

# News

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Bureau of Labor Statistics

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## PRODUCTIVITY AND COSTS

Revised Fourth-Quarter and Annual Data for  
Business, Nonfarm Business, and Manufacturing and Preliminary  
1985 Annual Measures for Nonfinancial Corporations

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 fourth quarter of 1985 and for the year as a whole. Based on more complete information than was available on January 29, the revised measures of seasonally-adjusted annual rates of productivity change in the fourth quarter show larger declines in business and nonfarm business and somewhat smaller declines in manufacturing:

- 3.1 percent in the business sector,
- 3.1 percent in the nonfarm business sector,
- 1.0 percent in manufacturing,
- 1.3 percent in durable goods manufacturing, and
- 0.6 percent in nondurable goods manufacturing.

Fourth-quarter measures are summarized in table A and appear in detail in tables 1 through 5. The productivity change in 1985 (as measured by the change in annual averages) was 0.2 percent in business, -0.2 percent in nonfarm business, and 2.7 percent in manufacturing. Preliminary measures announced today for nonfinancial corporations indicate that productivity declined -0.1 percent in 1985 (tables B, C, and 6).

### Business

Productivity declined at a 3.1 percent annual rate during the fourth quarter of 1985, as output increased 1.1 percent while paid hours rose 4.3 percent (seasonally adjusted annual rates). This was the first quarter since the end of 1984 in which productivity declined and the largest drop since the fourth quarter of 1981, when it declined 5.5 percent (table 1).

Hourly compensation increased at a 3.4 percent annual rate in the fourth quarter, compared with a 4.2 percent rise during the third quarter. This measure, which includes wages and salaries, supplements, and employer payments for employee-benefit plans, grew more rapidly in the previous quarters of 1985. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 6.7 percent annual rate, the largest rise since the third quarter of 1982 when these costs rose 7.2 percent.

Table A. Productivity and costs: Revised fourth quarter 1985 measures  
(Seasonally adjusted annual rates)

| Sector                                      | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs |
|---|--------------|--------|-------|---------------------|--------------------------|------------------|
| REVISED                                     |              |        |       |                     |                          |                  |
| Percent change from preceding quarter       |              |        |       |                     |                          |                  |
| Business                                    | -3.1         | 1.1    | 4.3   | 3.4                 | -0.8                     | 6.7              |
| Nonfarm business                            | -3.1         | 1.5    | 4.7   | 3.3                 | -1.0                     | 6.6              |
| Manufacturing                               | -1.0         | 2.0    | 3.0   | 3.4                 | -0.9                     | 4.5              |
| Durable                                     | -1.3         | 1.5    | 2.8   | 5.1                 | 0.8                      | 6.5              |
| Nondurable                                  | -0.6         | 2.8    | 3.4   | 0.6                 | -3.6                     | 1.2              |
| Percent change from same quarter a year ago |              |        |       |                     |                          |                  |
| Business                                    | 0.1          | 2.4    | 2.3   | 4.2                 | 0.7                      | 4.1              |
| Nonfarm business                            | -0.4         | 2.5    | 2.9   | 3.7                 | 0.1                      | 4.1              |
| Manufacturing                               | 2.4          | 2.0    | -0.4  | 4.1                 | 0.5                      | 1.7              |
| Durable                                     | 2.3          | 1.3    | -1.0  | 4.9                 | 1.3                      | 2.5              |
| Nondurable                                  | 2.5          | 3.0    | 0.5   | 2.8                 | -0.7                     | 0.3              |

Real hourly compensation, which takes into account changes in the Consumer Price Index for All Urban Consumers (CPI-U), fell 0.8 percent in the fourth quarter of 1985, the first decline in a year. The increase in hours in the fourth quarter reflected the largest quarterly gain in employment in 1985 and the only increase in average weekly hours that year.

The implicit price deflator for the business sector, which reflects changes in unit labor costs and unit nonlabor payments, increased 2.4 percent in the fourth quarter, compared with a 2.0 percent increase during the third quarter.

#### Nonfarm business

Productivity declined 3.1 percent in the nonfarm business sector during the fourth quarter of 1985 as output rose 1.5 percent while hours of all persons engaged in the sector increased 4.7 percent (table 2). Although the productivity change was identical in the business and nonfarm business sectors in the fourth quarter, both output and hours advanced more rapidly in nonfarm business (table A).

Hourly compensation increased at a 3.3 percent annual rate in the nonfarm business sector, but declined 1.0 percent when the change in the CPI-U is taken into account. Unit labor costs rose at a 6.6 percent annual rate, the largest quarterly increase in this series since the third quarter of 1982 (when they rose 7.6 percent). As in the more comprehensive business sector, the increase in hours in the fourth quarter reflected the largest employment gain and the first increase in average weekly hours in 1985.

The implicit price deflator for nonfarm business output rose 1.4 percent in the fourth quarter of last year, the smallest quarterly gain since 1970.

### Manufacturing

Productivity declined at an 1.0 percent seasonally-adjusted annual rate in manufacturing in the fourth quarter of 1985, as output rose 2.0 percent and hours of all persons increased 3.0 percent. This decline was the first in manufacturing productivity in a year and the largest in 4 years (table 3). The fourth-quarter gain in paid hours in manufacturing was the first increase in 1985.

Hourly compensation increased at a 3.4 percent annual rate during the fourth quarter, but declined 0.9 percent when the increase in the CPI-U was taken into account, and unit labor costs rose 4.5 percent. During the second and third quarters, these costs declined.

