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PRODUCTIVITY AND COSTS Third Quarter 2007, revised

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

6.7 percent in the business sector and
6.3 percent in the nonfarm business sector.

In both sectors, changes in productivity are higher than the preliminary estimates published November 7, and represent the largest productivity gains since the third quarter of 2003. The upward revisions to productivity resulted from upward revisions to output—which grew 5.7 percent in both sectors—and small downward revisions to hours, which fell 1.0 percent in the business sector and 0.6 percent in the nonfarm business sector in the third quarter.

In manufacturing, revised productivity increases in the third quarter were:

5.0 percent in manufacturing,
6.1 percent in durable goods manufacturing, and
4.3 percent in nondurable goods manufacturing.

Productivity growth in the manufacturing sector was revised up, reflecting a small upward revision to output and a smaller downward revision to hours (table C). Output and hours in manufacturing, which includes about 12 percent of U.S. business sector employment, tend to vary more from quarter to quarter than data for the aggregate business and nonfarm business sectors. Third-quarter measures are summarized in table A and appear in detail in tables 1 through 5.

The data sources and methods used in the preparation of the manufacturing series differ from those used in preparing the business and nonfarm business series, and these measures are not directly comparable. Output measures for business and nonfarm business are based on measures of gross domestic product prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce. Quarterly output measures for manufacturing reflect indexes of industrial production independently prepared by the Board of Governors of the Federal Reserve System. See Technical Notes for further information on data sources (page 8).

Table A. Productivity and costs: Revised third-quarter 2007 measures (Seasonally adjusted annual rates)						
Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	6.7	5.7	-1.0	4.7	2.7	-2.0
Nonfarm business	6.3	5.7	-0.6	4.2	2.3	-2.0
Manufacturing	5.0	4.5	-0.5	1.5	-0.3	-3.3
Durable	6.1	6.7	0.6	0.7	-1.2	-5.1
Nondurable	4.3	1.9	-2.3	3.0	1.1	-1.3
Percent change from same quarter a year ago						
Business	2.9	3.2	0.3	5.9	3.5	3.0
Nonfarm business	2.7	3.2	0.5	5.8	3.3	3.0
Manufacturing	2.8	1.9	-0.8	5.6	3.2	2.8
Durable	3.9	3.0	-0.9	5.9	3.4	1.9
Nondurable	1.4	0.7	-0.7	5.1	2.7	3.7

Business

Business sector productivity grew at an annual rate of 6.7 percent during the third quarter of 2007, the largest gain since a 9.1 percent increase in the third quarter of 2003 (seasonally adjusted annual rates). Output rose 5.7 percent, the largest increase since a 10.4 percent rise in the third quarter of 2003. Hours of all persons engaged in the sector fell 1.0 percent, the first decline in the series since the second quarter of 2003, when hours fell 2.2 percent. When the third quarter of 2007 is compared to the third quarter of 2006, productivity rose 2.9 percent. This is the largest four-quarter increase since output per hour grew 3.4 percent from the second quarter of 2003 to the second quarter of 2004.

Hourly compensation in the business sector increased 4.7 percent during the third quarter of 2007. A downward revision reduced hourly compensation growth to 2.4 percent in the second quarter, lower than the 5.8 percent increase reported on November 7. From the third quarter of 2006 to the third quarter of 2007, hourly compensation increased 5.9 percent, the largest four-quarter gain since an increase of 6.7 percent from the fourth quarter of 1999 to the fourth quarter of 2000. Hourly compensation includes accrued wages and salaries, supplements, employer contributions to employee benefit plans, and taxes. Real hourly compensation, which takes into account changes in consumer prices, grew 2.7 percent in the third quarter and fell 3.3 percent in the second quarter.

Unit labor costs fell 2.0 percent in the third quarter of 2007, a larger decline than previously reported, reflecting the upward revision to productivity and the downward revision to hourly compensation. In the second quarter, unit labor costs declined 1.1 percent, in contrast to the 2.2 percent increase reported on Nov. 7. The implicit price deflator for the business sector, which reflects changes both in unit labor costs and in unit nonlabor payments, grew 0.2 percent in the third quarter of 2007.

Nonfarm business

Output per hour of all persons in the nonfarm business sector rose 6.3 percent during the third quarter of 2007, the largest gain since a 10.4 percent increase in the third quarter of 2003. Output increased 5.7 percent and hours of all persons engaged in the sector declined 0.6 percent, as revised. Hours growth was the lowest since the second quarter of 2003, when hours fell 1.3 percent. In the second quarter of 2007, productivity had increased 2.2 percent, reflecting gains of 4.2 percent in output and 2.0 percent in hours.

