

# News

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## **PRODUCTIVITY AND COSTS**

Second Quarter 2005, revised

The Bureau of Labor Statistics of the U.S. Department of Labor today reported revised productivity data—as measured by output per hour of all persons—for the second quarter of 2005. The seasonally adjusted annual rates of productivity change in the second quarter were:

0.7 percent in the business sector and  
1.8 percent in the nonfarm business sector.

In both sectors, increases in productivity were smaller than reported on Aug. 9, as output was revised down and hours were revised up. (See table C.)

In manufacturing, the revised productivity changes in the second quarter were:

3.6 percent in manufacturing,  
3.3 percent in durable goods manufacturing, and  
4.4 percent in nondurable goods manufacturing.

In total manufacturing, the change in productivity was revised down from a preliminary estimate of 4.1 percent. Output and hours in manufacturing, which includes about 13 percent of U.S. business-sector employment, tend to vary more from quarter to quarter than data for the aggregate business and nonfarm business sectors. Second-quarter measures are summarized in table A and appear in detail in tables 1 through 5; the differences between these measures and the preliminary second-quarter figures issued on Aug. 9 are shown in table C.

The data sources and methods used in the preparation of the manufacturing series differ from those used in preparing the business and nonfarm business series, and these measures are not directly comparable. Output measures for business and nonfarm business are based on measures of gross domestic product prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce. Quarterly output measures for manufacturing reflect indexes of industrial production independently prepared by the Board of Governors of the Federal Reserve System. See Technical Notes for further information on data sources (page 7).

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	0.7	4.0	3.2	3.3	-0.8	2.6
Nonfarm business	1.8	4.1	2.2	4.4	0.2	2.5
Manufacturing	3.6	0.8	-2.7	8.4	4.1	4.7
Durable	3.3	1.5	-1.8	8.2	3.9	4.8
Nondurable	4.4	0.0	-4.2	8.6	4.3	4.0
Percent change from same quarter a year ago						
Business	2.0	4.1	2.0	6.4	3.4	4.3
Nonfarm business	2.2	4.2	2.0	6.5	3.5	4.2
Manufacturing	4.6	3.3	-1.3	9.1	6.0	4.3
Durable	5.3	4.7	-0.5	9.0	5.9	3.5
Nondurable	4.1	1.5	-2.5	9.2	6.1	4.9

## Business

From the first quarter to the second quarter of 2005, productivity in the business sector grew 0.7 percent as output increased 4.0 percent and hours worked by all persons engaged in the sector—employees, proprietors, and unpaid family workers—rose 3.2 percent (tables A and 1). The productivity increase is less than those posted for the previous five quarters; it is the smallest increase since a 0.3-percent rise was posted in the fourth quarter of 2003 (seasonally adjusted annual rates).

Hourly compensation in the business sector increased 3.3 percent in the second quarter of 2005 and 4.7 percent one quarter earlier (as revised). Hourly compensation includes wages and salaries, supplements, employer contributions to employee benefit plans, and taxes. Real hourly compensation, which takes into account changes in consumer prices, fell 0.8 percent in the second quarter of 2005 after growing by 2.3 percent in the first quarter of the year.

Unit labor costs rose 2.6 percent in the second quarter of 2005. Although hourly compensation rose more in the first quarter 2005 than in the second quarter, the larger increase in labor productivity in the first quarter offset more of the increase in labor costs and unit labor costs in the first quarter grew more slowly, 1.7 percent, than the 2.6-percent increase in the second quarter. The implicit price deflator for the business sector rose 2.4 percent in the second quarter and 2.7 percent in the first quarter.

### **Nonfarm business**

Productivity in the nonfarm business sector grew at a 1.8 percent annual rate in the second quarter of 2005, reflecting increases of 4.1 percent in output and 2.2 percent in hours of all persons (tables A and 2). The second quarter increase was one of the smaller increases posted in the nonfarm business sector since the business-cycle peak in the first quarter of 2001; productivity growth over the period has risen at an average annual rate of 3.5 percent.

Hourly compensation rose 4.4 percent in the second quarter of 2005, following a 5.5 percent advance in the first quarter. When the rise in consumer prices was taken into account, real hourly compensation edged up 0.2 percent in the second quarter of 2005.

