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PRODUCTIVITY AND COSTS

Nonfinancial Corporate Sector First Quarter 1981

Productivity in nonfinancial corporations increased at a 5.6 percent annual rate in the first quarter of 1981, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The increase reflected a 10.8 percent increase in output and a 4.9 percent rise in hours of all employees. In the fourth quarter of 1980, productivity declined 0.1 percent in this sector, which includes all corporations doing business in the United States, with the exception of banks, stock and commodity brokers, and finance and insurance companies. Productivity had risen at a 6.9 percent annual rate in the third quarter of 1980. The first quarter rise in output was the largest since the 12.2 percent increase of the second quarter of 1978, and the gain in hours compares with an 8.1 percent rise during the fourth quarter of 1980.

Revised first-quarter measures were also reported today for the private business, nonfarm business, and manufacturing sectors. The latest measures show productivity increased 4.3 percent in the private business sector, 4.0 percent in the nonfarm business sector, and 3.1 percent in manufacturing. Preliminary measures reported April 27 showed changes of 3.9 percent, 3.6 percent, and 1.6 percent, respectively.

A summary of first-quarter measures appears in table A; details are given in tables 1-6.

Although the productivity measures relate output to the hours of all persons engaged in each sector, they do not measure the specific contributions of labor, capital, or any other single factor of production. Rather, they reflect the joint effects of many influences, including new technology, capital investment, the level of output, capacity utilization, energy use, and managerial skills, as well as the skills and efforts of the work force.

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

Sector	Productivity	Hourly compensation	Unit labor cost	Real hourly compensation	Output	Hours
Fourth Quarter 1980 to First Quarter 1981						
<u>PRELIMINARY</u>						
Nonfinancial corporations	5.6	11.2	5.3	-0.2	10.8	4.9
<u>REVISED</u>						
Private business	4.3	11.7	7.1	0.2	7.5	3.1
Nonfarm business	4.0	11.4	7.2	0.0	7.6	3.5
Manufacturing	3.1	10.9	7.5	-0.5	7.5	4.2
Durable	4.4	11.0	6.3	-0.3	8.6	4.0
Nondurable	1.3	10.6	9.2	-0.7	5.8	4.5
First Quarter 1980 to First Quarter 1981						
<u>PRELIMINARY</u>						
Nonfinancial corporations	2.9	10.7	7.6	-0.5	2.4	-0.5
<u>REVISED</u>						
Private business	0.6	10.5	9.8	-0.7	0.7	0.1
Nonfarm business	1.0	10.4	9.2	-0.8	1.0	0.0
Manufacturing	2.1	12.3	10.0	0.9	-0.8	-2.8
Durable	2.5	12.9	10.2	1.5	-1.6	-4.0
Nondurable	1.3	11.5	10.0	0.2	0.5	-0.9

Compensation and costs

Hourly compensation, which includes wages, salaries, employer contributions to employee benefit plans, and employment taxes, increased 11.2 percent in nonfinancial corporations in the first quarter of 1981, compared with a 9.2 percent rise during the fourth quarter of 1980 (seasonally adjusted annual rates). The first quarter increase in hourly compensation partly reflects the impact of mandated increases in social security contributions and the increase in minimum wages.

Real hourly compensation--which takes account of the increase in the Consumer Price Index for All Urban Consumers (CPI-U)--declined 0.2 percent in the first quarter of 1981, compared with a 3.2 percent annual rate of decline during the fourth quarter of 1980. Since 1978, real hourly compensation has increased only during 3 quarters and, in the first quarter of 1981, was at the lowest level since the fourth quarter of 1974.

Unit labor costs--compensation per unit of output--is influenced by changes in productivity and hourly compensation. In the first quarter of 1981, unit labor costs rose 5.3 percent, compared with a 9.4 percent increase during the fourth quarter of 1980.

Unit profits increased at a 66.9 percent annual rate in the first quarter, the third consecutive quarter of rising unit profits. During the fourth quarter of 1980, unit profits rose 15.7 percent (annual rate).

The implicit price deflator, which reflects changes in unit labor costs, unit nonlabor payments, and unit profits, increased 10.7 percent during the first quarter of 1981, compared with a 9.9 percent rise during the fourth quarter of 1980. The implicit price deflator--and its components--are shown in table B from 1976 forward.

Compared with the first quarter of 1980, productivity in the nonfinancial corporate sector increased 2.9 percent, as output increased 2.4 percent and hours of all employees declined 0.5 percent. Hourly compensation increased 10.7 percent--but fell 0.5 percent after adjusting for the increase in the CPI-U. Unit labor cost rose 7.6 percent, unit profits increased 10.0 percent, and the implicit price deflator rose 9.7 percent.

