



Internet address: <http://www.bls.gov/lpc/> USDL 09-0116  
Historical, technical information: (202) 691-5606 TRANSMISSION OF THIS  
Current data: (202) 691-5200 MATERIAL IS EMBARGOED  
Media contact: (202) 691-5902 UNTIL 8:30 A.M. EST,  
THURSDAY, FEBRUARY 5, 2009

## **PRODUCTIVITY AND COSTS**

Preliminary Fourth Quarter and  
Annual Averages for 2008

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 for the full year 2008. The seasonally adjusted annual rates of productivity change in the fourth quarter and the annual average changes were:

	Fourth quarter	Annual averages 2007-2008
Business sector	3.1	2.7
Nonfarm business sector	3.2	2.8

In the fourth quarter of 2008, productivity increased 3.1 percent in the business sector, with output and hours decreasing 5.2 percent and 8.1 percent, respectively. Output per hour for the nonfarm business sector rose 3.2 percent as output declined 5.5 percent and hours fell 8.4 percent. For the full year 2008 productivity rose 2.7 percent in the business sector and 2.8 percent in the nonfarm business sector.

In the manufacturing sector, productivity changes were:

	Fourth quarter	Annual averages 2007-2008
Manufacturing sector	-3.0	1.3
Durable goods manufacturing	-13.4	1.4
Nondurable goods manufacturing	7.6	1.0

Manufacturing productivity decreased for the third consecutive quarter; output per hour fell at a 3.0 percent annual rate in the fourth quarter. The fourth-quarter decline was concentrated in the durable goods sector. Output per hour in total manufacturing posted a 1.3 percent increase in 2008 on an annual average basis. 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. Fourth quarter productivity and related measures are summarized in table A, and annual average data in table B. Detailed information is presented in tables 1 through 5.

The data in this release do not reflect the annual benchmark revision of the BLS Current Employment Statistics program data to be released on February 6, 2009. This benchmark will be incorporated in our next release on March 5, 2009.

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).

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	3.1	-5.2	-8.1	4.7	15.3	1.5
Nonfarm business	3.2	-5.5	-8.4	5.0	15.6	1.8
Manufacturing	-3.0	-16.7	-14.1	9.8	20.9	13.3
Durable	-13.4	-26.1	-14.7	10.1	21.2	27.1
Nondurable	7.6	-6.5	-13.1	9.6	20.6	1.8
Percent change from same quarter a year ago						
Business	2.7	-1.0	-3.6	3.4	1.9	0.7
Nonfarm business	2.7	-1.0	-3.6	3.5	1.9	0.7
Manufacturing	-1.4	-7.7	-6.5	5.1	3.6	6.6
Durable	-3.6	-10.4	-7.0	5.5	4.0	9.5
Nondurable	0.4	-5.1	-5.5	4.5	3.0	4.1

### THIRD-TO-FOURTH QUARTER CHANGES, 2008

#### Business

Productivity in the business sector increased by 3.1 percent in the fourth quarter of 2008, reflecting a decrease of 5.2 percent in output and an even greater decline of 8.1 percent in hours of all persons (seasonally adjusted annual rates). The decline in output was the largest since the first quarter of 1982 (-8.6 percent) and the drop in hours was the largest since first quarter 1975 (-12.1 percent). When the fourth quarter of 2008 is compared to the fourth quarter of 2007, business sector productivity grew 2.7 percent, as output and hours fell 1.0 percent and 3.6 percent, respectively (table A). Business sector productivity had grown at a 2.5 percent average annual rate for the 2000-2007 period.

Hourly compensation grew 4.7 percent in the fourth quarter of 2008, up from a 4.2 percent increase one quarter earlier. This measure includes wages and salaries, supplements,

employer contributions to employee-benefit plans, and taxes. Real hourly compensation takes into account changes in consumer prices, which fell at a 9.2 percent annual rate in the fourth quarter. The 15.3 percent fourth-quarter increase in real hourly compensation was the largest since the first quarter of 1950 when it increased 16.1 percent. When the fourth quarter of 2008 is compared to the fourth quarter of 2007, real hourly compensation increased 1.9 percent.

Unit labor costs, which relate hourly compensation to output per hour, increased 1.5 percent in the fourth quarter of 2008, as most of the 4.7 percent increase in hourly compensation was offset by the 3.1 percent productivity gain.

## Nonfarm Business

In the nonfarm business sector, productivity rose 3.2 percent in the fourth quarter of 2008, as output decreased 5.5 percent and hours of all persons—employees, proprietors, and unpaid family workers—fell more, 8.4 percent (seasonally adjusted annual rates). As in the business sector, the declines in output and hours were the largest since the first quarter of 1982 for output (-8.7 percent) and the first quarter of 1975 for hours (-12.0 percent). During the four-quarter period ending with the fourth quarter of 2008, nonfarm business sector productivity grew 2.7 percent—similar to the 2.5 percent average rate of growth from 2000 to 2007 (chart 1 and table 2).

Hourly compensation in the nonfarm business sector rose 5.0 percent in the fourth quarter of 2008 following a 4.2 percent increase in the third quarter. When the 9.2 percent decrease in consumer prices was factored in, real hourly compensation jumped 15.6 percent during the fourth quarter (seasonally adjusted annual rates). This was the largest increase in real hourly compensation since the beginning of the series in the second quarter of 1947. However, real hourly compensation had declined in each of the first three quarters of 2008, and as in the business sector, the change from the same quarter a year ago was 1.9 percent.

