

News

United States
Department
of Labor



Bureau of Labor Statistics

Washington, D.C. 20212

Historical, technical
information: (202) 523-9261
Current data: (202) 523-1221 or 1208
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USDL 85-171
For Release: 10:00 AM EST
Thursday, April 25, 1985

PRODUCTIVITY AND COSTS First Quarter 1985

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

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

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

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

Business

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

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

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

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

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

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

Nonfarm business

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

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

Manufacturing

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

Fourth quarter measures for nonfinancial corporations

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

Revised measures

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

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

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

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

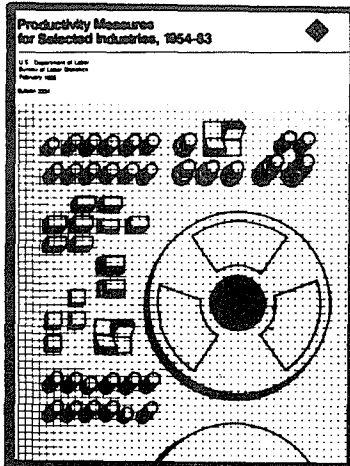
Item	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit Profits	Implicit price deflator
Preliminary	2.3	9.0	6.6	3.4	-0.8	1.1	26.2	3.0
Revised	2.3	9.0	6.6	3.5	-0.8	1.1	25.9	3.0

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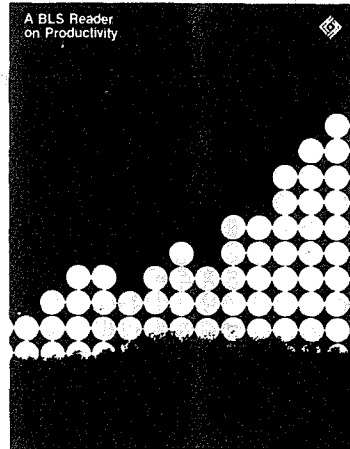
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TECHNICAL NOTES

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

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

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

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

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

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

Table 1. Business sector: Productivity, hourly compensation, unit labor cost, 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 cost	Unit non-labor payments(3)	Implicit price deflator(4)
Indexes 1977=100								
1984 I	105.7	117.8	111.4	166.7	98.6	157.7	151.6	155.6
II	107.0	121.0	113.0	167.5	98.2	156.5	157.2	156.7
III	107.2	121.5	113.4	169.3	98.3	158.0	158.5	158.1
IV	108.0r	123.0r	113.9r	171.1	98.5	158.4r	160.2r	159.0
ANNUAL	107.0	120.8r	112.9	168.6	98.4	157.6r	157.0r	157.4
1985 I	107.5p	123.4p	114.8p	173.5p	99.1p	161.4p	159.9p	160.9p
Percent change from previous quarter at annual rate(5)								
1984 I	4.0	11.4	7.2	6.2	0.8	2.1	7.0	3.7
II	4.9	11.2	6.0	1.9	-1.8	-2.9	15.4	2.9
III	0.6	1.8	1.2	4.4	0.7	3.7	3.4	3.6
IV	3.1r	5.0r	1.8r	4.4	0.8	1.2r	4.3r	2.2
ANNUAL	3.2	8.8	5.4	4.2	0.0	1.0	7.9r	3.2
1985 I	-1.9p	1.3p	3.3p	5.7p	2.3p	7.8p	-0.7p	4.8p
Percent change from corresponding quarter of previous year(6)								
1984 I	3.5	10.2	6.5	4.1	-0.4	0.6	8.4	3.0
II	3.3	9.9	6.4	4.0	-0.3	0.7	8.7	3.3
III	2.7	8.0	5.1	4.6	0.4	1.9	7.1	3.6
IV	3.2r	7.3r	4.0	4.2	0.1	1.0r	7.4r	3.1
ANNUAL	3.2	8.8	5.4	4.2	0.0	1.0	7.9r	3.2
1985 I	1.6p	4.7p	3.0p	4.1p	0.5p	2.4p	5.4p	3.4p