Both durable and nondurable goods subsectors experienced productivity declines in the fourth quarter as hours advanced more rapidly than output (tables 4 and 5).

### Nonfinancial corporations

The Bureau of Labor Statistics also reported the annual change in productivity and related measures for nonfinancial corporations for 1985. According to preliminary measures, productivity declined 0.1 percent in 1985 as output increased 2.8 percent but hours of all employees gained 3.0 percent. This was the first annual decline in productivity in this sector since 1980 (when it dropped 0.7 percent). The gains in output and hours in 1985 were both smaller than the increases in 1984 (table 6). Hourly compensation rose 3.1 percent in 1985, but declined 0.4 percent when the increase in the CPI-U is taken into account, and unit labor costs rose 3.3 percent. Unit nonlabor costs rose 1.3 percent, while unit profits increased a modest 5.9 percent. During 1983 and 1984, unit profits gained 37.0 percent and 26.1 percent, respectively. Annual changes in productivity, output, and hours since 1975 are shown in table B.

### Revised measures

Revised productivity measures for the fourth quarter of 1985 show larger declines for business and nonfarm business than had been reported on January 29, based on information then available (table C). Output growth was less rapid than in the preliminary measures, while hours--particularly in the farm sector--rose more. In manufacturing, both output gains and increases in hours were larger in the revised measures, while the decline in productivity was somewhat less than in the preliminary release. Preliminary and revised measures are compared in table C.

Table B. Annual changes in productivity, output, and hours, 1975-85

| Measure                   | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|---------------------------|------|------|------|------|------|------|------|------|------|------|------|
| Business                  |      |      |      |      |      |      |      |      |      |      |      |
| Productivity              | 2.0  | 2.8  | 1.7  | 0.8  | -1.2 | -0.3 | 1.5  | -0.4 | 2.8  | 2.1  | 0.2  |
| Output                    | -2.1 | 5.8  | 5.8  | 5.8  | 1.9  | -1.1 | 2.1  | -3.1 | 4.3  | 8.2  | 2.7  |
| Hours                     | -4.0 | 2.9  | 4.0  | 4.9  | 3.2  | -0.8 | 0.7  | -2.7 | 1.5  | 6.0  | 2.4  |
| Nonfarm business          |      |      |      |      |      |      |      |      |      |      |      |
| Productivity              | 1.8  | 2.6  | 1.5  | 0.8  | -1.6 | -0.4 | 1.0  | -0.6 | 3.3  | 1.6  | -0.2 |
| Output                    | -2.3 | 6.0  | 5.9  | 5.9  | 1.8  | -1.1 | 1.7  | -3.3 | 5.0  | 8.0  | 2.7  |
| Hours                     | -4.0 | 3.4  | 4.3  | 5.1  | 3.5  | -0.7 | 0.7  | -2.7 | 1.6  | 6.3  | 2.8  |
| Manufacturing             |      |      |      |      |      |      |      |      |      |      |      |
| Productivity              | 2.5  | 4.6  | 3.0  | 1.5  | -0.1 | 0.0  | 2.2  | 2.2  | 6.6  | 4.9  | 2.7  |
| Output                    | -7.5 | 9.7  | 7.4  | 6.0  | 2.0  | -4.5 | 1.6  | -6.1 | 7.3  | 11.7 | 2.5  |
| Hours                     | -9.7 | 4.9  | 4.3  | 4.4  | 2.1  | -4.5 | -0.6 | -8.1 | 0.6  | 6.5  | -0.2 |
| Nonfinancial corporations |      |      |      |      |      |      |      |      |      |      |      |
| Productivity              | 2.2  | 1.8  | 1.6  | 0.6  | -0.8 | -0.7 | 0.6  | 0.7  | 3.6  | 2.1  | -0.1 |
| Output                    | -3.0 | 6.4  | 6.5  | 6.1  | 2.8  | -1.8 | 1.6  | -3.0 | 4.7  | 9.2  | 2.8  |
| Hours                     | -5.0 | 4.6  | 4.8  | 5.5  | 3.7  | -1.0 | 1.0  | -3.7 | 1.1  | 7.0  | 3.0  |

Quarterly changes in the CPI-U have been revised to reflect the most recent information on seasonal variation in this series. This index was affected from 1980 forward by the inclusion of the new data, and can be seen as revised changes in real hourly compensation in all sectors.

In addition, two other changes are introduced with the revised fourth-quarter 1985 measures. (1) A new method for measuring the labor input of 14- and 15-year-old workers has been adopted. These persons contributed less than 0.5 percent of business labor input in 1985. (2) An improved definition of farm workers has been introduced. The new classifications more nearly match the definition of farm activities (agricultural production: crops, and agricultural production: livestock). These definitional changes affected measures of labor input and associated series from 1983 forward, and related changes in the computation of seasonal adjustment factors resulted in small changes extending back to 1980.