Unit labor costs rose 1.8 percent in the fourth quarter of 2008, and 0.7 percent over the last four quarters (chart 2). As in the business sector, unit labor costs increased at a 1.4 percent average annual rate from 2000 to 2007. The implicit price deflator for nonfarm business output declined 0.5 percent in the fourth quarter after increasing 4.7 percent in the previous quarter.

Chart 1. Output per Hour, Nonfarm Business, all persons, 2001:1-2008:4

Percent change

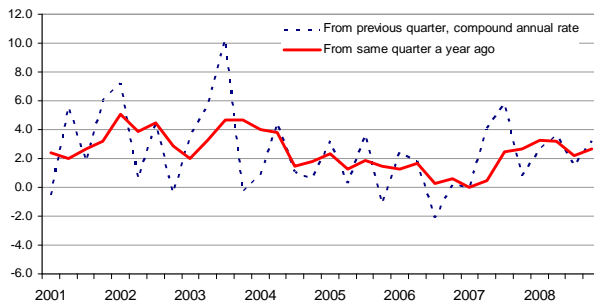
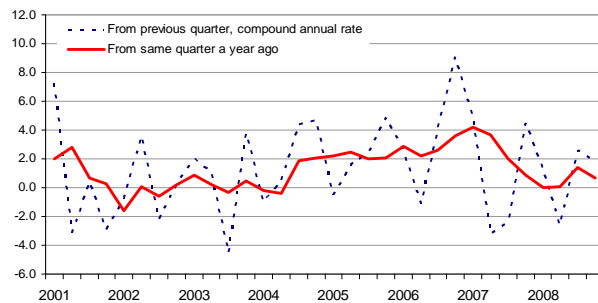


Chart 2. Unit Labor Costs, Nonfarm Business, all persons, 2001:1-2008:4

Percent change



## Manufacturing

Manufacturing productivity, output, and hours all declined in the fourth quarter of 2008; output per hour fell 3.0 percent, output dropped 16.7 percent, and hours fell 14.1 percent (seasonally adjusted annual rates). The decreases in hours and output were the largest for these series, which begin with data for the second quarter of 1987. From the fourth quarter of 2007 to the fourth quarter of 2008 manufacturing productivity decreased 1.4 percent, output fell 7.7 percent and hours declined 6.5 percent (table A and chart 3). Manufacturing productivity had grown at a 3.7 percent average annual rate from 2000 to 2007.

In the durable goods manufacturing sector, productivity dropped 13.4 percent in the fourth quarter of 2008, as output fell 26.1 percent and hours declined 14.7 percent (table 4). These were the largest decreases in output per hour, hours and output for the entire series dating back to second-quarter 1987. In the nondurable goods sector, productivity rose 7.6 percent in the fourth quarter as hours fell faster than output; output declined 6.5 percent and hours dropped 13.1 percent (table 5).

Hourly compensation of all manufacturing workers increased 9.8 percent during the fourth quarter of 2008, reflecting increases of 10.1 percent in durable goods industries and 9.6 percent in nondurable goods industries. When the decrease in consumer prices was taken into account, real hourly compensation in total manufacturing increased 20.9 percent in the fourth quarter, which was the largest increase in the series.

Unit labor costs for the manufacturing sector rose 13.3 percent in fourth-quarter 2008. These cost increases were concentrated in durable goods manufacturing where unit labor costs rose 27.1 percent; unit labor costs rose 1.8 percent in nondurable goods industries. Over the last four quarters manufacturing unit labor costs increased 6.6 percent (chart 4).

Chart 3. Output per Hour, Manufacturing, all persons, 2001:1-2008:4

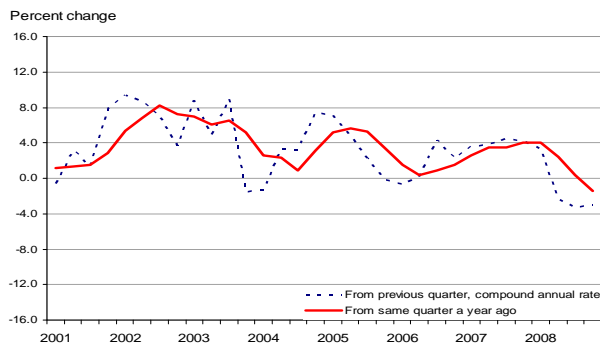
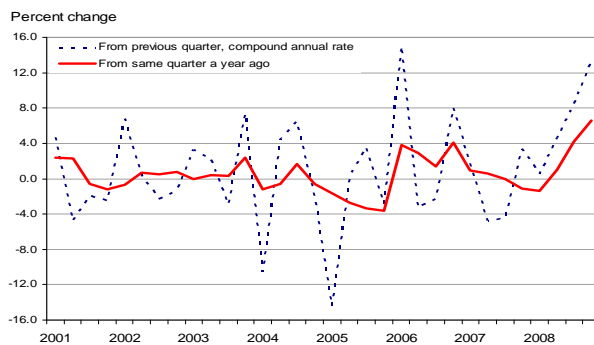


Chart 4. Unit Labor Costs, Manufacturing, all persons, 2001:1-2008:4



## ANNUAL AVERAGE CHANGES, 2007-2008

### Business and Nonfarm Business

When annual averages for 2008 were compared with annual averages for 2007, labor productivity increased 2.7 percent in the business sector and 2.8 percent in the nonfarm business sector. In both sectors, the productivity increases were the largest since similar gains in 2004, due more to the declines in hours than the small gains in output (table B).