See footnotes following table 6.
r=revised
p=preliminary

April 25, 1985
Source: Bureau of Labor Statistics

Table 2. Nonfarm business sector: Productivity, hourly compensation, unit labor cost, 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 cost	Unit non-labor payments(3)	Implicit price deflator(4)
Indexes 1977=100								
1984 I	105.2	118.0	112.3	166.5	98.4	158.3	152.2	156.3
II	106.6	121.0	113.6	168.0	98.4	157.6	156.8	157.3
III	106.3	121.3	114.1	169.5	98.4	159.5	158.0	159.0
IV	106.9r	122.7r	114.8r	171.0	98.5	160.0r	160.3r	160.1
ANNUAL	106.2r	120.7r	113.6	168.7	98.4	158.8	156.9r	158.2
1985 I	106.5p	123.1p	115.6p	173.5p	99.1p	162.9p	161.0p	162.3p
Percent change from previous quarter at annual rate(5)								
1984 I	2.9	10.3	7.2	6.1	0.7	3.1	2.3	2.8
II	5.5	10.6	4.8	3.7	0.0	-1.7	12.5	2.8
III	-1.1	0.7	1.8	3.6	-0.1	4.7	3.1	4.2
IV	2.2r	4.7r	2.4r	3.7	0.1r	1.4r	5.9r	2.9
ANNUAL	2.7	8.5r	5.7	4.1	-0.1	1.4	6.7r	3.1
1985 I	-1.2p	1.6p	2.9p	6.0p	2.6p	7.3p	1.9p	5.5p
Percent change from corresponding quarter of previous year(6)								
1984 I	3.5	10.6	6.9	4.0	-0.5	0.4	8.3	2.9
II	2.9	9.7	6.6	4.0	-0.3	1.1	7.1	3.0
III	2.1	7.6	5.4	4.4	0.2	2.3	5.7	3.4
IV	2.4r	6.5r	4.0	4.3	0.2	1.9r	5.9r	3.2
ANNUAL	2.7	8.5r	5.7	4.1	-0.1	1.4	6.7r	3.1
1985 I	1.3p	4.3p	3.0p	4.2p	0.7p	2.9p	5.8p	3.8p

See footnotes following table 6.
r=revised
p=preliminary

April 25, 1985
Source: Bureau of Labor Statistics

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

Year and quarter	Output per hour of all persons	Output (7)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	
Indexes 1977=100							
1984	I	114.0r	112.8r	98.9	167.1	98.8	146.6r
	II	115.0r	115.1r	100.1	168.3	98.6	146.4r
	III	117.0r	117.0r	100.0	169.9	98.7	145.2r
	IV	116.3r	116.5r	100.2	172.1	99.1	147.9r
	ANNUAL	115.6r	115.3r	99.8	169.4	98.8	146.5r
1985	I	116.8p	116.8p	100.0p	174.9p	99.9p	149.8p
Percent change from previous quarter at annual rate(5)							
1984	I	3.5r	12.6r	8.8	6.2	0.8	2.6r
	II	3.6r	8.4r	4.6	2.9	-0.8	-0.6r
	III	7.1r	6.8r	-0.2	3.7	0.1	-3.1r
	IV	-2.2r	-1.5r	0.7	5.2	1.6	7.6r
	ANNUAL	3.5r	10.5r	6.7	3.6	-0.6	0.1r
1985	I	1.6p	0.9p	-0.7p	6.8p	3.4p	5.1p
Percent change from corresponding quarter of previous year(6)							
1984	I	4.4r	14.5r	9.7	2.7	-1.7	-1.6r
	II	3.7r	12.4r	8.3	3.3	-1.0	-0.4r
	III	3.1r	9.1r	5.8	3.9	-0.3	0.8r
	IV	2.9r	6.4r	3.4	4.5	0.4	1.5r
	ANNUAL	3.5r	10.5r	6.7	3.6	-0.6	0.1r
1985	I	2.5p	3.6p	1.1p	4.7p	1.1p	2.1p

See footnotes following table 6.
 r=revised
 p=preliminary

April 25, 1985
 Source: Bureau of Labor Statistics

Table 4. Durable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted(11)