Hourly compensation in the nonfarm business sector rose 4.2 percent in the third quarter of 2007. After a downward revision, second-quarter hourly compensation increased 1.0 percent; lower than a 4.4 percent rise reported on November 7. From the third quarter of 2006 to the third quarter of 2007, hourly compensation increased 5.8 percent, the largest four-quarter gain since an increase of 6.5 percent from the fourth quarter of 1999 to the fourth quarter of 2000. When the rise in consumer prices is taken into account, real hourly compensation rose 2.3 percent in the third quarter of 2007 and fell 4.7 percent in the second quarter.

As in the business sector, nonfarm business unit labor costs decreased 2.0 percent in the third quarter of 2007 due to the upward revision to productivity and the downward revision to hourly compensation. Nonfarm business unit labor costs also declined 1.1 percent in the second quarter. The implicit price deflator for the nonfarm business sector, which reflects changes both in unit labor costs and in unit nonlabor payments, edged down 0.1 percent in the third quarter of 2007.

Manufacturing

Productivity increased 5.0 percent in manufacturing in the third quarter of 2007, as output increased 4.5 percent and hours of all persons decreased 0.5 percent (seasonally adjusted annual rates). When the third quarter of 2007 is compared with the third quarter of 2006, productivity increased 2.8 percent, less than during any four-quarter period since the period ending with the fourth quarter of 2004, when productivity also increased 2.8 percent. In durable goods industries, productivity increased 6.1 percent in the third quarter of 2007. Output grew 6.7 percent and hours rose 0.6 percent. Productivity grew more slowly in the nondurable goods industries, 4.3 percent, reflecting an increase of 1.9 percent in output and a decrease of 2.3 percent in hours (tables 3, 4, and 5).

The average hourly compensation of all manufacturing workers rose 1.5 percent in the third quarter of 2007. Hourly compensation was revised down substantially in the second quarter, from the 3.7 percent increase reported previously to a 1.4 percent decrease. In durable goods industries, hourly compensation increased 0.7 percent in the third quarter, compared with a 3.0 percent rise in nondurable goods manufacturing. When the increase in consumer prices is taken into account, real hourly compensation for all manufacturing workers declined 0.3 percent in the third quarter of 2007.

Unit labor costs in manufacturing fell 3.3 percent in the third quarter of 2007 and fell 3.7 percent in the second quarter, as revised. Unit labor costs declined 5.1 percent in durable goods industries and fell 1.3 percent in nondurable goods manufacturing during the third quarter.

Nonfinancial Corporations

Third-quarter 2007 measures of productivity and costs also were released for nonfinancial corporations (tables B and 6). Output per all-employee hour grew at a 4.2 percent annual rate. This was the largest increase since the third quarter of 2004 when productivity increased 5.2 percent. Output increased 4.7 percent in the third quarter of 2007, and hours of all employees rose 0.5 percent (seasonally adjusted annual rates). The nonfinancial corporate sector includes all corporations doing business in the United States, except those classified as depository institutions, nondepository institutions, security and commodity brokers, insurance carriers, regulated investment offices, small business investment offices, and real estate investment trusts.

Table B. Nonfinancial corporations: Third-quarter 2007 productivity and cost measures (Seasonally adjusted annual rates)								
Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
Percent change from preceding quarter								
2007 III	4.2	4.7	0.5	4.4	2.5	0.2	-10.1	-1.5
Percent change from same quarter a year ago								
2007 III	2.0	2.7	0.7	5.7	3.3	3.6	-10.8	1.0

Hourly compensation in nonfinancial corporations rose 4.4 percent in the third quarter. When consumer prices are taken into account, real hourly compensation rose 2.5 percent in the third quarter, a reversal from the 3.5 percent decrease in the second quarter, as revised.

In the nonfinancial corporate sector, unit labor costs increased 0.2 percent, unit nonlabor costs declined by 1.8 percent, and unit profits fell 10.1 percent in the third quarter of 2007 (seasonally adjusted annual rates). As a result of these movements, the implicit price deflator for

the output of nonfinancial corporations—which reflects a weighted average of these three measures—fell 1.5 percent.

Revised Measures

Current and previous measures for the second and third quarters of 2007 for the business, nonfarm business, and manufacturing sectors are compared in table C. In the third quarter, productivity in the business and nonfarm business sectors was higher than reported Nov. 7, due to 1.4 percentage point upward revisions to output and 0.1 percentage point downward revisions to hours. In manufacturing, productivity was also revised up—by 0.4 percentage point—due to a small upward revision to output and a small downward revision to hours. Hourly compensation was revised down in all three sectors, and the combination of faster productivity growth and slower hourly compensation growth led to downward revisions to unit labor costs in the third quarter.