Table B.
Indexes of prices, costs and profits
Nonfinancial corporations
(1977=100)

Measure	1976	1977	1978	1979	1980	1979		1980				1981
						III	IV	I	II	III	IV	I
Implicit price deflator	95.0	100.0	106.4	114.8	125.2	115.9	118.1	121.0	124.1	126.4	129.5	132.8
Total unit cost	95.5	100.0	106.8	116.8	129.7	118.2	121.3	124.2	129.2	131.1	134.1	136.3
Unit labor cost	95.0	100.0	107.8	118.2	129.4	119.5	122.8	125.4	129.1	130.2	133.1	134.9
Unit nonlabor cost	97.0	100.0	104.1	112.7	130.2	114.6	117.2	120.9	129.3	133.8	136.9	140.2
Unit profits	91.0	100.0	103.0	99.0	90.2	97.5	92.2	95.5	83.4	89.1	92.4	105.1

Revised measures

Revised first-quarter productivity and cost measures for the private business, nonfarm business, and manufacturing sectors were also reported today. The revised series incorporate the most recent measures of output and hours for these sectors and show larger gains in productivity than had been reported on April 27, based on preliminary information. The larger productivity gains stem from upward revisions in the rate of growth of output, coupled with small reductions in the rate of growth of hours of all persons. In the private business sector, for example, the previously reported productivity increase of 3.9 percent in the first quarter has been revised to show a 4.3 percent gain. The revision in manufacturing output reflects the revised index of industrial production prepared by the Board of Governors of the Federal Reserve. Table C compares the preliminary and revised measures.

Table C. Preliminary and revised first quarter measures of productivity and cost
Quarterly change at annual rate.
(Seasonally adjusted)

Measure	Private business sector		Nonfarm business sector		Manufacturing	
	Preliminary	Revised	Preliminary	Revised	Preliminary	Revised
Output per hour of all persons	3.9	4.3	3.6	4.0	1.6	3.1
Compensation per hour	11.5	11.7	11.3	11.4	10.6	10.9
Unit labor cost	7.4	7.1	7.5	7.2	8.8	7.5
Real compensation per hour	0.1	0.2	-0.1	0.0	-0.8	-0.5
Output	7.2	7.5	7.3	7.6	6.1	7.5
Hours	3.2	3.1	3.6	3.5	4.4	4.2

TABLE 1. PRIVATE BUSINESS SECTOR, ALL PERSONS: PRODUCTIVITY,
HOURLY COMPENSATION, UNIT LABOR COST, AND PRICES, SEASONALLY ADJUSTED

YEAR AND QUARTER		OUTPUT PER HOUR OF ALL PERSONS	OUTPUT	HOURS OF ALL PERSONS	COMPENSA- TION PER HOUR(1)	REAL COMPENSA- TION PER HOUR(2)	UNIT LABOR COST	UNIT NON- LABOR PAY- MENTS(3)	IMPLICIT PRICE DEFLATOR(4)
INDEXES 1977=100									
1980	I	99.3	108.7	109.5	126.0	96.5	127.0	115.3	123.0
	II	98.8	105.4	106.7	129.7	96.3	131.3	116.0	126.1
	III	99.2	105.7	106.5	132.8	96.7	133.9	119.8	129.1
	IV	98.9	107.5	108.7	135.5	95.7	137.0	122.8	132.2
	ANNUAL	99.1	106.8	107.8	131.1	96.4	132.3	118.4	127.6
1981	I	99.9R	109.4R	109.5	139.3R	95.8R	139.4R	127.9R	135.5R
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)									
1980	I	1.3	1.8	0.5	10.4	-5.2	9.0	11.3	9.7
	II	-1.9	-11.5	-9.9	12.2	-0.8	14.4	2.6	10.5
	III	1.5	1.1	-0.4	9.7	1.8	8.1	13.6	9.8
	IV	-1.2	6.9	8.3	8.4	-4.0	9.7	10.3	9.9
	ANNUAL	-0.3	-0.8	-0.5	10.0	-3.1	10.3	6.8	9.2
1981	I	4.3R	7.5R	3.1R	11.7R	0.2R	7.1R	17.7R	10.4R
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)									
1980	I	-0.4	0.9	1.3	9.6	-4.1	10.0	5.2	8.4
	II	-0.8	-1.6	-0.8	9.9	-4.0	10.8	5.1	9.0
	III	0.0	-1.9	-1.9	10.2	-2.3	10.3	7.4	9.4
	IV	-0.1	-0.7	-0.6	10.2	-2.1	10.3	9.4	10.0
	ANNUAL	-0.3	-0.8	-0.5	10.0	-3.1	10.3	6.8	9.2
1981	I	0.6R	0.7R	0.1	10.5	-0.7	9.8R	10.9R	10.1R

SEE FOOTNOTES FOLLOWING TABLE 6.