Year and quarter	Output per hour of all persons	Output (7)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost
Indexes 1977=100						
1984	I	115.2r	114.0r	98.9	165.8	143.9r
	II	116.1r	116.6r	100.4	167.0	143.8r
	III	118.3r	119.5r	101.0	168.1	142.0r
	IV	117.8r	119.5r	101.5	170.1r	144.4r
	ANNUAL	116.9r	117.4r	100.4	167.7r	143.5r
1985	I	118.7p	120.0p	101.1p	173.5p	146.1p
Percent change from previous quarter at annual rate(5)						
1984	I	7.7r	19.5r	10.9	6.1	-1.5r
	II	3.1	9.5	6.2	2.8	-0.3r
	III	7.9	10.2	2.1	2.6	-4.8
	IV	-1.9r	0.2r	2.1r	4.9r	6.9r
	ANNUAL	4.8r	14.4r	9.1	3.2	-1.6r
1985	I	3.3p	1.5p	-1.7p	8.3p	4.9p
Percent change from corresponding quarter of previous year(6)						
1984	I	6.2r	19.3r	12.3	2.2	-3.8r
	II	4.8r	16.5r	11.1	2.9	-1.8r
	III	4.3r	13.0r	8.4	3.4	-0.9r
	IV	4.1r	9.6r	5.3	4.1	0.0r
	ANNUAL	4.8r	14.4r	9.1r	3.2r	-1.6r
1985	I	3.0p	5.2p	2.1p	4.6p	1.6p

See footnotes following table 6.

r=revised
p=preliminary

April 25, 1985

Source: Bureau of Labor Statistics

Table 5. Nondurable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted(12)

Year and quarter	Output per hour of all persons	Output (7)	Hours of all persons	Compensation per hour(1)	Real compensation per hour(2)	Unit labor cost	
Indexes 1977=100							
1984	I	112.1r	111.0r	99.0	169.5	100.2	151.1r
	II	113.3r	112.8r	99.5	170.6	100.0	150.6r
	III	114.9r	113.3r	98.6	172.7	100.3	150.4r
	IV	114.1r	112.1r	98.2	175.1r	100.8	153.4r
	ANNUAL	113.6r	112.3r	98.9	171.9	100.3	151.4r
1985	I	113.8p	112.0p	98.5p	176.9p	101.0p	155.5p
Percent change from previous quarter at annual rate(5)							
1984	I	-2.7r	3.0r	5.8	5.8	0.5	8.7r
	II	4.3r	6.8r	2.4	2.7	-1.0	-1.5r
	III	5.7r	1.8r	-3.7	5.1	1.4	-0.6r
	IV	-2.7r	-4.1r	-1.5r	5.5	1.9	8.4r
	ANNUAL	1.5r	4.9r	3.3	3.8	-0.4	2.3r
1985	I	-1.1p	-0.2p	0.9p	4.3p	1.0p	5.5p
Percent change from corresponding quarter of previous year(6)							
1984	I	1.8r	7.9r	6.1	3.0	-1.4	1.2r
	II	2.0r	6.6r	4.5	3.3	-1.0	1.3r
	III	1.4r	3.4r	2.1	4.3	0.1	2.9r
	IV	1.1r	1.8r	0.7	4.8	0.7	3.6r
	ANNUAL	1.5r	4.9r	3.3	3.8	-0.4	2.3r
1985	I	1.5p	1.0p	-0.5p	4.4p	0.8p	2.9p

See footnotes following table 6.