Table B. Annual average changes in productivity and related measures, 1999-2008										
Measure	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Business:</b>										
Productivity .....	3.1	2.9	2.5	4.1	3.8	2.9	1.8	0.9	1.5	2.7
Output .....	5.1	3.9	0.3	1.5	3.1	4.2	3.5	3.0	2.0	1.0
Hours .....	2.0	1.0	-2.2	-2.5	-0.7	1.3	1.6	2.1	0.5	-1.7
Hourly compensation.....	4.9	7.1	4.2	3.5	4.1	3.8	4.0	3.8	4.2	3.3
Real hourly compensation	2.8	3.6	1.4	1.9	1.8	1.0	0.6	0.5	1.3	-0.5
.....										
Unit labor costs .....	1.8	4.1	1.6	-0.5	0.2	0.9	2.1	2.9	2.6	0.6
<b>Nonfarm Business:</b>										
Productivity .....	2.9	2.8	2.5	4.1	3.7	2.8	1.8	1.0	1.4	2.8
Output .....	5.2	3.8	0.4	1.5	3.1	4.1	3.4	3.2	2.0	1.0
Hours .....	2.2	1.0	-2.0	-2.6	-0.6	1.3	1.6	2.2	0.5	-1.8
Hourly compensation.....	4.7	7.2	4.0	3.6	4.0	3.6	4.0	3.8	4.1	3.4
Real hourly compensation	2.6	3.7	1.1	2.0	1.8	0.9	0.7	0.5	1.2	-0.4
.....										
Unit labor costs .....	1.8	4.2	1.4	-0.5	0.3	0.9	2.2	2.8	2.7	0.5
<b>Manufacturing:</b>										
Productivity .....	4.5	4.1	1.6	6.9	6.2	2.2	4.9	1.1	3.4	1.3
Output .....	3.8	2.7	-5.1	-0.7	1.0	1.7	3.7	1.8	1.6	-2.4
Hours .....	-0.7	-1.3	-6.5	-7.1	-4.9	-0.5	-1.2	0.8	-1.7	-3.7
Hourly compensation.....	4.0	9.1	2.3	7.2	7.0	2.1	1.9	4.1	3.5	3.9
Real hourly compensation	1.8	5.6	-0.5	5.5	4.7	-0.6	-1.4	0.8	0.7	0.1
.....										
Unit labor costs .....	-0.5	4.9	0.7	0.3	0.8	-0.2	-2.8	3.0	0.1	2.5

In 2008, hourly compensation increased 3.3 percent and 3.4 percent in business and nonfarm business, respectively. Because consumer prices increased more, 3.8 percent, real hourly compensation fell slightly. The annual decline in this measure of purchasing power was the first since small declines occurred in three consecutive years—1993, 1994, and 1995.

Unit labor costs rose just 0.6 percent and 0.5 percent in the business and nonfarm business sectors in 2008, as hourly compensation growth was largely offset by productivity growth. Unit labor costs had increased 2.7 percent per year on average from 2005 to 2007.

## Manufacturing

In the manufacturing sector, labor productivity rose 1.3 percent in 2008 as output fell 2.4 percent but hours fell faster, 3.7 percent (table B). Over the year there was little difference between the durable and nondurable manufacturing subsectors. Durable manufacturing output per hour increased 1.4 percent as output fell 2.5 percent and hours fell 3.9 percent, while in nondurable goods industries productivity increased 1.0 percent, output fell 2.4 percent, and hours fell 3.4 percent.

Hourly compensation of manufacturing workers increased 3.9 percent in 2008, consistent with the trend rate of 4.0 percent per year from 2000 to 2007. The gain in hourly compensation was offset by the 3.8 percent increase in consumer prices, and real hourly compensation edged up 0.1 percent. Unit labor costs in manufacturing increased 2.5 percent in 2008, as hourly compensation increased more than productivity. These costs had increased at a 0.3 percent average annual rate from 2000 to 2007.

## Revised Measures

Current and previous measures for the third quarter of 2008 for the business, nonfarm business, and manufacturing sectors are compared in table C. In both the business and nonfarm business sectors, productivity growth was revised up slightly in the third quarter because hours worked fell faster than reported Dec. 3. The upward revisions to productivity led to small downward revisions to unit labor costs.

In the manufacturing sector, productivity fell 0.6 percentage points faster in the third quarter than previously reported, as a downward revision to output was partially offset by a downward revision to hours. As revised, manufacturing productivity decreased 3.3 percent, reflecting an 8.8 percent decrease in output and a 5.7 percent decrease in hours. Unit labor costs increased more in the third quarter than reported Dec. 3, reflecting both the downward revision to productivity and a small upward revision to hourly compensation.

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Third quarter 2008						
Business:						
Previous .....	1.5	-1.7	-3.2	4.2	-2.4	2.6
Revised.....	1.7	-1.8	-3.5	4.2	-2.3	2.5
Nonfarm business:						
Previous .....	1.3	-1.9	-3.1	4.1	-2.4	2.8
Revised.....	1.5	-1.9	-3.4	4.2	-2.4	2.6
Manufacturing:						
Previous .....	-2.7	-7.8	-5.3	4.7	-1.9	7.6
Revised.....	-3.3	-8.8	-5.7	4.9	-1.7	8.4

## Revised Measures: Nonfinancial Corporations

Revised third-quarter productivity and costs measures for nonfinancial corporations also were announced today, and reflect updated information on output, compensation and employee hours. In the third quarter of 2008, productivity grew faster than reported on Dec. 3, as a result of both an upward revision to output and a downward revision to hours worked. Unit labor costs were revised down as the upward revision to productivity was larger than the upward revision to hourly compensation (table D).