Table C. Previous and revised productivity and related measures: Quarterly percent change at seasonally adjusted annual rate						
Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Third quarter 2007						
Business:						
Previous.....	5.3	4.3	-0.9	5.1	3.1	-0.2
Revised.....	6.7	5.7	-1.0	4.7	2.7	-2.0
Nonfarm business:						
Previous.....	4.9	4.3	-0.5	4.7	2.7	-0.2
Revised.....	6.3	5.7	-0.6	4.2	2.3	-2.0
Manufacturing:						
Previous.....	4.6	4.3	-0.4	2.3	0.4	-2.2
Revised.....	5.0	4.5	-0.5	1.5	-0.3	-3.3
Second quarter 2007						
Business:						
Previous.....	3.6	4.4	0.8	5.8	-0.2	2.2
Revised.....	3.6	4.4	0.8	2.4	-3.3	-1.1
Nonfarm business:						
Previous.....	2.2	4.2	2.0	4.4	-1.5	2.2
Revised.....	2.2	4.2	2.0	1.0	-4.7	-1.1
Manufacturing:						
Previous.....	2.4	4.4	2.0	3.7	-2.2	1.3
Revised.....	2.4	4.4	2.0	-1.4	-6.9	-3.7

The second-quarter 2007 measures of hourly compensation, real hourly compensation, and unit labor costs were revised to reflect new information on employee compensation reported by the Bureau of Economic Analysis of the U.S. Department of Commerce on Nov. 29. In both the business and nonfarm business sectors, hourly compensation growth was revised down by 3.4 percentage points. Because productivity was not revised, the hourly compensation revisions caused corresponding downward revisions to unit labor costs, which now decline rather than increase in the second quarter.

In the manufacturing sector, hourly compensation was revised down by 5.1 percentage points in the second quarter. As a result, manufacturing unit labor costs, which had been reported as rising at a 1.3 percent annual rate, actually fell 3.7 percent in the second quarter.

Revised measures: Nonfinancial corporations

Measures for the nonfinancial corporate sector also were revised to reflect updated information on output and employee compensation during the second quarter of 2007 (table D). Productivity was revised down along with output, as hours grew at the same rate reported Nov 7. Hourly compensation was revised down from a 4.9-percent gain to a 2.3-percent increase during the second quarter. Because hourly compensation was revised down more than productivity, the increase in unit labor costs was also revised down, from 1.1 percent to 0.2 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
	Second quarter 2007							
Previous	3.8	4.6	0.8	4.9	-1.0	1.1	8.6	1.4
Revised	2.1	2.9	0.8	2.3	-3.5	0.2	10.4	1.4

Next release date

The next release of **Productivity and Costs** is scheduled for **8:30 AM EST, Wednesday, February 6, 2008**. Preliminary fourth-quarter and annual 2007 measures for the business, nonfarm business, and manufacturing sectors will be released at that time.

Scheduled release dates for productivity and costs measures for major sectors of the U.S. economy in 2008 are:

<u>Reference period</u>	<u>2008 release date</u>
2007:	
Fourth quarter, Annual	February 6
Fourth quarter, Annual (revised)	March 5
2008:	
First quarter	May 7
First quarter (revised)	June 4
Second quarter	August 8
Second quarter (revised)	September 4
Third quarter	November 6
Third quarter (revised)	December 3

These dates are based on presently available schedules for the release of underlying source data in 2008. Each issue of *Productivity and Costs* contains a "Next release date" paragraph that readers should use to confirm the dates above.

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)