Table C. Preliminary and revised productivity and related measures,  
fourth quarter and annual changes 1985  
(Seasonally adjusted annual rates)

| Sector                                | Productivity | Output | Hours | Hourly compensation | Real hourly compensation | Unit labor costs |
|---------------------------------------|--------------|--------|-------|---------------------|--------------------------|------------------|
| Percent change from preceding quarter |              |        |       |                     |                          |                  |
| Business:                             |              |        |       |                     |                          |                  |
| Preliminary                           | -1.3         | 2.5    | 3.9   | 4.1                 | 0.0                      | 5.5              |
| Revised                               | -3.1         | 1.1    | 4.3   | 3.4                 | -0.8                     | 6.7              |
| Nonfarm business:                     |              |        |       |                     |                          |                  |
| Preliminary                           | -1.8         | 2.6    | 4.5   | 3.5                 | -0.5                     | 5.4              |
| Revised                               | -3.1         | 1.5    | 4.7   | 3.3                 | -1.0                     | 6.6              |
| Manufacturing:                        |              |        |       |                     |                          |                  |
| Preliminary                           | -1.5         | 1.4    | 2.9   | 3.2                 | -0.8                     | 4.8              |
| Revised                               | -1.0         | 2.0    | 3.0   | 3.4                 | -0.9                     | 4.5              |
| Annual percent change, 1984 - 1985    |              |        |       |                     |                          |                  |
| Business:                             |              |        |       |                     |                          |                  |
| Preliminary                           | 0.3          | 2.8    | 2.4   | 4.0                 | 0.5                      | 3.7              |
| Revised                               | 0.2          | 2.7    | 2.4   | 4.1                 | 0.5                      | 3.8              |
| Nonfarm business:                     |              |        |       |                     |                          |                  |
| Preliminary                           | 0.0          | 2.8    | 2.8   | 3.7                 | 0.1                      | 3.7              |
| Revised                               | -0.2         | 2.7    | 2.8   | 3.7                 | 0.1                      | 3.9              |
| Manufacturing:                        |              |        |       |                     |                          |                  |
| Preliminary                           | 2.6          | 2.4    | -0.2  | 4.4                 | 0.8                      | 1.7              |
| Revised                               | 2.7          | 2.5    | -0.2  | 4.4                 | 0.8                      | 1.7              |

#### Next release date

The next release of productivity and cost measures is scheduled for 10:00 AM EST, Monday, April 28, 1986. Released at that time will be preliminary measures for the first quarter of 1986 for the business and manufacturing sectors, and preliminary fourth-quarter 1985 series for nonfinancial corporations.

## 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 these 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      | 104.9r                         | 117.1  | 111.6r               | 166.1r                   | 98.3r                         | 158.4r          | 153.4r                     | 156.6                      |
|  | II     | 105.5r                         | 119.2  | 113.0r               | 167.5r                   | 98.2r                         | 158.7r          | 156.8r                     | 158.0                      |
|  | III    | 105.3r                         | 119.6  | 113.6r               | 169.1r                   | 98.2r                         | 160.6r          | 157.3r                     | 159.4                      |
|  | IV     | 105.0r                         | 120.1  | 114.4r               | 170.4r                   | 98.1r                         | 162.3r          | 158.0r                     | 160.8                      |
|  | ANNUAL | 105.2r                         | 119.0  | 113.1r               | 168.2r                   | 98.2r                         | 159.9r          | 156.5r                     | 158.7                      |
| 1985   | I      | 105.3r                         | 121.2  | 115.1r               | 172.4r                   | 98.5r                         | 163.8           | 157.6                      | 161.6                      |
|  | II     | 105.5r                         | 121.9  | 115.6r               | 174.3r                   | 98.5r                         | 165.2r          | 158.2r                     | 162.7                      |
|  | III    | 105.9r                         | 122.6  | 115.8r               | 176.1r                   | 98.9r                         | 166.3r          | 158.6r                     | 163.5                      |
|  | IV     | 105.1r                         | 123.0r | 117.0r               | 177.6r                   | 98.7r                         | 169.0r          | 156.4r                     | 164.5r                     |
|  | ANNUAL | 105.4r                         | 122.2r | 115.9r               | 175.1r                   | 98.6r                         | 166.1r          | 157.7r                     | 163.1r                     |
| Percent change from previous quarter at annual rate(5)     |        |                                |        |                      |                          |                               |                 |                            |                            |
| 1984   | I      | 5.1r                           | 13.6   | 8.1r                 | 4.9r                     | -0.2r                         | -0.2r           | 13.5r                      | 4.4                        |
|  | II     | 2.5r                           | 7.5    | 4.9r                 | 3.3r                     | -0.3r                         | 0.8r            | 9.2r                       | 3.7                        |
|  | III    | -0.8r                          | 1.3    | 2.1r                 | 4.1r                     | 0.2r                          | 4.9r            | 1.3r                       | 3.6                        |
|  | IV     | -1.3r                          | 1.7    | 3.1r                 | 3.1r                     | -0.6r                         | 4.5             | 1.6                        | 3.5                        |
|  | ANNUAL | 2.1                            | 8.2    | 6.0                  | 3.9                      | -0.3r                         | 1.8             | 7.5r                       | 3.8                        |
| 1985   | I      | 1.0r                           | 3.6    | 2.5r                 | 4.8r                     | 1.5r                          | 3.7r            | -0.9r                      | 2.1                        |
|  | II     | 0.8r                           | 2.3    | 1.5r                 | 4.4r                     | 0.4r                          | 3.5r            | 1.4r                       | 2.8                        |
|  | III    | 1.6r                           | 2.5    | 0.9r                 | 4.2r                     | 1.6r                          | 2.5             | 1.1                        | 2.0                        |
|  | IV     | -3.1r                          | 1.1r   | 4.3r                 | 3.4r                     | -0.8r                         | 6.7r            | -5.4r                      | 2.4r                       |
|  | ANNUAL | 0.2r                           | 2.7r   | 2.4                  | 4.1r                     | 0.5                           | 3.8r            | 0.8r                       | 2.8r                       |
| Percent change from corresponding quarter of previous year |        |                                |        |                      |                          |                               |                 |                            |                            |
| 1984   | I      | 2.6r                           | 9.8    | 7.1                  | 3.7                      | -0.7r                         | 1.1             | 8.7                        | 3.7                        |
|  | II     | 2.0                            | 9.1    | 7.0                  | 3.7                      | -0.6                          | 1.7             | 8.2                        | 3.9                        |
|  | III    | 2.2                            | 7.9    | 5.6                  | 4.3                      | 0.1                           | 2.1             | 6.8                        | 3.7                        |
|  | IV     | 1.3                            | 5.9    | 4.5                  | 3.8                      | -0.2r                         | 2.5r            | 6.3r                       | 3.8                        |
|  | ANNUAL | 2.1                            | 8.2    | 6.0                  | 3.9                      | -0.3r                         | 1.8             | 7.5r                       | 3.8                        |
| 1985   | I      | 0.3r                           | 3.5    | 3.1r                 | 3.8r                     | 0.2r                          | 3.4r            | 2.7r                       | 3.2                        |
|  | II     | -0.1r                          | 2.2    | 2.3                  | 4.1r                     | 0.4                           | 4.1             | 0.9r                       | 3.0                        |
|  | III    | 0.5                            | 2.5    | 2.0                  | 4.1                      | 0.7                           | 3.6r            | 0.8                        | 2.6                        |
|  | IV     | 0.1r                           | 2.4r   | 2.3                  | 4.2                      | 0.7                           | 4.1r            | -1.0r                      | 2.3r                       |
|  | ANNUAL | 0.2r                           | 2.7r   | 2.4                  | 4.1r                     | 0.5                           | 3.8r            | 0.8r                       | 2.8r                       |

