rental income of persons, and the current surplus of government enterprises.
- (4) Current dollar output divided by the output index.
- (5) Quarterly changes: Percent change compounded at annual rate from the original data rather than index numbers. Annual changes: Percent change between annual average levels.
- (6) Unit nonlabor costs include consumption of fixed capital, taxes on production and imports less subsidies, net interest and miscellaneous payments, and business current transfer payments.
- (7) Total unit costs are the sum of unit labor and nonlabor costs.
- (8) Unit profits include corporate profits before tax with inventory valuation and capital consumption adjustments.