Table D. Nonfinancial corporations: Previous and revised productivity and cost measures Quarterly percent change at seasonally adjusted annual rates								
	Produc- tivity	Output	Hours	Hourly compen- sation	Real hourly compen- sation	Unit labor costs	Unit profits	Implicit price deflator
Third quarter 2008								
Previous	4.9	1.8	-3.0	5.0	-1.6	0.1	24.6	4.0
Revised	5.5	2.1	-3.2	5.1	-1.5	-0.4	26.8	3.8

Real output for nonfinancial corporations was revised beginning with data for the first quarter of 2005 in the national income and product accounts (NIPA) data released by the Bureau of Economic Analysis, U.S. Department of Commerce on December 23, 2008. As a result of the incorporation of these revisions, output and all measures relying on output for this sector, such as productivity and unit labor costs, were subject to revision back to the first quarter of 2005. Revised data for 2006 forward appear in table 6. The full historical measures can be found via the productivity and costs home page of the BLS website, <http://www.bls.gov/lpc/#data>.

### Next release date

The next release of **Productivity and Costs** is scheduled for **8:30 A.M. EST, Thursday, March 5, 2009**. Revised fourth-quarter and annual average measures for business, nonfarm business, and manufacturing will be released at that time. This release will incorporate the annual benchmark revision to the employment levels in the BLS establishment survey data that will be released February 6. All employment and hours series will incorporate new information on seasonal patterns.

## 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 a chain-type, current-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 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 a chain-type, current-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									
2006	I	136.1	162.8	119.6	168.0	120.7	123.5	133.4	127.2
	II	136.6	164.0	120.1	168.1	119.7	123.1	136.2	128.0
	III	135.9	164.1	120.8	169.0	119.1	124.3	136.2	128.8
	IV	135.9	164.8	121.2	172.6	122.1	127.0	133.4	129.4
	ANNUAL	136.1	163.9	120.4	169.5	120.4	124.5	134.8	128.3
2007	I	135.9	164.5	121.0	174.7	122.4	128.5	134.3	130.7
	II	137.6	166.8	121.2	175.5	121.6	127.5	137.4	131.2
	III	139.7	169.0	121.0	177.0	121.9	126.7	139.7	131.6
	IV	139.7	168.8	120.8	178.9	121.7	128.1	139.2	132.2
	ANNUAL	138.2	167.3	121.0	176.5	r121.9	127.7	137.7	131.4
2008	I	140.5	169.1	120.3	180.6	121.5	128.5	140.2	132.9
	II	141.8	170.2	120.0	181.1	120.4	127.7	142.3	133.2
	III	r142.4	r169.4	r119.0	r183.0	r119.7	r128.5	r144.7	r134.6
	IV	143.5	167.2	116.5	185.1	124.0	129.0	142.9	134.2
	ANNUAL	142.0	169.0	119.0	182.4	121.3	128.4	142.5	133.7
Percent change from previous quarter at annual rate(5)									
2006	I	2.6	5.6	3.0	5.5	3.6	2.8	3.1	3.0
	II	1.4	2.9	1.5	0.2	-3.3	-1.2	8.6	2.6
	III	-2.0	0.3	2.4	2.0	-1.9	4.1	-0.1	2.4
	IV	0.2	1.7	1.5	9.0	10.6	8.8	-8.0	1.9
	ANNUAL	0.9	3.0	2.1	3.8	0.5	2.9	3.3	3.0
2007	I	-0.1	-0.7	-0.6	4.8	1.1	4.8	2.8	4.0
	II	5.0	5.6	0.6	1.9	-2.6	-2.9	9.6	1.7
	III	6.2	5.5	-0.7	3.6	0.8	-2.5	6.9	1.1
	IV	0.1	-0.6	-0.7	4.4	-0.6	4.3	-1.6	2.0
	ANNUAL	1.5	2.0	0.5	4.2	1.3	2.6	2.1	2.4
2008	I	2.3	0.7	-1.6	3.6	-0.6	1.3	3.1	2.0
	II	3.7	2.6	-1.0	1.2	-3.7	-2.4	6.1	0.9
	III	r1.7	r-1.8	r-3.5	4.2	r-2.3	r2.5	r7.0	r4.2
	IV	3.1	-5.2	-8.1	4.7	15.3	1.5	-5.0	-1.1
	ANNUAL	2.7	1.0	-1.7	3.3	-0.5	0.6	3.5	1.7
Percent change from corresponding quarter of previous year									
2006	I	1.3	3.6	2.3	4.3	0.5	2.9	3.9	3.3
	II	1.7	3.5	1.8	4.0	0.1	2.3	5.2	3.4
	III	0.2	2.4	2.2	2.9	-0.4	2.7	3.5	3.0
	IV	0.5	2.6	2.1	4.1	2.1	3.6	0.7	2.5
	ANNUAL	0.9	3.0	2.1	3.8	0.5	2.9	3.3	3.0
2007	I	-0.1	1.0	1.2	3.9	1.5	4.1	0.7	2.7
	II	0.7	1.7	1.0	4.4	1.7	3.6	0.9	2.5
	III	2.8	3.0	0.2	4.8	2.4	1.9	2.6	2.2
	IV	2.8	2.4	-0.3	3.7	-0.3	0.9	4.3	2.2
	ANNUAL	1.5	2.0	0.5	4.2	1.3	2.6	2.1	2.4
2008	I	3.4	2.8	-0.6	3.4	-0.7	0.0	4.4	1.7
	II	3.0	2.0	-1.0	3.2	-1.0	0.2	3.6	1.5
	III	1.9	0.2	r-1.7	r3.4	-1.8	1.4	r3.6	2.3
	IV	2.7	-1.0	-3.6	3.4	1.9	0.7	2.7	1.5
	ANNUAL	2.7	1.0	-1.7	3.3	-0.5	0.6	3.5	1.7