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

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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	Unit non-labor payments (3)	Implicit price deflator (4)	
Indexes 1992=100									
2005	I	134.4	157.2	117.0	161.4	120.3	120.1	128.2	123.1
	II	134.3	158.5	118.0	161.7	119.4	120.4	129.8	123.9
	III	135.9	160.6	118.2	164.2	119.6	120.8	132.0	125.0
	IV	135.5	161.0	118.8	165.4	119.4	122.0	133.0	126.1
	ANNUAL	135.0	159.3	118.0	163.2	119.7	120.9	130.8	124.5
2006	I	136.4	163.2	119.6	168.2	120.9	123.4	133.0	127.0
	II	136.6	164.2	120.2	168.1	119.3	123.0	136.5	128.0
	III	136.1	164.4	120.8	168.7	118.9	124.0	136.6	128.7
	IV	136.5	165.5	121.2	173.4	122.8	127.0	132.2	128.9
	ANNUAL	136.4	164.3	120.5	169.6	120.4	124.3	134.6	128.2
2007	I	136.6	165.6	121.2	175.7	123.3	128.6	132.9	130.2
	II	137.8	167.3	121.5	r176.8	r122.2	r128.3	r135.4	130.9
	III	r140.0	r169.7	r121.2	r178.8	r123.0	r127.7	r136.6	r131.0
Percent change from previous quarter at annual rate(5)									
2005	I	3.0	3.7	0.7	3.0	1.1	0.0	9.1	3.4
	II	-0.3	3.3	3.6	0.7	-3.1	1.0	5.1	2.6
	III	4.9	5.5	0.6	6.2	0.7	1.3	7.1	3.5
	IV	-1.1	1.0	2.1	2.9	-0.5	4.0	3.1	3.7
	ANNUAL	2.0	3.6	1.6	4.0	0.6	2.0	4.9	3.1
2006	I	2.5	5.5	2.9	7.2	5.1	4.6	0.0	2.8
	II	0.8	2.5	1.7	-0.4	-5.1	-1.2	10.7	3.3
	III	-1.5	0.6	2.2	1.6	-1.6	3.1	0.5	2.1
	IV	1.2	2.6	1.4	11.4	13.8	10.1	-12.4	0.8
	ANNUAL	1.0	3.1	2.1	3.9	0.6	2.9	2.9	2.9
2007	I	0.2	0.2	0.0	5.5	1.6	5.3	2.1	4.1
	II	3.6	4.4	0.8	r2.4	r-3.3	r-1.1	r7.7	2.2
	III	r6.7	r5.7	r-1.0	r4.7	r2.7	r-2.0	r3.7	r0.2
Percent change from corresponding quarter of previous year									
2005	I	2.5	3.8	1.2	5.0	1.9	2.4	4.1	3.1
	II	1.5	3.5	2.0	3.8	0.9	2.3	3.6	2.8
	III	2.4	3.9	1.5	4.0	0.3	1.6	5.8	3.2
	IV	1.6	3.4	1.7	3.2	-0.5	1.6	6.1	3.3
	ANNUAL	2.0	3.6	1.6	4.0	0.6	2.0	4.9	3.1
2006	I	1.5	3.8	2.3	4.2	0.5	2.7	3.8	3.1
	II	1.7	3.6	1.8	3.9	0.0	2.2	5.1	3.3
	III	0.2	2.4	2.2	2.8	-0.6	2.6	3.5	3.0
	IV	0.7	2.8	2.1	4.8	2.8	4.1	-0.6	2.2
	ANNUAL	1.0	3.1	2.1	3.9	0.6	2.9	2.9	2.9
2007	I	0.2	1.5	1.3	4.4	1.9	4.3	-0.1	2.6
	II	0.8	1.9	1.1	r5.2	r2.4	r4.3	r-0.8	2.3
	III	r2.9	r3.2	0.3	r5.9	r3.5	r3.0	r0.0	r1.8