r=revised
p=preliminary

April 25, 1985

Source: Bureau of Labor Statistics

Table 6. 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 compensation (1)	Real hourly compensation(2)	Unit labor cost	Unit non-labor cost(8)	Total unit cost (9)	Unit profits (10)	Implicit price deflator (4)	
Indexes 1977=100											
1983	I	104.0	107.5	103.4	159.2	98.4	153.1	167.0	156.7	92.5	149.4
	II	105.8	111.4	105.2	160.6	98.2	151.7	165.1	155.2	111.8	150.2
	III	107.2	114.7	106.9	161.8	97.9	150.9	164.4	154.4	126.6	151.2
	IV	107.2	117.0	109.2	162.6	97.4	151.7	163.3	154.7	135.9	152.6
	ANNUAL	106.1	112.6	106.2	161.0	97.9	151.8	164.9	155.2	117.2	150.9
1984	I	108.1	120.2	111.2	164.8	97.5	152.5	162.0	155.0	143.2	153.6
	II	108.9	123.1	113.1	165.8	97.2	152.3	162.8	155.0	151.1	154.6
	III	108.2	123.1	113.8	167.1	97.1	154.5	165.9	157.5	145.3	156.1
	IV	108.8p	124.7p	114.6p	168.7p	97.1p	155.0p	166.4p	158.0p	150.7p	157.1p
	ANNUAL	108.5	122.8	113.2	166.6	97.2	153.6	164.3r	156.4	147.6r	155.4
Percent change from previous quarter at annual rate(5)											
1983	I	3.2	4.4	1.2	3.9	3.5	0.7	-4.1	-0.7	124.6	4.7
	II	7.5	15.1	7.1	3.5	-0.8	-3.7	-4.5	-3.9	112.8	2.3
	III	5.3	12.4	6.7	3.1	-1.1	-2.1	-1.7	-2.0	64.8	2.8
	IV	-0.2	8.4	8.6	2.0	-2.1	2.1	-2.6	0.8	32.6	3.6
	ANNUAL	3.3	4.5	1.2	4.2	0.9	0.8	0.1	0.6	38.5	3.1
1984	I	3.6	11.6	7.7	5.7	0.4	2.0	-3.2	0.6	23.4	2.7
	II	2.8	9.8	6.8	2.4	-1.3	-0.4	2.0	0.2	23.8	2.6
	III	-2.5	0.2	2.8	3.2	-0.4	5.9	8.0	6.5	-14.5	3.9
	IV	2.5p	5.2p	2.6p	3.7p	0.2p	1.2p	1.1p	1.2p	16.0p	2.7p
	ANNUAL	2.3	9.0	6.6	3.5r	-0.8	1.1	-0.4r	0.7	25.9r	3.0
Percent change from corresponding quarter of previous year(6)											
1983	I	1.8	-1.1	-2.8	5.4	1.7	3.5	3.3	3.5	3.5	3.5
	II	3.7	3.1	-0.6	4.6	1.2	0.9	0.5	0.8	28.7	2.7
	III	3.8	6.3	2.4	3.6	1.0	-0.2	0.0	-0.2	46.3	3.0
	IV	3.9	10.0	5.9	3.1	-0.1	-0.8	-3.2	-1.5	79.8	3.3
	ANNUAL	3.3	4.5	1.2	4.2	0.9	0.8	0.1	0.6	38.5	3.1
1984	I	4.0	11.8	7.5	3.6	-0.9	-0.4	-3.0	-1.1	54.8	2.8
	II	2.9	10.5	7.5	3.3	-1.0	0.4	-1.4	-0.1	35.2	2.9
	III	0.9	7.4	6.4	3.3	-0.9	2.4	0.9	2.0	14.7	3.2
	IV	1.6p	6.6p	5.0p	3.8p	-0.3p	2.2p	1.9p	2.1p	10.9p	3.0p
	ANNUAL	2.3	9.0	6.6	3.5r	-0.8	1.1	-0.4r	0.7	25.9r	3.0

See footnotes following table 6.
r=revised
p=preliminary

April 25, 1985
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: Based on data covering the period from the first quarter of 1976 to the second quarter of 1984, the probability is 0.95 that the interval between -1.8 and 2.0 index points contains the revision of the index of productivity in the business sector from the first to the third quarterly publication of the estimate.

- (1) Wages and salaries of the 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) Quarterly changes: percent change compounded at annual rate from the original data rather than index numbers. Annual changes: percent change between annual average levels.
- (6) Quarterly changes: current quarter divided by comparable quarter a year ago. Annual changes: percent change between annual average levels.
- (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, and 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.

U.S. Department of Labor
Bureau of Labor Statistics
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