See footnotes following Table 6.  
r=revised

February 5, 2009  
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									
2006	I	135.1	163.2	120.8	166.8	119.8	123.5	135.5	127.9
	II	135.7	164.3	121.1	167.1	118.9	123.2	138.6	128.8
	III	135.0	164.4	121.8	167.9	118.3	124.4	138.3	129.5
	IV	135.0	165.0	122.2	171.7	121.4	127.1	134.8	130.0
	ANNUAL	135.2	164.2	121.5	168.4	119.6	124.6	136.8	129.1
2007	I	135.0	164.7	122.0	173.7	121.8	128.7	135.2	131.1
	II	136.4	167.0	122.4	174.1	120.7	127.7	138.2	131.5
	III	138.3	169.2	122.3	175.5	120.8	126.9	140.3	131.8
	IV	138.6	168.9	121.9	177.8	120.9	128.3	139.8	132.5
	ANNUAL	137.1	167.5	122.2	175.3	r121.1	127.9	138.4	131.7
2008	I	139.5	169.3	121.4	179.5	120.8	128.7	141.0	133.2
	II	140.8	170.5	121.1	179.9	119.6	127.8	143.3	133.5
	III	r141.3	r169.7	r120.1	r181.8	r118.9	r128.6	r146.0	r135.0
	IV	142.4	167.3	117.5	184.0	123.3	129.2	144.6	134.9
	ANNUAL	141.0	169.2	120.0	181.3	120.6	128.6	143.7	134.2
Percent change from previous quarter at annual rate(5)									
2006	I	2.5	6.0	3.3	5.2	3.3	2.6	3.9	3.1
	II	1.8	2.9	1.1	0.7	-2.8	-1.1	9.4	2.9
	III	-2.1	0.3	2.4	1.9	-2.0	4.1	-0.9	2.1
	IV	0.2	1.4	1.2	9.3	11.0	9.1	-9.5	1.5
	ANNUAL	1.0	3.2	2.2	3.8	0.5	2.8	3.6	3.1
2007	I	0.0	-0.9	-0.8	4.9	1.2	4.9	0.9	3.4
	II	4.1	5.8	1.6	0.8	-3.6	-3.2	9.4	1.5
	III	5.8	5.5	-0.3	3.3	0.5	-2.4	6.3	0.9
	IV	0.8	-0.7	-1.6	5.3	0.3	4.5	-1.5	2.1
	ANNUAL	1.4	2.0	0.5	4.1	r1.2	2.7	1.2	2.1
2008	I	2.6	0.9	-1.7	3.8	-0.4	1.2	3.6	2.1
	II	3.6	2.8	-0.8	0.9	-3.9	-2.6	6.6	0.9
	III	r1.5	-1.9	r-3.4	r4.2	-2.4	r2.6	r7.8	r4.7
	IV	3.2	-5.5	-8.4	5.0	15.6	1.8	-3.8	-0.5
	ANNUAL	2.8	1.0	-1.8	3.4	-0.4	0.5	3.9	1.8
Percent change from corresponding quarter of previous year									
2006	I	1.3	3.7	2.4	4.2	0.5	2.9	4.3	3.4
	II	1.7	3.7	2.0	3.9	0.0	2.2	5.9	3.6
	III	0.3	2.6	2.3	2.9	-0.5	2.6	3.8	3.1
	IV	0.6	2.6	2.0	4.3	2.2	3.6	0.5	2.4
	ANNUAL	1.0	3.2	2.2	3.8	0.5	2.8	3.6	3.1
2007	I	0.0	0.9	1.0	4.2	1.7	4.2	-0.2	2.5
	II	0.5	1.6	1.1	4.2	1.5	3.7	-0.2	2.1
	III	2.5	2.9	0.4	4.5	2.1	2.0	1.5	1.8
	IV	2.7	2.4	-0.3	3.6	-0.4	0.9	3.7	2.0
	ANNUAL	1.4	2.0	0.5	4.1	r1.2	2.7	1.2	2.1
2008	I	3.3	2.8	-0.5	3.3	-0.8	0.0	4.3	1.6
	II	3.2	2.1	-1.1	3.3	-0.9	0.1	3.7	1.5
	III	r2.2	0.3	-1.8	r3.6	-1.6	1.4	r4.0	r2.4
	IV	2.7	-1.0	-3.6	3.5	1.9	0.7	3.4	1.8
	ANNUAL	2.8	1.0	-1.8	3.4	-0.4	0.5	3.9	1.8