See footnotes following Table 6.
r=revised

December 5, 2007
Source: Bureau of Labor Statistics

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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	Unit non-labor payments (3)	Implicit price deflator (4)	
Indexes 1992=100									
2005	I	133.4	157.4	118.0	160.3	119.5	120.2	129.6	123.6
	II	133.5	158.6	118.8	160.9	118.8	120.5	131.3	124.5
	III	135.0	160.8	119.1	163.2	118.8	120.9	133.7	125.6
	IV	134.5	161.2	119.8	164.2	118.6	122.1	134.8	126.8
	ANNUAL	134.1	159.5	118.9	162.1	118.9	120.9	132.4	125.1
2006	I	135.3	163.4	120.8	167.1	120.1	123.5	135.0	127.7
	II	135.6	164.4	121.2	167.0	118.6	123.2	138.7	128.9
	III	135.0	164.7	122.0	167.5	118.0	124.0	138.6	129.4
	IV	135.6	165.7	122.2	172.4	122.1	127.1	133.6	129.5
	ANNUAL	135.4	164.5	121.5	168.5	119.7	124.5	136.5	128.9
2007	I	135.9	165.9	122.1	174.9	122.7	128.7	133.9	130.6
	II	136.6	167.6	122.7	r175.4	r121.2	r128.4	r136.3	131.3
	III	r138.7	r169.9	r122.5	r177.2	r121.9	r127.7	r137.4	r131.3
Percent change from previous quarter at annual rate(5)									
2005	I	3.7	3.9	0.2	3.6	1.6	-0.1	10.4	3.8
	II	0.3	3.2	2.9	1.5	-2.4	1.2	5.1	2.7
	III	4.4	5.6	1.1	5.7	0.2	1.3	7.8	3.8
	IV	-1.4	0.9	2.4	2.6	-0.8	4.1	3.2	3.7
	ANNUAL	1.9	3.6	1.6	4.0	0.7	2.0	5.5	3.4
2006	I	2.5	5.7	3.1	7.2	5.1	4.6	0.5	3.0
	II	0.8	2.4	1.6	-0.2	-5.0	-1.0	11.5	3.7
	III	-1.6	0.8	2.4	1.3	-1.8	2.9	-0.4	1.6
	IV	1.8	2.6	0.8	12.2	14.6	10.3	-13.6	0.3
	ANNUAL	1.0	3.2	2.2	3.9	0.6	2.9	3.1	3.0
2007	I	0.7	0.3	-0.3	5.9	2.0	5.2	1.0	3.6
	II	2.2	4.2	2.0	r1.0	r-4.7	r-1.1	r7.4	2.1
	III	r6.3	r5.7	r-0.6	r4.2	r2.3	r-2.0	r3.0	r-0.1
Percent change from corresponding quarter of previous year									
2005	I	2.5	3.8	1.4	4.9	1.8	2.3	4.8	3.3
	II	1.4	3.4	2.0	3.9	0.9	2.5	4.3	3.2
	III	2.2	3.8	1.5	4.0	0.3	1.7	6.4	3.5
	IV	1.7	3.4	1.7	3.3	-0.4	1.6	6.6	3.5
	ANNUAL	1.9	3.6	1.6	4.0	0.7	2.0	5.5	3.4
2006	I	1.4	3.8	2.4	4.2	0.5	2.8	4.1	3.3
	II	1.5	3.6	2.0	3.8	-0.2	2.2	5.7	3.5
	III	0.1	2.4	2.4	2.7	-0.7	2.6	3.6	3.0
	IV	0.9	2.8	2.0	5.0	3.0	4.1	-0.9	2.2
	ANNUAL	1.0	3.2	2.2	3.9	0.6	2.9	3.1	3.0
2007	I	0.4	1.5	1.1	4.7	2.2	4.3	-0.8	2.3
	II	0.7	2.0	1.2	r5.0	r2.3	r4.2	r-1.7	1.9
	III	r2.7	r3.2	0.5	r5.8	r3.3	r3.0	r-0.9	r1.5

See footnotes following Table 6.
r=revised

December 5, 2007
Source: Bureau of Labor Statistics

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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	
Indexes 1992=100							
2005	I	168.3	142.7	84.8	166.2	123.9	98.7
	II	170.9	143.8	84.1	167.8	123.9	98.2
	III	172.4	144.5	83.8	170.2	124.0	98.7
	IV	173.7	147.3	84.8	168.8	121.9	97.2
	ANNUAL	171.3	144.6	84.4	168.3	123.4	98.2
2006	I	175.4	149.5	85.2	172.6	124.1	98.4
	II	177.0	151.6	85.6	170.1	120.8	96.1
	III	179.8	153.4	85.3	170.7	120.2	94.9
	IV	180.7	152.6	84.4	176.4	125.0	97.6
	ANNUAL	178.2	151.7	85.1	172.4	122.5	96.8
2007	I	181.5	152.9	84.3	180.2	126.4	99.3
	II	182.6	154.6	84.7	r179.6	r124.2	r98.4
	III	r184.8	r156.3	r84.6	r180.3	r124.1	r97.6
Percent change from previous quarter at annual rate(5)							
2005	I	4.9	4.6	-0.3	1.0	-0.9	-3.7
	II	6.3	3.1	-3.0	4.0	0.0	-2.2
	III	3.5	2.1	-1.4	5.6	0.1	2.1
	IV	3.1	7.9	4.6	-3.1	-6.4	-6.0
	ANNUAL	4.8	3.5	-1.2	4.2	0.8	-0.6
2006	I	4.0	6.0	1.9	9.4	7.2	5.1
	II	3.7	5.7	2.0	-5.8	-10.2	-9.1
	III	6.5	4.8	-1.6	1.4	-1.8	-4.8
	IV	2.0	-2.1	-4.0	14.2	16.6	12.0
	ANNUAL	4.0	4.9	0.9	2.5	-0.8	-1.5
2007	I	1.7	0.9	-0.8	8.9	4.8	7.0
	II	2.4	4.4	2.0	r-1.4	r-6.9	r-3.7
	III	r5.0	r4.5	r-0.5	r1.5	r-0.3	r-3.3
Percent change from corresponding quarter of previous year							
2005	I	4.4	3.1	-1.2	6.0	2.9	1.5
	II	5.1	3.4	-1.6	5.0	2.1	0.0
	III	5.2	3.3	-1.9	4.0	0.3	-1.1
	IV	4.4	4.4	0.0	1.8	-1.8	-2.5
	ANNUAL	4.8	3.5	-1.2	4.2	0.8	-0.6
2006	I	4.2	4.7	0.5	3.9	0.1	-0.3
	II	3.6	5.4	1.8	1.3	-2.5	-2.1
	III	4.3	6.1	1.7	0.3	-3.0	-3.8
	IV	4.0	3.6	-0.5	4.5	2.5	0.5
	ANNUAL	4.0	4.9	0.9	2.5	-0.8	-1.5
2007	I	3.5	2.3	-1.1	4.4	1.9	0.9
	II	3.1	2.0	-1.1	r5.6	r2.8	r2.4
	III	r2.8	1.9	-0.8	r5.6	r3.2	r2.8