R=REVISED

P=PRELIMINARY

MAY 27, 1981

SOURCE: BUREAU OF LABOR STATISTICS

TABLE 2. NONFARM BUSINESS SECTOR, ALL PERSONS: PRODUCTIVITY,
HOURLY COMPENSATION, UNIT LABOR COST, AND PRICES, SEASONALLY ADJUSTED

YEAR AND QUARTER		OUTPUT PER HOUR OF ALL PERSONS	OUTPUT	HOURS OF ALL PERSONS	COMPENSA- TION PER HOUR(1)	REAL COMPENSA- TION PER HOUR(2)	UNIT LABOR COST	UNIT NON- LABOR PAY- MENTS(3)	IMPLICIT PRICE DEFLATOR(4)
INDEXES 1977=100									
1980	I	98.6	108.5	110.0	125.6	96.2	127.4	114.0	122.9
	II	97.9	105.1	107.3	129.0	95.7	131.8	115.2	126.3
	III	98.8	105.8	107.1	131.9	96.1	133.5	119.2	128.8
	IV	98.7	107.7	109.1	135.0	95.4	136.8	122.1	131.9
	ANNUAL	98.6	106.8	108.3	130.5	96.0	132.4	117.6	127.4
1981	I	99.7R	109.7R	110.0	138.7R	95.4R	139.2	128.0R	135.4R
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)									
1980	I	0.0	1.4	1.4	9.9	-5.7	9.9	14.6	11.3
	II	-3.0	-12.1	-9.4	11.2	-1.7	14.6	4.2	11.3
	III	3.8	2.9	-0.9	9.3	1.4	5.3	14.9	8.2
	IV	-0.4	7.1	7.5	9.6	-2.9	10.1	10.0	10.0
	ANNUAL	-0.4	-0.9	-0.5	9.8	-3.3	10.3	8.3	9.7
1981	I	4.0R	7.6R	3.5R	11.4R	0.0R	7.2R	20.8R	11.3R
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)									
1980	I	-0.9	0.6	1.5	9.4	-4.3	10.4	6.4	9.1
	II	-1.2	-1.9	-0.7	9.7	-4.2	11.0	6.9	9.7
	III	0.1	-1.8	-1.9	10.0	-2.5	9.9	9.1	9.6
	IV	0.1	-0.5	-0.5	10.0	-2.3	9.9	10.8	10.2
	ANNUAL	-0.4	-0.9	-0.5	9.8	-3.3	10.3	8.3	9.7
1981	I	1.0	1.0	0.0	10.4R	-0.8	9.2R	12.3R	10.2R

SEE FOOTNOTES FOLLOWING TABLE 6.

R=REVISED

P=PRELIMINARY

MAY 27, 1981

SOURCE: BUREAU OF LABOR STATISTICS

TABLE 3. NONFINANCIAL CORPORATIONS: PRODUCTIVITY, HOURLY COMPENSATION
UNIT LABOR COST, UNIT PROFITS, AND PRICES, SEASONALLY ADJUSTED

YEAR AND QUARTER	OUTPUT PER ALL- EMPLOYEE HOUR	OUTPUT	EMPLOYEE HOURS	HOURLY COMPENSA- TION (1)	REAL HOURLY COMPEN- SATION(2)	UNIT LABOR COST	UNIT NON- LABOR COST(8)	TOTAL UNIT COST (9)	UNIT PRO- FITS (10)	IMPLICIT PRICE DEFLATOR (4)
INDEXES 1977=100										
1980	I	100.0	109.9	110.0	125.3	95.9	125.4	120.9	124.2	95.5
	II	99.8	106.8	107.0	128.9	95.7	129.1	129.3	129.2	83.4
	III	101.5	107.7	106.1	132.1	96.2	130.2	133.8	131.1	89.1
	IV	101.5	109.7	108.2	135.1	95.4	133.1	136.9	134.1	92.4
	ANNUAL	100.8	108.5	107.7	130.4	95.9	129.4	130.2	129.7	90.2
1981	I	102.9P	112.6P	109.5P	138.7P	95.4P	134.9P	140.2P	136.3P	105.1P
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)										
1980	I	1.2	2.2	1.0	9.8	-5.7	8.6	13.5	9.8	15.3
	II	-0.5	-10.9	-10.5	12.0	-1.0	12.6	30.6	17.0	-41.9
	III	6.9	3.4	-3.3	10.3	2.3	3.2	14.7	6.2	30.3
	IV	-0.1	7.9	8.1	9.2	-3.2	9.4	9.5	9.4	15.7
	ANNUAL	0.5	-0.7	-1.2	10.0	-3.1	9.5	15.6	11.0	-8.9
1981	I	5.6P	10.8P	4.9P	11.2P	-0.2P	5.3P	10.1P	6.6P	66.9P
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)										
1980	I	-0.6	0.4	1.0	9.5	-4.2	10.1	12.2	10.6	-9.5
	II	-0.7	-2.0	-1.3	9.7	-4.1	10.5	16.3	12.0	-17.2
	III	1.2	-1.6	-2.8	10.3	-2.3	8.9	16.8	11.0	-8.6
	IV	1.8	0.4	-1.4	10.3	-2.0	8.4	16.8	10.5	0.3
	ANNUAL	0.5	-0.7	-1.2	10.0	-3.1	9.5	15.6	11.0	-8.9
1981	I	2.9P	2.4P	-0.5P	10.7P	-0.5P	7.6P	15.9P	9.7P	10.0P

SEE FOOTNOTES FOLLOWING TABLE 6.