See footnotes following table 6.

r=revised  
p=preliminary

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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      | 104.0r                         | 117.1  | 112.6r               | 165.9                    | 98.1                          | 159.6r          | 152.5r                     | 157.1                      |
|  | II     | 104.5r                         | 119.2  | 114.0r               | 167.4                    | 98.1                          | 160.1r          | 156.3r                     | 158.8                      |
|  | III    | 104.2r                         | 119.5  | 114.7r               | 168.8                    | 98.0                          | 162.0r          | 157.6r                     | 160.5                      |
|  | IV     | 103.8r                         | 120.0  | 115.6r               | 170.1                    | 97.9                          | 163.9r          | 158.4r                     | 161.9                      |
|  | ANNUAL | 104.1r                         | 118.9  | 114.2r               | 168.0r                   | 98.0r                         | 161.4r          | 156.3r                     | 159.6                      |
| 1985   | I      | 104.1                          | 121.1  | 116.3                | 172.1                    | 98.3                          | 165.3           | 158.8                      | 163.0                      |
|  | II     | 104.2r                         | 121.8  | 116.9r               | 173.7                    | 98.2                          | 166.8r          | 160.2r                     | 164.5                      |
|  | III    | 104.3r                         | 122.6  | 117.5r               | 175.0r                   | 98.3                          | 167.8r          | 161.4r                     | 165.5                      |
|  | IV     | 103.4r                         | 123.0r | 118.9r               | 176.4r                   | 98.1r                         | 170.5r          | 158.0r                     | 166.1r                     |
|  | ANNUAL | 104.0r                         | 122.1r | 117.4r               | 174.3                    | 98.2                          | 167.6r          | 159.6r                     | 164.8                      |
| Percent change from previous quarter at annual rate(5)     |        |                                |        |                      |                          |                               |                 |                            |                            |
| 1984   | I      | 3.6r                           | 12.1   | 8.2r                 | 4.9r                     | -0.2r                         | 1.2r            | 4.9r                       | 2.4                        |
|  | II     | 2.2r                           | 7.2    | 4.9r                 | 3.6r                     | 0.0r                          | 1.3r            | 10.4r                      | 4.4                        |
|  | III    | -1.3r                          | 1.2    | 2.5r                 | 3.4                      | -0.4r                         | 4.8r            | 3.5r                       | 4.4                        |
|  | IV     | -1.3r                          | 1.8    | 3.1                  | 3.2r                     | -0.4r                         | 4.6r            | 1.9r                       | 3.6                        |
|  | ANNUAL | 1.6                            | 8.0    | 6.3                  | 3.7                      | -0.6r                         | 2.1r            | 6.2                        | 3.5                        |
| 1985   | I      | 1.0r                           | 3.6    | 2.6r                 | 4.7r                     | 1.4r                          | 3.6r            | 1.0r                       | 2.7                        |
|  | II     | 0.2r                           | 2.3    | 2.1r                 | 3.8                      | -0.2r                         | 3.6r            | 3.7r                       | 3.7                        |
|  | III    | 0.4r                           | 2.6    | 2.1r                 | 2.8                      | 0.3r                          | 2.4r            | 2.9r                       | 2.6                        |
|  | IV     | -3.1r                          | 1.5r   | 4.7r                 | 3.3r                     | -1.0r                         | 6.6r            | -8.2r                      | 1.4r                       |
|  | ANNUAL | -0.2r                          | 2.7r   | 2.8                  | 3.7                      | 0.1                           | 3.9r            | 2.1r                       | 3.3                        |
| Percent change from corresponding quarter of previous year |        |                                |        |                      |                          |                               |                 |                            |                            |
| 1984   | I      | 2.6                            | 10.3   | 7.5                  | 3.5                      | -1.0                          | 0.8r            | 7.9r                       | 3.1                        |
|  | II     | 1.7                            | 9.1    | 7.3r                 | 3.6                      | -0.7                          | 1.9r            | 6.4                        | 3.4                        |
|  | III    | 1.2                            | 7.3    | 6.0                  | 4.0                      | -0.2                          | 2.7             | 5.5                        | 3.7                        |
|  | IV     | 0.8                            | 5.5    | 4.6                  | 3.8                      | -0.3                          | 3.0r            | 5.1r                       | 3.7                        |
|  | ANNUAL | 1.6                            | 8.0    | 6.3                  | 3.7                      | -0.6r                         | 2.1r            | 6.2                        | 3.5                        |
| 1985   | I      | 0.1r                           | 3.4    | 3.3r                 | 3.7                      | 0.1r                          | 3.6r            | 4.1r                       | 3.8                        |
|  | II     | -0.4r                          | 2.2    | 2.6r                 | 3.8                      | 0.1                           | 4.2r            | 2.5r                       | 3.6                        |
|  | III    | 0.1                            | 2.6    | 2.5                  | 3.6                      | 0.3                           | 3.6r            | 2.4                        | 3.2                        |
|  | IV     | -0.4r                          | 2.5r   | 2.9r                 | 3.7                      | 0.1r                          | 4.1r            | -0.2r                      | 2.6r                       |
|  | ANNUAL | -0.2r                          | 2.7r   | 2.8                  | 3.7                      | 0.1                           | 3.9r            | 2.1r                       | 3.3                        |