See footnotes following Table 6.  
r=revisedFebruary 5, 2009  
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							
2006	I	172.6	147.2	85.3	170.9	122.7	99.0
	II	172.7	147.4	85.4	169.5	120.7	98.2
	III	174.5	148.0	84.8	170.3	120.0	97.6
	IV	175.4	147.4	84.0	174.6	123.5	99.5
	ANNUAL	173.8	147.5	84.9	171.3	121.7	98.6
2007	I	177.0	147.8	83.5	176.9	124.0	100.0
	II	178.7	149.6	83.7	176.4	122.3	98.7
	III	180.6	151.2	83.7	176.4	121.4	97.6
	IV	182.5	151.0	82.8	179.7	122.2	98.5
	ANNUAL	179.7	149.9	83.4	177.3	r122.5	98.7
2008	I	184.0	150.7	81.9	181.4	122.1	98.6
	II	r182.9	r149.3	81.6	182.4	121.3	r99.7
	III	r181.4	r145.9	r80.4	r184.6	r120.7	r101.7
	IV	180.0	139.4	77.4	189.0	126.6	105.0
	ANNUAL	182.1	146.3	80.3	184.2	122.6	101.2
-----							
Percent change from previous quarter at annual rate(5)							
2006	I	-0.6	1.8	2.4	14.3	12.3	15.0
	II	0.2	0.6	0.4	-3.1	-6.5	-3.3
	III	4.3	1.6	-2.5	1.8	-2.1	-2.3
	IV	2.2	-1.7	-3.8	10.4	12.1	8.0
	ANNUAL	1.1	1.8	0.8	4.1	0.8	3.0
2007	I	3.6	1.2	-2.3	5.5	1.8	1.8
	II	3.8	4.9	1.0	-1.1	-5.5	-4.8
	III	4.5	4.3	-0.2	-0.1	-2.8	-4.4
	IV	4.2	-0.4	-4.4	7.8	2.7	3.4
	ANNUAL	3.4	1.6	-1.7	3.5	0.7	0.1
2008	I	3.3	-0.8	-4.0	3.8	-0.5	0.5
	II	r-2.3	r-3.8	-1.5	2.2	-2.7	r4.6
	III	r-3.3	r-8.8	r-5.7	r4.9	r-1.7	r8.4
	IV	-3.0	-16.7	-14.1	9.8	20.9	13.3
	ANNUAL	1.3	-2.4	-3.7	3.9	0.1	2.5
-----							
Percent change from corresponding quarter of previous year							
2006	I	1.5	2.4	0.9	5.4	1.6	3.8
	II	0.4	2.1	1.7	3.3	-0.6	2.9
	III	0.9	2.3	1.4	2.3	-1.0	1.4
	IV	1.5	0.6	-0.9	5.6	3.6	4.1
	ANNUAL	1.1	1.8	0.8	4.1	0.8	3.0
2007	I	2.6	0.4	-2.1	3.5	1.1	0.9
	II	3.5	1.5	-1.9	4.1	1.4	0.6
	III	3.5	2.1	-1.3	3.6	1.2	0.0
	IV	4.0	2.5	-1.5	2.9	-1.0	-1.1
	ANNUAL	3.4	1.6	-1.7	3.5	0.7	0.1
2008	I	4.0	2.0	-1.9	2.5	-1.6	-1.4
	II	2.4	-0.2	-2.5	3.4	-0.8	r1.0
	III	r0.4	r-3.5	r-3.9	r4.7	-0.6	r4.2
	IV	-1.4	-7.7	-6.5	5.1	3.6	6.6
	ANNUAL	1.3	-2.4	-3.7	3.9	0.1	2.5
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See footnotes following Table 6.  
r=revisedFebruary 5, 2009  
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							
2006	I	198.8	179.6	90.3	166.0	119.2	83.5
	II	198.9	180.5	90.7	164.6	117.1	82.7
	III	201.7	181.1	89.8	165.3	116.5	81.9
	IV	202.4	180.1	89.0	170.2	120.4	84.1
	ANNUAL	200.4	180.3	90.0	166.5	118.3	83.1
2007	I	204.4	180.3	88.2	173.0	121.3	84.7
	II	207.9	183.9	88.4	172.5	119.6	83.0
	III	210.9	186.9	88.6	172.2	118.6	81.7
	IV	214.3	187.0	87.3	175.5	119.4	81.9
	ANNUAL	209.4	184.5	88.1	173.3	r119.7	82.8
2008	I	215.5	186.9	86.7	176.6	118.9	82.0
	II	r213.1	r184.1	86.4	178.1	118.4	r83.6
	III	r214.1	r180.9	r84.5	r180.9	r118.3	r84.5
	IV	206.6	167.7	81.2	185.3	124.1	89.7
	ANNUAL	212.4	179.9	84.7	180.1	119.8	84.8
----- Percent change from previous quarter at annual rate(5)							
2006	I	-1.8	0.4	2.3	13.7	11.7	15.9
	II	0.3	2.1	1.8	-3.3	-6.6	-3.6
	III	5.7	1.2	-4.3	1.6	-2.3	-3.9
	IV	1.4	-2.1	-3.4	12.6	14.4	11.1
	ANNUAL	2.2	3.3	1.1	3.9	0.6	1.7
2007	I	3.9	0.4	-3.4	6.7	3.0	2.7
	II	7.1	8.2	1.0	-1.2	-5.5	-7.7
	III	6.0	6.8	0.8	-0.7	-3.3	-6.2
	IV	6.6	0.3	-6.0	7.9	2.8	1.2
	ANNUAL	4.5	2.3	-2.0	4.1	r1.2	-0.3
2008	I	2.1	-0.4	-2.5	2.5	-1.7	0.4
	II	r-4.4	r-5.7	-1.4	3.5	-1.5	r8.2
	III	r2.0	r-6.9	r-8.8	r6.3	r-0.4	r4.1
	IV	-13.4	-26.1	-14.7	10.1	21.2	27.1
	ANNUAL	1.4	-2.5	-3.9	3.9	0.1	2.5
----- Percent change from corresponding quarter of previous year							
2006	I	3.2	4.8	1.6	4.9	1.1	1.6
	II	2.0	4.6	2.5	3.1	-0.8	1.1
	III	2.2	3.6	1.4	1.9	-1.5	-0.4
	IV	1.4	0.4	-1.0	5.9	3.9	4.5
	ANNUAL	2.2	3.3	1.1	3.9	0.6	1.7
2007	I	2.8	0.4	-2.4	4.3	1.8	1.4
	II	4.5	1.8	-2.5	4.8	2.1	0.3
	III	4.6	3.2	-1.3	4.2	1.8	-0.3
	IV	5.9	3.9	-1.9	3.1	-0.8	-2.6
	ANNUAL	4.5	2.3	-2.0	4.1	r1.2	-0.3
2008	I	5.4	3.7	-1.7	2.1	-2.0	-3.2
	II	2.5	r0.1	-2.3	3.3	-1.0	r0.8
	III	r1.5	r-3.2	r-4.7	5.0	r-0.2	r3.4
	IV	-3.6	-10.4	-7.0	5.5	4.0	9.5
	ANNUAL	1.4	-2.5	-3.9	3.9	0.1	2.5