R=REVISED

P=PRELIMINARY

MAY 27, 1981

SOURCE: BUREAU OF LABOR STATISTICS

TABLE 4. MANUFACTURING SECTOR: PRODUCTIVITY, HOURLY
COMPENSATION, UNIT LABOR COST, SEASONALLY ADJUSTED

YEAR AND QUARTER		OUTPUT PER HOUR OF ALL PERSONS	OUTPUT (7)	HOURS OF ALL PERSONS	COMPENSA- TION PER HOUR(1)	REAL COMPENSA- TION PER HOUR(2)	UNIT LABOR COST
INDEXES 1977=100							
1980	I	101.7R	108.0R	106.2	125.0	95.7	122.9R
	II	100.5R	101.7R	101.2	129.6	96.2	128.9R
	III	100.2R	99.7R	99.5	133.5	97.2	133.2R
	IV	103.0	105.3	102.1	136.8	96.7	132.8
	ANNUAL	101.4	103.7	102.2	131.2	96.3	129.4
1981	I	103.8R	107.2R	103.2	140.4R	96.5	135.2R
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)							
1980	I	-0.7R	-1.0R	-0.3	10.1	-5.6	10.8R
	II	-4.6R	-21.4R	-17.6	15.5	2.1	21.1R
	III	-1.1R	-7.6R	-6.6	12.7	4.6	14.0R
	IV	11.7R	24.2R	11.2	10.2	-2.4	-1.3R
	ANNUAL	-0.5	-4.6	-4.1	10.5	-2.7	11.0
1981	I	3.1R	7.5R	4.2R	10.9R	-0.5R	7.5R
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)							
1980	I	0.3R	-1.1R	-1.4	9.1	-4.5	8.8R
	II	-1.7R	-6.3R	-4.7	9.3	-4.5	11.2R
	III	-1.6R	-8.1	-6.6	11.6	-1.2	13.4R
	IV	1.1	-2.8	-3.9	12.1	-0.4	10.8
	ANNUAL	-0.5	-4.6	-4.1	10.5	-2.7	11.0
1981	I	2.1R	-0.8R	-2.8	12.3R	0.9R	10.0R

SEE FOOTNOTES FOLLOWING TABLE 6.

R=REVISED

P=PRELIMINARY

MAY 27, 1981

SOURCE: BUREAU OF LABOR STATISTICS

TABLE 5. DURABLE MANUFACTURING SECTOR: PRODUCTIVITY, HOURLY
COMPENSATION, UNIT LABOR COST, SEASONALLY ADJUSTED(1)

YEAR AND QUARTER		OUTPUT PER HOUR OF ALL PERSONS	OUTPUT (7)	HOURS OF ALL PERSONS	COMPENSA- TION PER HOUR(1)	REAL COMPENSA- TION PER HOUR(2)	UNIT LABOR COST
INDEXES 1977=100							
1980	I	99.5R	108.3R	108.8	124.8	95.5	125.4R
	II	98.7R	100.7R	102.1	129.6	96.2	131.4R
	III	97.7	97.8	100.1	133.7	97.3	136.8R
	IV	100.9	104.4	103.4	137.3	97.0	136.0
	ANNUAL	99.2	102.8	103.6	131.3	96.5	132.3
1981	I	102.0R	106.5R	104.4R	140.9R	96.9R	138.1R
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)							
1980	I	-2.5R	-3.0R	-0.5	12.0	-3.9	14.8R
	II	-3.4R	-25.0R	-22.4	16.5	3.0	20.6R
	III	-3.8R	-11.3R	-7.8	13.1	5.0	17.6R
	IV	13.8R	29.9R	14.1	11.2	-1.5	-2.3R
	ANNUAL	-1.4	-6.7	-5.4	11.0	-2.2	12.6
1981	I	4.4R	8.6R	4.0R	11.0R	-0.3R	6.3R
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)							
1980	I	-1.2R	-3.0R	-1.9	9.3	-4.3	10.7R
	II	-2.8R	-8.7R	-6.0	9.5	-4.3	12.7R
	III	-2.3	-10.7	-8.6	12.2	-0.6	14.8
	IV	0.8	-4.3	-5.1	13.2	0.6	12.3
	ANNUAL	-1.4	-6.7	-5.4	11.0	-2.2	12.6
1981	I	2.5R	-1.6R	-4.0R	12.9	1.5R	10.2R

SEE FOOTNOTES FOLLOWING TABLE 6.