See footnotes following table 6.

r=revised

p=preliminary

February 27, 1986

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 (6) | Hours of all persons | Compensation per hour(1) | Real compensation per hour(2) | Unit labor cost |
|--|--------|--------------------------------|------------|----------------------|--------------------------|-------------------------------|-----------------|
| Indexes 1977=100   |        |                                |            |                      |                          |                               |                 |
| 1984   | I      | 116.7r                         | 115.2      | 98.7                 | 166.7                    | 98.6                          | 142.8r          |
|  | II     | 117.8                          | 117.4      | 99.7                 | 168.1                    | 98.6r                         | 142.7r          |
|  | III    | 119.8r                         | 119.5      | 99.7r                | 169.9                    | 98.7                          | 141.9           |
|  | IV     | 119.5                          | 119.5      | 100.0r               | 171.8                    | 98.9                          | 143.7r          |
|  | ANNUAL | 118.5                          | 117.9      | 99.5                 | 169.1                    | 98.7                          | 142.8           |
| 1985   | I      | 119.9                          | 119.8      | 99.9                 | 174.3                    | 99.5r                         | 145.4           |
|  | II     | 121.7                          | 120.4      | 98.9                 | 176.1                    | 99.5                          | 144.7           |
|  | III    | 122.7                          | 121.3      | 98.9                 | 177.3                    | 99.6                          | 144.5           |
|  | IV     | 122.4r                         | 121.9r     | 99.6                 | 178.8r                   | 99.4                          | 146.1r          |
|  | ANNUAL | 121.7r                         | 120.9r     | 99.3                 | 176.6r                   | 99.5r                         | 145.1r          |
| Percent change from previous quarter at annual rate(5)     |        |                                |            |                      |                          |                               |                 |
| 1984   | I      | 7.4r                           | 16.1       | 8.2r                 | 5.6                      | 0.5r                          | -1.6r           |
|  | II     | 3.8r                           | 7.8        | 3.9r                 | 3.6                      | 0.0r                          | -0.2r           |
|  | III    | 6.8                            | 7.1        | 0.3                  | 4.3                      | 0.5r                          | -2.4r           |
|  | IV     | -0.9r                          | 0.3        | 1.2r                 | 4.4                      | 0.7r                          | 5.3             |
|  | ANNUAL | 4.9                            | 11.7       | 6.5                  | 3.7                      | -0.6                          | -1.2            |
| 1985   | I      | 1.3r                           | 0.9        | -0.5                 | 6.1                      | 2.8r                          | 4.7r            |
|  | II     | 6.1                            | 2.0        | -3.9                 | 4.0r                     | 0.0r                          | -2.0r           |
|  | III    | 3.2                            | 3.1        | -0.1                 | 2.7                      | 0.2r                          | -0.5r           |
|  | IV     | -1.0r                          | 2.0r       | 3.0r                 | 3.4r                     | -0.9r                         | 4.5r            |
|  | ANNUAL | 2.7r                           | 2.5r       | -0.2                 | 4.4                      | 0.8                           | 1.7             |
| Percent change from corresponding quarter of previous year |        |                                |            |                      |                          |                               |                 |
| 1984   | I      | 5.7                            | 15.7       | 9.4                  | 2.7                      | -1.7                          | -2.9            |
|  | II     | 5.3                            | 13.6       | 7.9                  | 3.4                      | -0.9                          | -1.8            |
|  | III    | 4.6                            | 10.3       | 5.5                  | 4.0                      | -0.2                          | -0.5            |
|  | IV     | 4.2                            | 7.7        | 3.3                  | 4.5                      | 0.4                           | 0.2r            |
|  | ANNUAL | 4.9                            | 11.7       | 6.5                  | 3.7                      | -0.6                          | -1.2            |
| 1985   | I      | 2.7                            | 4.0        | 1.2r                 | 4.6                      | 1.0                           | 1.8r            |
|  | II     | 3.3                            | 2.5        | -0.8                 | 4.7                      | 1.0                           | 1.4             |
|  | III    | 2.4                            | 1.6        | -0.8r                | 4.3                      | 0.9                           | 1.9r            |
|  | IV     | 2.4r                           | 2.0r       | -0.4                 | 4.1r                     | 0.5                           | 1.7             |
|  | ANNUAL | 2.7r                           | 2.5r       | -0.2                 | 4.4                      | 0.8                           | 1.7             |