See footnotes following Table 6.
r=revised

December 5, 2007
Source: Bureau of Labor Statistics

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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	
Indexes 1992=100							
2005	I	189.8	169.7	89.4	161.4	120.3	85.0
	II	193.4	171.6	88.8	162.5	120.0	84.0
	III	196.5	174.5	88.8	165.2	120.4	84.1
	IV	200.7	180.5	89.9	163.6	118.2	81.5
	ANNUAL	195.1	174.1	89.2	163.2	119.7	83.6
2006	I	202.7	182.9	90.3	168.4	121.0	83.1
	II	205.5	187.1	91.1	165.7	117.7	80.7
	III	210.1	189.6	90.3	166.4	117.3	79.2
	IV	211.5	188.9	89.3	173.0	122.5	81.8
	ANNUAL	207.4	187.2	90.2	168.4	119.6	81.2
2007	I	212.3	188.7	88.9	176.5	123.8	83.1
	II	215.1	192.1	89.3	r175.9	r121.6	r81.8
	III	r218.3	r195.2	r89.4	r176.2	r121.3	r80.7
Percent change from previous quarter at annual rate(5)							
2005	I	4.1	5.5	1.3	0.4	-1.5	-3.6
	II	7.7	4.7	-2.8	2.7	-1.2	-4.7
	III	6.6	6.8	0.2	7.0	1.4	0.4
	IV	8.9	14.5	5.2	-3.8	-7.0	-11.7
	ANNUAL	5.3	5.0	-0.3	3.8	0.5	-1.4
2006	I	3.9	5.5	1.5	12.1	9.9	7.9
	II	5.7	9.4	3.5	-6.1	-10.5	-11.2
	III	9.3	5.5	-3.5	1.7	-1.5	-6.9
	IV	2.7	-1.4	-4.1	16.6	19.1	13.5
	ANNUAL	6.3	7.5	1.1	3.2	-0.1	-2.9
2007	I	1.6	-0.5	-2.0	8.5	4.5	6.9
	II	5.2	7.3	2.0	r-1.4	r-6.9	r-6.2
	III	r6.1	r6.7	r0.6	r0.7	r-1.2	r-5.1
Percent change from corresponding quarter of previous year							
2005	I	3.3	3.0	-0.3	6.0	2.9	2.6
	II	4.8	4.0	-0.8	4.4	1.5	-0.4
	III	6.2	5.1	-1.0	3.5	-0.2	-2.5
	IV	6.8	7.8	0.9	1.5	-2.1	-5.0
	ANNUAL	5.3	5.0	-0.3	3.8	0.5	-1.4
2006	I	6.8	7.8	1.0	4.3	0.6	-2.3
	II	6.3	9.0	2.6	2.0	-1.9	-4.0
	III	6.9	8.7	1.6	0.7	-2.6	-5.8
	IV	5.4	4.7	-0.7	5.7	3.6	0.3
	ANNUAL	6.3	7.5	1.1	3.2	-0.1	-2.9
2007	I	4.8	3.2	-1.5	4.9	2.3	0.1
	II	4.6	2.6	-1.9	r6.1	r3.4	r1.4
	III	r3.9	r3.0	r-0.9	r5.9	r3.4	r1.9