R=REVISED

P=PRELIMINARY

MAY 27, 1981

SOURCE: BUREAU OF LABOR STATISTICS

TABLE 6. NONDURABLE MANUFACTURING SECTOR: PRODUCTIVITY, HOURLY
COMPENSATION, UNIT LABOR COST, SEASONALLY ADJUSTED(12)

YEAR AND QUARTER		OUTPUT PER HOUR OF ALL PERSONS	OUTPUT (7)	HOURS OF ALL PERSONS	COMPENSA- TION PER HOUR(1)	REAL COMPENSA- TION PER HOUR(2)	UNIT LABOR COST
INDEXES 1977=100							
1980	I	105.3R	107.6R	102.3	124.6	95.4	118.4R
	II	103.4R	103.1R	99.7	129.3	95.9	125.0R
	III	104.1R	102.6R	98.6	133.1	96.9	127.8
	IV	106.3	106.6	100.2	135.5	95.8	127.5
	ANNUAL	104.8	105.0	100.2	130.6	96.1	124.6
1981	I	106.7R	108.1R	101.4R	139.0R	95.6R	130.3R
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)							
1980	I	2.1R	2.1R	0.0	6.6	-8.5	4.4R
	II	-6.9R	-15.7R	-9.5	15.7	2.2	24.3R
	III	2.8R	-2.0R	-4.7	12.4	4.3	9.3R
	IV	8.9R	16.5R	7.0	7.6	-4.7	-1.2R
	ANNUAL	0.9	-1.3	-2.2	10.0	-3.1	9.1
1981	I	1.3R	5.8R	4.5R	10.6R	-0.7R	9.2R
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)							
1980	I	2.6R	1.9R	-0.7	8.9	-4.7	6.1R
	II	-0.1R	-2.6R	-2.5	9.4	-4.4	9.5R
	III	-0.7	-4.1	-3.4	11.1	-1.5	12.0R
	IV	1.6	-0.4	-2.0	10.5	-1.8	8.8
	ANNUAL	0.9	-1.3	-2.2	10.0	-3.1	9.1
1981	I	1.3R	0.5R	-0.9	11.5	0.2	10.0R

SEE FOOTNOTES FOLLOWING TABLE 6.

R=REVISED

P=PRELIMINARY

MAY 27, 1981

SOURCE: BUREAU OF LABOR STATISTICS

FOOTNOTES, TABLES 1-6

SOURCE: OUTPUT DATA FROM BUREAU OF ECONOMIC ANALYSIS, U.S. DEPARTMENT OF COMMERCE, AND THE FEDERAL RESERVE BOARD.
COMPENSATION AND HOURS DATA FROM THE BUREAU OF LABOR STATISTICS, U.S. DEPARTMENT OF LABOR, AND THE BUREAU OF ECONOMIC ANALYSIS.

RELIABILITY: THE AVERAGE OF THE REVISIONS IN THE INDEX OF PRODUCTIVITY IN THE PRIVATE BUSINESS SECTOR, WITHOUT REGARD TO SIGN, BETWEEN THE FIRST AND THIRD PUBLISHED ESTIMATES IS 0.63 INDEX POINTS (0.53 PER CENT); THAT IS, IN ABOUT HALF OF THE CASES, THE ABSOLUTE VALUE OF THE REVISION FROM THE FIRST TO THE THIRD ESTIMATE OF THE INDEX--ABOUT 90 DAYS--WAS LESS THAN 0.63 POINTS (0.53 PERCENT). (CALCULATED ON THE BASIS OF DATA FOR THE JANUARY 1977 TO JULY 1980 PERIOD.)

- (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) COMPENSATION PER HOUR ADJUSTED FOR CHANGES IN THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS.
- (3) NONLABOR PAYMENTS INCLUDE PROFITS, DEPRECIATION, INTEREST, RENTAL INCOME, AND INDIRECT TAXES.
- (4) CURRENT DOLLAR GROSS PRODUCT DIVIDED BY CONSTANT DOLLAR GROSS PRODUCT.
- (5) PERCENT CHANGE COMPOUNDED AT ANNUAL RATE FROM THE ORIGINAL DATA RATHER THAN INDEX NUMBERS.
- (6) CURRENT QUARTER DIVIDED BY COMPARABLE QUARTER A YEAR AGO.
- (7) QUARTERLY MEASURES ADJUSTED TO ANNUAL ESTIMATES OF OUTPUT (GROSS PRODUCT ORIGINATING) FROM THE BUREAU OF ECONOMIC ANALYSIS, U.S. DEPARTMENT OF COMMERCE.
- (8) UNIT NONLABOR COST INCLUDES DEPRECIATION, INTEREST, AND INDIRECT TAXES.
- (9) TOTAL UNIT COST IS THE SUM OF LABOR AND NONLABOR COSTS.
- (10) UNIT PROFITS INCLUDE CORPORATE PROFIT AND INVENTORY VALUATION ADJUSTMENT.
- (11) THE DURABLE SECTOR INCLUDES THE FOLLOWING 2-DIGIT SIC INDUSTRIES: PRIMARY METAL; FABRICATED METAL PRODUCTS; NONELECTRICAL MACHINERY; ELECTRICAL MACHINERY; TRANSPORTATION EQUIPMENT; INSTRUMENTS; LUMBER AND LUMBER PRODUCTS; FURNITURE AND FIXTURES; STONE, CLAY, & GLASS PRODUCTS; AND MISCELLANEOUS MANUFACTURES.
- (12) THE NONDURABLE SECTOR INCLUDES THE FOLLOWING 2-DIGIT SIC INDUSTRIES: TEXTILE MILL PRODUCTS; APPAREL PRODUCTS; LEATHER AND LEATHER PRODUCTS; PRINTING AND PUBLISHING; CHEMICALS AND CHEMICAL PRODUCTS; PETROLEUM PRODUCTS; RUBBER AND PLASTIC PRODUCTS; FOODS; AND TOBACCO PRODUCTS.
- (13) SCHEDULING OF THE RELEASE OF THE NEW CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U) PRECLUDES THE USE OF REAL HOURLY COMPENSATION (HOURLY COMPENSATION ADJUSTED FOR QUARTERLY CHANGES IN THE CPI-U) WITH PRELIMINARY PRODUCTIVITY AND COST MEASURES. THESE WILL BE PUBLISHED TOGETHER WITH REVISED OUTPUT AND LABOR INPUT MEASURES WITH THE NEXT REGULAR EDITION OF PRODUCTIVITY AND COSTS, APPROXIMATELY 30 DAYS AFTER THE PRELIMINARY MEASURES.