See footnotes following table 6.

r=revised  
p=preliminary

February 27, 1986

Source: Bureau of Labor Statistics

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

| Year and quarter   |        | Output per hour of all persons | Output (6) | Hours of all persons | Compensation per hour(1) | Real compensation per hour(2) | Unit labor cost |
|--|--------|--------------------------------|------------|----------------------|--------------------------|-------------------------------|-----------------|
| Indexes 1977=100   |        |                                |            |                      |                          |                               |                 |
| 1984   | I      | 117.0r                         | 115.6      | 98.8                 | 165.5                    | 97.9r                         | 141.4r          |
|  | II     | 118.6                          | 118.8      | 100.1r               | 166.8r                   | 97.8r                         | 140.6           |
|  | III    | 121.1                          | 122.0      | 100.7                | 168.2                    | 97.7                          | 138.9           |
|  | IV     | 120.6r                         | 122.2      | 101.4                | 169.8                    | 97.7r                         | 140.9           |
|  | ANNUAL | 119.3                          | 119.7      | 100.3                | 167.6                    | 97.8                          | 140.4           |
| 1985   | I      | 121.3                          | 122.6      | 101.1                | 172.6                    | 98.6                          | 142.4r          |
|  | II     | 122.8                          | 122.8      | 100.0                | 174.3                    | 98.5                          | 141.9           |
|  | III    | 123.8r                         | 123.4      | 99.7                 | 175.9                    | 98.8                          | 142.1           |
|  | IV     | 123.4                          | 123.8r     | 100.4                | 178.1r                   | 99.0                          | 144.4r          |
|  | ANNUAL | 122.8                          | 123.1r     | 100.3                | 175.4                    | 98.8                          | 142.8           |
| Percent change from previous quarter at annual rate(5)     |        |                                |            |                      |                          |                               |                 |
| 1984   | I      | 11.4r                          | 23.4       | 10.8r                | 6.1                      | 0.9r                          | -4.8r           |
|  | II     | 5.6r                           | 11.2       | 5.3r                 | 3.2                      | -0.4r                         | -2.3r           |
|  | III    | 8.6r                           | 11.2       | 2.4r                 | 3.4                      | -0.4r                         | -4.8r           |
|  | IV     | -1.7r                          | 0.9        | 2.7r                 | 4.1r                     | 0.4r                          | 5.9r            |
|  | ANNUAL | 7.5                            | 17.1       | 8.9                  | 3.3                      | -0.9                          | -3.9            |
| 1985   | I      | 2.4r                           | 1.2        | -1.2r                | 6.7                      | 3.4r                          | 4.2r            |
|  | II     | 5.3                            | 0.7        | -4.3                 | 3.9                      | -0.1r                         | -1.3            |
|  | III    | 3.0                            | 1.9        | -1.1                 | 3.7                      | 1.2r                          | 0.7             |
|  | IV     | -1.3r                          | 1.5r       | 2.8r                 | 5.1r                     | 0.8r                          | 6.5r            |
|  | ANNUAL | 2.9                            | 2.9        | 0.0                  | 4.7r                     | 1.1r                          | 1.7             |
| Percent change from corresponding quarter of previous year |        |                                |            |                      |                          |                               |                 |
| 1984   | I      | 9.1                            | 22.3       | 12.1                 | 2.4                      | -2.0r                         | -6.2            |
|  | II     | 8.3                            | 19.9       | 10.7                 | 3.1                      | -1.2                          | -4.8            |
|  | III    | 7.1                            | 15.8       | 8.1                  | 3.6                      | -0.5                          | -3.3            |
|  | IV     | 5.9                            | 11.4       | 5.2                  | 4.2                      | 0.1                           | -1.6            |
|  | ANNUAL | 7.5                            | 17.1       | 8.9                  | 3.3                      | -0.9                          | -3.9            |
| 1985   | I      | 3.6                            | 6.0        | 2.3                  | 4.3                      | 0.7                           | 0.7             |
|  | II     | 3.6                            | 3.4        | -0.2                 | 4.5                      | 0.8                           | 0.9             |
|  | III    | 2.2                            | 1.2        | -1.0                 | 4.6                      | 1.2                           | 2.3             |
|  | IV     | 2.3r                           | 1.3        | -1.0r                | 4.9r                     | 1.3                           | 2.5r            |
|  | ANNUAL | 2.9                            | 2.9        | 0.0                  | 4.7r                     | 1.1r                          | 1.7             |

See footnotes following table 6.