See footnotes following Table 6.
r=revised

December 5, 2007
Source: Bureau of Labor Statistics

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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs
Indexes 1992=100						
2005	I	147.3	114.7	77.8	173.3	117.6
	II	149.1	115.1	77.2	176.1	118.1
	III	149.5	114.2	76.4	177.3	118.6
	IV	148.4	114.4	77.1	176.5	118.9
	ANNUAL	148.6	114.6	77.1	175.8	118.3
2006	I	149.8	116.3	77.6	178.3	119.0
	II	150.7	116.8	77.5	175.9	116.7
	III	151.6	117.9	77.8	176.4	116.4
	IV	152.0	117.1	77.0	180.5	118.8
	ANNUAL	151.0	117.0	77.5	177.8	117.7
2007	I	152.4	117.8	77.3	184.8	121.2
	II	152.1	118.2	77.7	r184.1	r121.1
	III	r153.7	r118.7	r77.2	r185.5	r120.7
Percent change from previous quarter at annual rate(5)						
2005	I	6.4	3.3	-2.9	1.8	-4.3
	II	4.9	1.3	-3.4	6.5	1.6
	III	1.0	-3.0	-4.0	2.8	1.7
	IV	-2.9	0.8	3.8	-1.9	1.0
	ANNUAL	4.8	1.9	-2.7	4.8	0.0
2006	I	3.9	6.6	2.7	4.3	0.4
	II	2.4	1.7	-0.7	-5.4	-7.6
	III	2.4	4.1	1.7	1.2	-1.2
	IV	1.0	-2.9	-3.9	9.7	8.6
	ANNUAL	1.6	2.1	0.5	1.1	-0.5
2007	I	1.2	2.6	1.4	9.8	8.5
	II	-0.8	1.2	2.1	r-1.5	r-0.6
	III	r4.3	r1.9	r-2.3	r3.0	r-1.3
Percent change from corresponding quarter of previous year						
2005	I	6.3	3.3	-2.8	5.9	-0.4
	II	5.8	2.5	-3.1	6.1	0.2
	III	4.7	1.2	-3.3	4.9	0.1
	IV	2.3	0.6	-1.7	2.3	0.0
	ANNUAL	4.8	1.9	-2.7	4.8	0.0
2006	I	1.7	1.4	-0.3	2.9	1.2
	II	1.1	1.5	0.4	-0.1	-1.2
	III	1.4	3.3	1.8	-0.5	-1.9
	IV	2.4	2.3	-0.1	2.3	-0.1
	ANNUAL	1.6	2.1	0.5	1.1	-0.5
2007	I	1.7	1.3	-0.4	3.6	1.9
	II	0.9	1.2	0.3	r4.7	r3.7
	III	r1.4	r0.7	-0.7	r5.1	r3.7