 * THE PRODUCTIVITY AND ASSOCIATED COST MEASURES IN THIS PRESS RELEASE DESCRIBE THE RELATIONSHIP *
 * BETWEEN OUTPUT IN REAL TERMS AND THE LABOR TIME INVOLVED IN ITS PRODUCTION. THEY SHOW THE *
 * CHANGES FROM PERIOD TO PERIOD IN THE AMOUNT OF LABOR TIME REQUIRED TO PRODUCE A UNIT OF OUTPUT. *
 * ALTHOUGH THESE MEASURES RELATE OUTPUT TO HOURS OF ALL PERSONS ENGAGED IN A SECTOR, THEY DO NOT *
 * MEASURE THE SPECIFIC CONTRIBUTIONS OF LABOR, CAPITAL, OR ANY OTHER FACTOR OF PRODUCTION. RATHER, *
 * THEY REFLECT THE JOINT EFFECTS OF MANY INFLUENCES, INCLUDING CHANGES IN TECHNOLOGY; CAPITAL *
 * INVESTMENT; LEVEL OF OUTPUT; UTILIZATION OF CAPACITY; ENERGY AND MATERIALS; THE ORGANIZATION *
 * OF PRODUCTION; MANAGERIAL SKILL; AND CHARACTERISTICS AND EFFORT OF THE WORK FORCE. *

Chart 1. Productivity, hourly compensation, unit costs and prices in the private business sector

(percent change from preceding quarter at annual rate)