r=revised

p=preliminary

February 27, 1986

Source: Bureau of Labor Statistics

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

| Year and quarter   |        | Output per hour of all persons | Output (6) | Hours of all persons | Compensation per hour(1) | Real compensation per hour(2) | Unit labor cost |
|--|--------|--------------------------------|------------|----------------------|--------------------------|-------------------------------|-----------------|
| Indexes 1977=100   |        |                                |            |                      |                          |                               |                 |
| 1984   | I      | 116.3r                         | 114.6      | 98.5                 | 168.8                    | 99.8                          | 145.1r          |
|  | II     | 116.6                          | 115.4      | 99.0                 | 170.4                    | 99.9                          | 146.1r          |
|  | III    | 117.8r                         | 115.8      | 98.3                 | 172.6                    | 100.3                         | 146.6r          |
|  | IV     | 117.9                          | 115.6      | 98.0                 | 174.6                    | 100.5                         | 148.1           |
|  | ANNUAL | 117.1                          | 115.4      | 98.5                 | 171.6                    | 100.1                         | 146.5           |
| 1985   | I      | 117.8                          | 115.7      | 98.2                 | 176.9                    | 101.0                         | 150.1           |
|  | II     | 120.0r                         | 116.8      | 97.4                 | 178.8                    | 101.1                         | 149.0r          |
|  | III    | 121.0                          | 118.2      | 97.7                 | 179.3                    | 100.7r                        | 148.2           |
|  | IV     | 120.8r                         | 119.1r     | 98.5                 | 179.6                    | 99.8r                         | 148.6r          |
|  | ANNUAL | 119.9r                         | 117.4r     | 98.0                 | 178.2                    | 100.4                         | 148.6r          |
| Percent change from previous quarter at annual rate(5)     |        |                                |            |                      |                          |                               |                 |
| 1984   | I      | 1.7                            | 6.2        | 4.4                  | 4.2                      | -0.8r                         | 2.6r            |
|  | II     | 1.1r                           | 2.9        | 1.8r                 | 3.9                      | 0.3r                          | 2.8r            |
|  | III    | 4.0r                           | 1.1        | -2.8r                | 5.4                      | 1.5r                          | 1.3r            |
|  | IV     | 0.4r                           | -0.7       | -1.1r                | 4.7                      | 1.0r                          | 4.3r            |
|  | ANNUAL | 1.3                            | 4.3        | 3.0                  | 3.7                      | -0.6                          | 2.3             |
| 1985   | I      | -0.2r                          | 0.4        | 0.6r                 | 5.3r                     | 2.0r                          | 5.4r            |
|  | II     | 7.4                            | 3.9        | -3.3r                | 4.4                      | 0.3r                          | -2.9r           |
|  | III    | 3.5                            | 5.0        | 1.4                  | 1.2                      | -1.3r                         | -2.2            |
|  | IV     | -0.6r                          | 2.8r       | 3.4r                 | 0.6r                     | -3.6r                         | 1.2r            |
|  | ANNUAL | 2.4r                           | 1.8r       | -0.5                 | 3.8                      | 0.3                           | 1.4r            |
| Percent change from corresponding quarter of previous year |        |                                |            |                      |                          |                               |                 |
| 1984   | I      | 1.3                            | 7.0        | 5.7r                 | 2.7                      | -1.7                          | 1.4             |
|  | II     | 1.2                            | 5.2        | 4.0                  | 3.3                      | -1.0                          | 2.1             |
|  | III    | 0.9                            | 2.7        | 1.8                  | 4.1                      | -0.1                          | 3.2             |
|  | IV     | 1.8r                           | 2.3        | 0.6                  | 4.6                      | 0.5                           | 2.7r            |
|  | ANNUAL | 1.3                            | 4.3        | 3.0                  | 3.7                      | -0.6                          | 2.3             |
| 1985   | I      | 1.3r                           | 0.9        | -0.4r                | 4.8                      | 1.2                           | 3.5             |
|  | II     | 2.9                            | 1.2        | -1.6                 | 4.9                      | 1.2                           | 2.0             |
|  | III    | 2.8                            | 2.2        | -0.6                 | 3.9                      | 0.5                           | 1.1             |
|  | IV     | 2.5r                           | 3.0r       | 0.5                  | 2.8                      | -0.7                          | 0.3r            |
|  | ANNUAL | 2.4r                           | 1.8r       | -0.5                 | 3.8                      | 0.3                           | 1.4r            |

See footnotes following table 6.