See footnotes following Table 6.  
r=revisedFebruary 5, 2009  
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							
2006	I	148.0	115.0	77.7	178.0	127.8	120.2
	II	148.4	114.8	77.3	176.6	125.7	119.0
	III	149.0	115.4	77.4	177.8	125.3	119.3
	IV	150.3	115.1	76.6	180.4	127.6	120.0
	ANNUAL	148.9	115.1	77.2	178.2	126.6	119.6
2007	I	151.2	115.6	76.5	181.9	127.5	120.3
	II	151.4	116.0	76.6	181.4	125.8	119.9
	III	152.7	116.4	76.3	181.8	125.2	119.1
	IV	152.9	116.1	75.9	185.3	126.0	121.2
	ANNUAL	152.0	116.0	76.3	182.6	r126.1	120.1
2008	I	155.0	115.7	74.6	188.0	126.5	121.3
	II	r155.0	r115.2	74.3	187.9	124.9	r121.2
	III	r150.8	r112.1	r74.3	r189.3	r123.8	r125.5
	IV	153.6	110.2	71.8	193.7	129.8	126.1
	ANNUAL	153.6	113.3	73.8	189.7	126.2	123.5
----- Percent change from previous quarter at annual rate(5)							
2006	I	1.0	3.6	2.6	15.5	13.4	14.4
	II	1.1	-0.9	-1.9	-3.1	-6.5	-4.1
	III	1.5	2.2	0.6	2.6	-1.4	1.1
	IV	3.5	-1.1	-4.4	6.1	7.7	2.5
	ANNUAL	0.2	0.3	0.1	4.5	1.1	4.3
2007	I	2.5	2.0	-0.5	3.3	-0.3	0.8
	II	0.4	1.3	0.9	-1.0	-5.3	-1.4
	III	3.5	1.6	-1.9	0.7	-2.0	-2.7
	IV	0.6	-1.1	-1.7	7.9	2.8	7.3
	ANNUAL	2.1	0.9	-1.2	2.5	r-0.4	0.4
2008	I	5.8	-1.3	-6.7	6.0	1.7	0.3
	II	0.0	-1.7	-1.7	-0.3	-5.0	-0.3
	III	r-10.5	r-10.6	r0.0	r3.0	r-3.5	r15.1
	IV	7.6	-6.5	-13.1	9.6	20.6	1.8
	ANNUAL	1.0	-2.4	-3.4	3.9	0.1	2.8
----- Percent change from corresponding quarter of previous year							
2006	I	0.2	-0.1	-0.3	6.2	2.4	6.0
	II	-0.7	-0.6	0.1	3.5	-0.4	4.2
	III	-0.4	1.0	1.4	3.1	-0.2	3.6
	IV	1.8	0.9	-0.8	5.1	3.0	3.2
	ANNUAL	0.2	0.3	0.1	4.5	1.1	4.3
2007	I	2.1	0.5	-1.6	2.2	-0.2	0.0
	II	2.0	1.1	-0.9	2.7	0.1	0.7
	III	2.5	0.9	-1.5	2.3	-0.1	-0.2
	IV	1.7	0.9	-0.8	2.7	-1.2	1.0
	ANNUAL	2.1	0.9	-1.2	2.5	r-0.4	0.4
2008	I	2.5	0.1	-2.4	3.4	-0.8	0.8
	II	2.4	-0.7	-3.0	3.6	-0.7	1.1
	III	-1.2	r-3.8	r-2.6	r4.1	r-1.1	r5.4
	IV	0.4	-5.1	-5.5	4.5	3.0	4.1
	ANNUAL	1.0	-2.4	-3.4	3.9	0.1	2.8