See footnotes following Table 6.
r=revised

December 5, 2007
Source: Bureau of Labor Statistics

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

Year and quarter	Output per all-employee hour	Output	Employee hours	Hourly compensation (1)	Real hourly compensation(2)	Unit labor costs	Unit non-labor costs(6)	Total unit costs (7)	Unit profits (8)	Implicit price deflator (4)	
Indexes 1992=100											
2005	I	140.3	164.6	117.3	158.0	117.8	112.6	111.5	112.3	151.9	115.9
	II	141.1	166.8	118.2	158.5	117.0	112.3	111.7	112.1	161.7	116.6
	III	140.5	166.9	118.8	160.8	117.1	114.4	115.1	114.6	147.5	117.6
	IV	141.4	169.2	119.7	161.8	116.9	114.5	112.8	114.0	159.5	118.1
	ANNUAL	140.8	166.9	118.5	159.8	117.2	113.5	112.8	113.3	155.2	117.0
2006	I	142.4	171.5	120.4	163.8	117.8	115.0	112.5	114.4	164.4	118.8
	II	141.8	171.5	120.9	163.9	116.4	115.6	114.3	115.2	164.8	119.7
	III	142.9	173.6	121.5	164.6	115.9	115.2	113.8	114.8	172.6	120.0
	IV	143.3	174.6	121.8	169.3	119.9	118.1	114.5	117.1	150.0	120.1
	ANNUAL	142.6	172.8	121.2	165.4	117.5	116.0	113.8	115.4	162.9	119.6
2007	I	143.6	175.0	121.9	171.2	120.1	119.2	114.6	118.0	154.3	121.2
	II	r144.3	r176.3	122.1	r172.1	r119.0	r119.3	r114.8	r118.0	r158.2	121.6
	III	145.8	178.3	122.3	174.0	119.7	119.3	114.2	117.9	154.0	121.2
Percent change from previous quarter at annual rate(5)											
2005	I	0.3	0.3	0.1	2.7	0.7	2.4	6.8	3.6	9.8	4.3
	II	2.2	5.4	3.1	1.2	-2.6	-1.0	0.5	-0.6	28.4	2.5
	III	-1.6	0.4	2.0	6.1	0.5	7.8	12.7	9.1	-30.8	3.4
	IV	2.4	5.6	3.1	2.4	-1.0	0.0	-7.6	-2.1	36.9	1.8
	ANNUAL	1.1	2.7	1.6	3.8	0.5	2.7	3.0	2.8	7.0	3.3
2006	I	3.1	5.5	2.3	5.2	3.2	2.0	-1.0	1.2	12.7	2.6
	II	-1.8	-0.1	1.7	0.2	-4.6	2.0	6.4	3.1	1.2	2.9
	III	3.1	5.0	1.9	1.6	-1.5	-1.4	-1.5	-1.5	20.1	1.0
	IV	1.3	2.4	1.2	11.9	14.3	10.5	2.2	8.3	-42.9	0.3
	ANNUAL	1.3	3.5	2.2	3.5	0.2	2.2	0.9	1.9	5.0	2.2
2007	I	0.7	0.9	0.2	4.5	0.6	3.8	0.5	2.9	11.8	3.9
	II	r2.1	r2.9	0.8	r2.3	r-3.5	r0.2	r0.5	r0.3	r10.4	1.4
	III	4.2	4.7	0.5	4.4	2.5	0.2	-1.8	-0.3	-10.1	-1.5
Percent change from corresponding quarter of previous year											
2005	I	2.2	3.3	1.1	4.8	1.7	2.5	1.8	2.3	12.4	3.4
	II	1.6	3.3	1.7	3.7	0.7	2.1	2.1	2.1	10.9	3.1
	III	-0.1	1.5	1.7	3.8	0.1	4.0	5.4	4.3	-2.1	3.6
	IV	0.8	2.9	2.1	3.1	-0.6	2.3	2.8	2.4	7.5	3.0
	ANNUAL	1.1	2.7	1.6	3.8	0.5	2.7	3.0	2.8	7.0	3.3
2006	I	1.5	4.2	2.6	3.7	0.0	2.2	0.9	1.8	8.2	2.6
	II	0.5	2.8	2.3	3.4	-0.5	2.9	2.3	2.8	1.9	2.7
	III	1.7	4.0	2.3	2.3	-1.0	0.6	-1.1	0.2	17.0	2.1
	IV	1.4	3.2	1.8	4.6	2.6	3.2	1.5	2.7	-5.9	1.7
	ANNUAL	1.3	3.5	2.2	3.5	0.2	2.2	0.9	1.9	5.0	2.2
2007	I	0.8	2.1	1.3	4.5	2.0	3.6	1.8	3.2	-6.1	2.0
	II	r1.8	r2.8	1.0	r5.0	r2.2	r3.2	r0.4	r2.4	r-4.1	1.6
	III	2.0	2.7	0.7	5.7	3.3	3.6	0.3	2.7	-10.8	1.0

See footnotes following Table 6.
r=revised

December 5, 2007
Source: Bureau of Labor Statistics

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

RELIABILITY: Productivity and cost measures are regularly revised as more complete information becomes available. The measures are first published within 40 days of the close of the reference period; revisions appear 30 days later, and second revisions after an additional 60 days. In the business sector, the third publication (second revision) of a quarterly index of output per hour of all persons has differed from the initial value by between -1.5 and +1.4 index points approximately 95 percent of the time. This interval is based on the performance of this measure between the fourth quarter of 1995 and the second quarter of 2007.

Footnotes, Tables 1-6

- (1) Wages and salaries of employees plus employers' contributions for social insurance and private benefit plans. Except for nonfinancial corporations, where there are no self-employed, data also include an estimate of wages, salaries, and supplemental payments for the self-employed.
- (2) The change for recent quarters is based on the Consumer Price Index for all urban consumers (CPI-U). The trend from 1978-2006 is based on the Consumer Price Index research series (CPI-U-RS).
- (3) Unit nonlabor payments include profits, consumption of fixed capital, taxes on production and imports less subsidies, net interest and miscellaneous payments, business current transfer payments, rental income of persons, and the current surplus of government enterprises.
- (4) Current dollar output divided by the output index.
- (5) Quarterly changes: Percent change compounded at annual rate is calculated using index numbers to three decimal places. Indexes published in the news release are rounded to one decimal place for convenience. Annual changes: Percent change is calculated using annual average indexes to three decimal places.
- (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.