r=revised  
p=preliminary

February 27, 1986

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 (7) | Total unit cost (8) | Unit profits (9) | Implicit price deflator (4) |
|--|------------------------------|--------|----------------|-------------------------|------------------------------|-----------------|-------------------------|---------------------|------------------|-----------------------------|
| Indexes 1977=100   |                              |        |                |                         |                              |                 |                         |                     |                  |                             |
| 1984   | I                            | 106.2  | 118.9          | 112.0                   | 164.2                        | 97.1            | 154.7                   | 172.3               | 159.1            | 132.9                       |
|  | II                           | 106.7  | 121.1          | 113.5r                  | 165.6r                       | 97.1r           | 155.1                   | 174.0               | 159.9            | 139.1                       |
|  | III                          | 106.1r | 121.4          | 114.5                   | 166.8r                       | 96.9r           | 157.2                   | 177.0               | 162.2            | 134.3                       |
|  | IV                           | 105.8  | 122.2          | 115.5                   | 167.9                        | 96.7            | 158.7                   | 177.9               | 163.6            | 135.9                       |
|  | ANNUAL                       | 106.2r | 120.9          | 113.9                   | 166.1r                       | 96.9            | 156.4                   | 175.3               | 161.2            | 135.6                       |
| 1985   | I                            | 105.8  | 123.2          | 116.4                   | 169.4r                       | 96.7            | 160.0                   | 177.6               | 164.4            | 138.3                       |
|  | II                           | 105.8r | 123.7          | 117.0                   | 170.8r                       | 96.6r           | 161.5                   | 178.6               | 165.8            | 139.1                       |
|  | III                          | 106.5  | 124.9          | 117.3                   | 172.0r                       | 96.6            | 161.5                   | 177.2               | 165.5            | 150.2                       |
|  | IV                           | N.A.   | N.A.           | N.A.                    | N.A.                         | N.A.            | N.A.                    | N.A.                | N.A.             | N.A.                        |
|  | ANNUAL                       | 106.0p | 124.3p         | 117.2p                  | 171.3p                       | 96.5p           | 161.6p                  | 177.7p              | 165.6p           | 143.5p                      |
| Percent change from previous quarter at annual rate(5)     |                              |        |                |                         |                              |                 |                         |                     |                  |                             |
| 1984   | I                            | 4.7    | 13.9           | 8.8                     | 4.4                          | -0.7r           | -0.3                    | -3.2                | -1.1             | 32.0                        |
|  | II                           | 2.1r   | 7.8            | 5.6r                    | 3.4r                         | -0.2r           | 1.2                     | 4.0                 | 2.0              | 19.7                        |
|  | III                          | -2.3   | 1.0            | 3.4                     | 3.0                          | -0.8r           | 5.5                     | 7.1                 | 5.9              | -13.0                       |
|  | IV                           | -1.1r  | 2.5            | 3.6r                    | 2.8r                         | -0.8r           | 3.9                     | 2.0                 | 3.4              | 4.9                         |
|  | ANNUAL                       | 2.1    | 9.2            | 7.0                     | 3.4                          | -0.8            | 1.2                     | -0.5                | 0.8              | 26.1                        |
| 1985   | I                            | 0.1    | 3.2            | 3.0r                    | 3.4                          | 0.2r            | 3.2                     | -0.8                | 2.1              | 7.2                         |
|  | II                           | -0.2r  | 1.9            | 2.2r                    | 3.5r                         | -0.5r           | 3.8                     | 2.4                 | 3.4              | 2.2                         |
|  | III                          | 2.8    | 3.8            | 1.0                     | 2.8                          | 0.2r            | 0.0                     | -3.2                | -0.9             | 36.0                        |
|  | IV                           | N.A.   | N.A.           | N.A.                    | N.A.                         | N.A.            | N.A.                    | N.A.                | N.A.             | N.A.                        |
|  | ANNUAL                       | -0.1p  | 2.8p           | 3.0p                    | 3.1p                         | -0.4p           | 3.3p                    | 1.3p                | 2.7p             | 5.9p                        |
| Percent change from corresponding quarter of previous year |                              |        |                |                         |                              |                 |                         |                     |                  |                             |
| 1984   | I                            | 3.5    | 11.8           | 8.0                     | 3.1                          | -1.3            | -0.4                    | -3.0                | -1.1             | 52.8                        |
|  | II                           | 2.9    | 10.9           | 7.8                     | 3.4                          | -0.9            | 0.5                     | -1.6                | -0.1             | 34.9                        |
|  | III                          | 1.5    | 8.3            | 6.7r                    | 3.7                          | -0.5            | 2.2                     | 0.2                 | 1.7              | 17.4                        |
|  | IV                           | 0.8    | 6.2            | 5.3                     | 3.4                          | -0.6            | 2.6                     | 2.4                 | 2.5              | 9.6                         |
|  | ANNUAL                       | 2.1    | 9.2            | 7.0                     | 3.4                          | -0.8            | 1.2                     | -0.5                | 0.8              | 26.1                        |
| 1985   | I                            | -0.3   | 3.6            | 3.9                     | 3.1                          | -0.4            | 3.5                     | 3.0                 | 3.3              | 4.0                         |
|  | II                           | -0.9   | 2.2            | 3.1                     | 3.2                          | -0.5            | 4.1                     | 2.7                 | 3.7              | 0.0                         |
|  | III                          | 0.4    | 2.9            | 2.5                     | 3.1                          | -0.2            | 2.7                     | 0.1                 | 2.0              | 11.8                        |
|  | IV                           | N.A.   | N.A.           | N.A.                    | N.A.                         | N.A.            | N.A.                    | N.A.                | N.A.             | N.A.                        |
|  | ANNUAL                       | -0.1p  | 2.8p           | 3.0p                    | 3.1p                         | -0.4p           | 3.3p                    | 1.3p                | 2.7p             | 5.9p                        |

See footnotes following table 6.

r=revised

p=preliminary

N/A = not available

February 27, 1986

Source: Bureau of Labor Statistics

SOURCES: 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: Productivity and cost measures are regularly revised as more complete information becomes available. Preliminary results are published 30 days after the close of the reference period; revisions appear 30 days later, and second revisions after an additional 60 days. In the business sector, the probability is 0.95 that the third publication (second revision) of a quarterly index of output per hour of all persons will differ from the preliminary value by between -1.7 and +1.9 index points. This interval is based on the performance of this measure between the first quarter of 1976 and the second quarter of 1985.

Footnotes, Tables 1-6

- (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) Unit nonlabor payments include profits, capital consumption allowances interest, rental payments, 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 manufacturing output measures are based on the index of industrial production prepared monthly by the Board of Governors of the Federal Reserve adjusted by BLS to annual manufacturing output levels (gross product originating) from the National Income and Product Accounts prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce.
- (7) Unit nonlabor cost includes capital consumption allowances, interest, rental payments, and indirect taxes.
- (8) Total unit cost is the sum of labor and nonlabor costs.
- (9) Unit profits include corporate profits with inventory valuation and capital consumption adjustments.