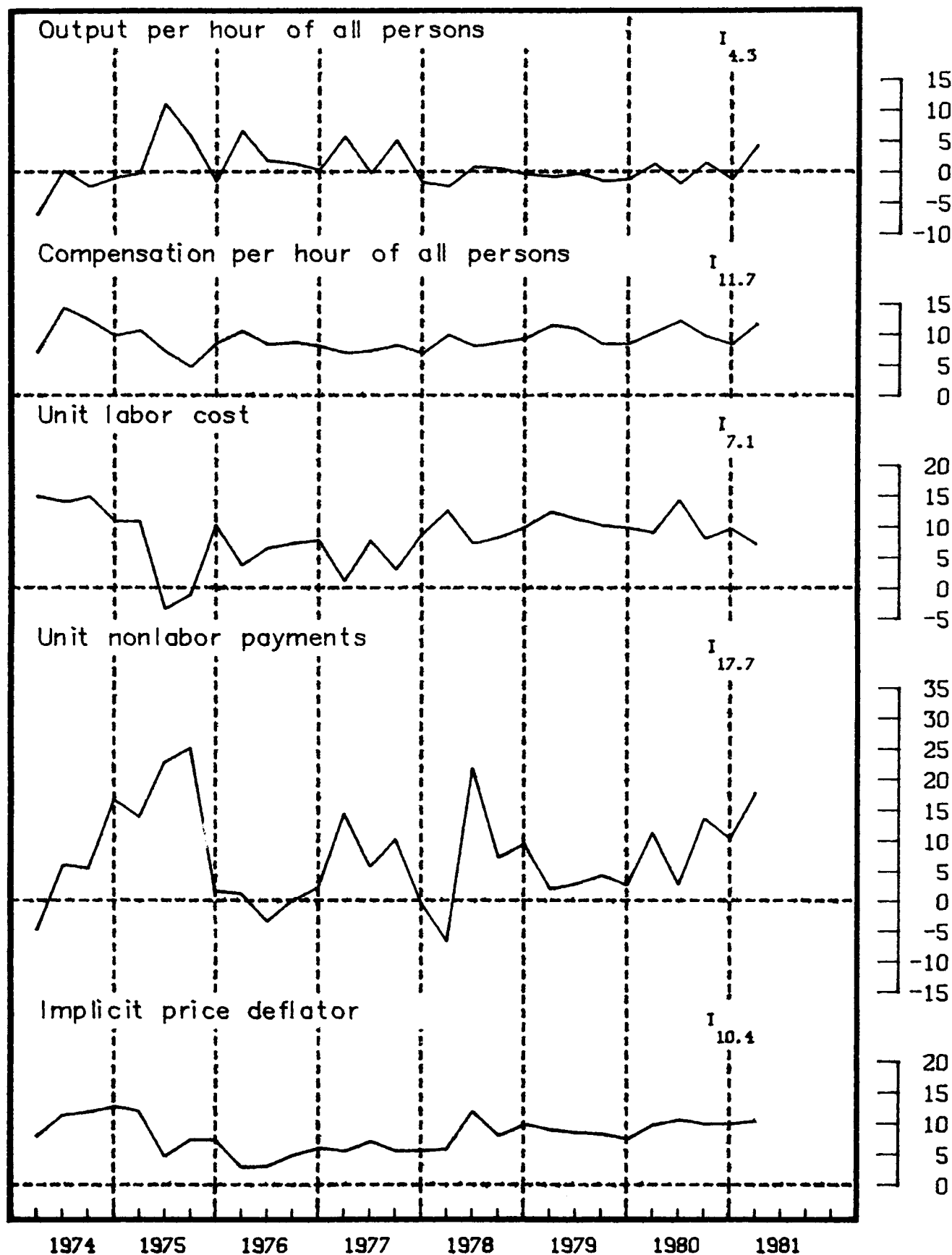


Chart 2. Productivity, hourly compensation, unit costs and prices in the nonfarm business sector

(percent change from preceding quarter at annual rate)