See footnotes following Table 6.  
r=revisedFebruary 5, 2009  
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											
2006	I	r146.3	r176.1	120.4	164.5	118.1	r112.5	r113.0	r112.6	r182.6	r118.8
	II	r145.8	r176.2	120.9	164.5	117.0	r112.8	r114.6	r113.3	r183.4	r119.5
	III	r146.7	r178.1	121.5	165.1	116.3	r112.5	r114.5	r113.1	r193.4	r120.3
	IV	r145.6	r177.3	121.8	167.8	118.7	r115.3	r116.5	r115.6	r174.4	r120.8
	ANNUAL	r146.1	r176.9	121.1	165.5	117.5	r113.3	r114.6	r113.6	r183.5	r119.9
2007	I	r145.7	r177.2	121.7	170.3	119.4	r116.9	r117.6	r117.1	r172.4	r122.1
	II	r146.9	r179.1	121.9	171.3	118.7	r116.6	r117.9	r116.9	r173.1	r122.0
	III	r147.6	r180.2	122.1	172.5	118.7	r116.9	r118.2	r117.2	r167.4	r121.7
	IV	r148.4	r181.2	122.1	175.0	119.0	r117.9	r119.3	r118.3	r156.4	r121.7
	ANNUAL	r147.1	r179.4	122.0	172.3	r119.0	r117.1	r118.3	r117.4	r167.3	r121.9
2008	I	r148.3	r180.6	121.8	176.2	118.6	r118.9	r119.4	r119.0	r150.8	r121.8
	II	r151.1	r183.2	121.3	177.2	117.8	r117.3	r119.8	r118.0	r147.8	r120.6
	III	r153.1	r184.2	r120.3	r179.5	r117.4	r117.2	r121.4	r118.3	r156.8	r121.8
Percent change from previous quarter at annual rate(5)											
2006	I	r3.8	r6.3	2.4	8.3	6.3	r4.3	r0.1	r3.1	r12.8	r4.4
	II	r-1.2	r0.4	1.7	0.0	-3.5	r1.2	r5.7	r2.4	r1.8	r2.3
	III	r2.4	r4.4	1.9	1.5	-2.5	r-0.9	r-0.2	r-0.7	r23.7	r2.4
	IV	r-2.9	r-1.9	1.0	6.9	8.5	r10.0	r7.2	r9.2	r-34.0	r2.0
	ANNUAL	r1.8	r4.1	2.2	3.6	0.3	r1.8	r1.7	r1.8	r12.6	r3.1
2007	I	r0.2	r-0.2	-0.3	6.1	2.4	r5.9	r3.8	r5.4	r-4.5	r4.0
	II	3.4	r4.2	0.8	2.2	-2.3	r-1.1	r0.9	r-0.6	1.7	r-0.3
	III	r1.9	r2.7	0.7	2.8	0.1	r0.9	r1.2	1.0	r-12.6	-0.8
	IV	r2.2	r2.1	0.0	5.9	0.9	r3.7	r3.7	r3.7	r-23.8	r0.0
	ANNUAL	r0.7	r1.4	0.7	4.1	r1.2	r3.4	r3.2	r3.3	r-8.8	r1.7
2008	I	-0.2	-1.4	-1.1	2.9	-1.3	3.2	0.3	2.4	-13.6	0.5
	II	7.7	6.0	-1.6	2.3	-2.6	-5.0	1.2	-3.4	-7.7	-3.8
	III	r5.5	r2.1	r-3.2	r5.1	r-1.5	r-0.4	r5.5	r1.2	r26.8	r3.8
Percent change from corresponding quarter of previous year											
2006	I	r3.0	r5.7	2.6	4.1	0.4	r1.1	r1.6	r1.2	r17.3	r3.2
	II	r1.3	r3.6	2.3	3.7	-0.2	r2.4	r3.0	r2.6	r10.1	r3.5
	III	r2.5	r4.8	2.2	2.6	-0.7	r0.1	r-0.9	r-0.2	r27.3	r3.0
	IV	r0.5	r2.2	1.8	4.1	2.1	r3.6	r3.1	r3.5	r-1.6	r2.8
	ANNUAL	r1.8	r4.1	2.2	3.6	0.3	r1.8	r1.7	r1.8	r12.6	r3.1
2007	I	r-0.4	r0.7	1.1	3.6	1.1	r4.0	r4.1	r4.0	r-5.6	r2.7
	II	r0.7	r1.6	0.8	4.1	1.4	r3.4	r2.9	r3.2	r-5.6	r2.0
	III	r0.6	r1.2	0.6	4.5	2.1	r3.8	r3.2	r3.7	r-13.5	r1.2
	IV	1.9	2.2	0.3	4.3	0.3	2.3	2.4	2.3	-10.3	0.7
	ANNUAL	r0.7	r1.4	0.7	4.1	r1.2	r3.4	r3.2	r3.3	r-8.8	r1.7
2008	I	r1.8	r1.9	0.1	3.5	-0.7	r1.6	r1.5	r1.6	-12.5	r-0.2
	II	2.8	2.3	-0.5	3.5	-0.7	r0.6	r1.6	r0.9	-14.6	r-1.1
	III	r3.7	r2.2	r-1.5	r4.1	r-1.1	r0.3	r2.7	r0.9	r-6.3	r0.1

See footnotes following Table 6.  
r=revisedFebruary 5, 2009  
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  $+1.3$  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 third quarter of 2008.

### 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 1978-2007 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.