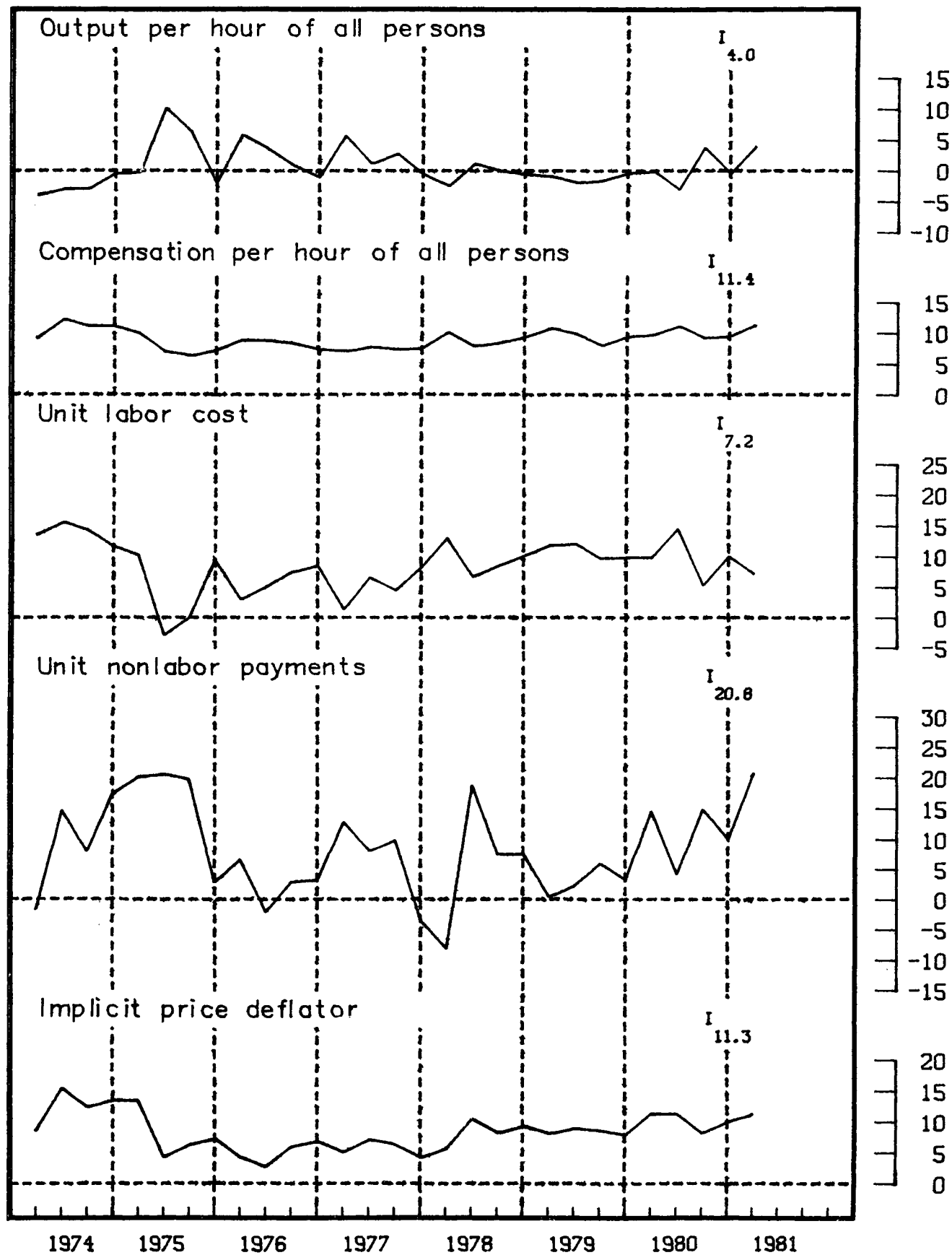


Chart 3. Productivity, hourly compensation, unit costs and prices in nonfinancial corporations

(percent change from same quarter a year ago)

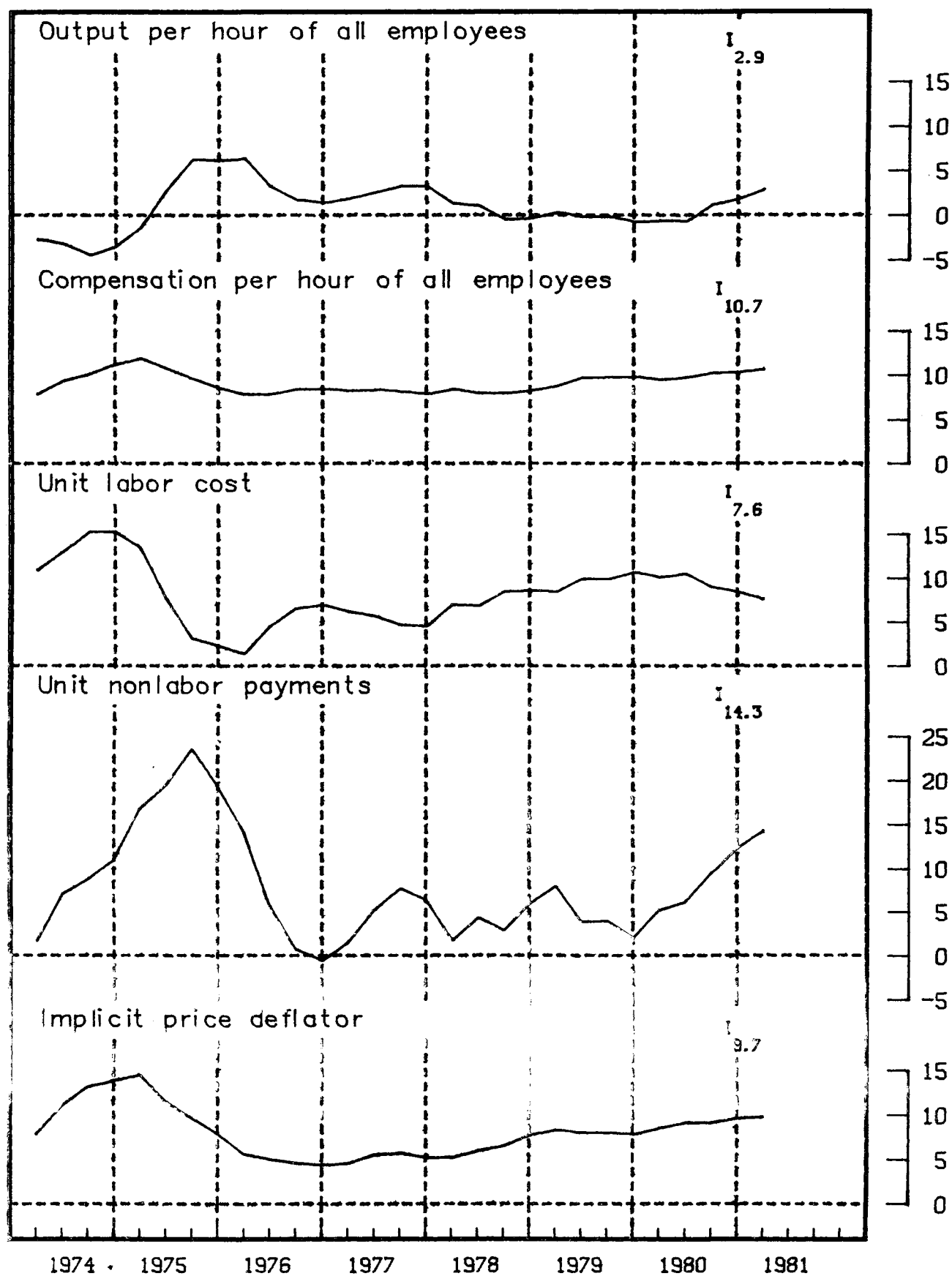


Chart 4. Unit costs, unit profits, and prices in nonfinancial corporations

(percent change from same quarter a year ago)