Unit labor costs increased 2.5 percent in the second quarter of 2005, somewhat more than the 2.2-percent increase posted in the first quarter of the year. The implicit price deflator for nonfarm business output rose 2.4 percent in the second quarter of 2005 and 3.0 percent one quarter earlier.

### **Manufacturing**

In the second quarter of 2005, productivity increased 3.6 percent in manufacturing, as output increased 0.8 percent and hours of all persons fell 2.7 percent (seasonally adjusted annual rates). In the durable goods sector, productivity grew 3.3 percent in the second quarter of 2005, reflecting an increase in output of 1.5 percent and a drop in hours of 1.8 percent. In nondurable goods, output per hour rose 4.4 percent as output was unchanged and hours declined 4.2 percent (tables 3, 4, and 5). Hours of all persons in the nondurable manufacturing sector have declined in every quarter since the third quarter of 1999.

The hourly compensation of all manufacturing workers increased 8.4 percent during the second quarter of 2005, reflecting an 8.2-percent rise in hourly compensation in durable goods industries and an 8.6-percent increase in the nondurable goods sector. Real hourly compensation in the total manufacturing sector rose 4.1 in the second quarter and 4.6 percent one quarter earlier.

Unit labor costs in manufacturing increased 4.7 percent in the second quarter of 2005, more than they had in the first quarter, when they rose 2.8 percent. Unit labor costs grew 4.8 percent in durable goods and 4.0 percent in nondurable goods in the second quarter of 2005.

## Nonfinancial corporations

Preliminary second quarter 2005 measures of productivity and costs were reported today for nonfinancial corporations (tables B and 6). Productivity increased 6.8 percent during the second quarter, reflecting a 9.5-percent rise in output and 2.6 percent growth in employee hours (seasonally adjusted annual rates). In the first quarter of 2005, output per hour rose 2.7 percent (as revised), reflecting increases of 3.3 percent in output and 0.5 percent in employee hours. Nonfinancial corporations include all corporations doing business in the United States except those classified as offices in the finance and insurance sector, offices of bank holding companies, or offices of other holding companies.

Table B. Nonfinancial corporations: Preliminary second-quarter 2005 productivity and cost measures (Seasonally adjusted annual rates)								
Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
Percent change from preceding quarter								
2005 II	6.8	9.5	2.6	4.0	-0.1	-2.6	43.2	1.3
Percent change from same quarter a year ago								
2005 II	6.3	8.0	1.6	6.7	3.6	0.3	14.9	0.8

Hourly compensation rose 4.0 percent in the second quarter of 2005, following a 5.9 percent gain in the first quarter. When the rise in consumer prices is taken into account, real hourly compensation was little changed in the second quarter and rose 3.5 percent one quarter earlier.

Unit labor costs for nonfinancial corporations dropped 2.6 percent in the second quarter after increasing by 3.1 percent in the first quarter. Unit profits grew 43.2 percent in second quarter, 2005, the largest one-quarter increase since a 51.0 percent rise in the fourth quarter of 2002. The implicit price deflator for nonfinancial corporate output rose 1.3 percent in the second quarter of 2005.

## Revised Measures

Current and previous measures for the second quarter of 2005 for the business, nonfarm business, and manufacturing sectors are compared in table C. The quarterly movements differ from those reported on Aug. 9 based on information then available. In the business and nonfarm business sectors and the manufacturing sector, productivity and output were revised down and hours of all persons were revised up. Hourly compensation and unit labor costs in all of these sectors were revised up.

Table C. Business, nonfarm business, and manufacturing: Previous and revised productivity and related measures (Quarterly percent changes at seasonally adjusted annual rates)						
Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Second quarter 2005						
Business:						
Previous .....	1.2	4.2	3.0	2.5	-1.6	1.4
Revised.....	0.7	4.0	3.2	3.3	-0.8	2.6
Nonfarm business:						
Previous .....	2.2	4.4	2.1	3.5	-0.6	1.3
Revised.....	1.8	4.1	2.2	4.4	0.2	2.5
Manufacturing:						
Previous .....	4.1	1.2	-2.8	6.6	2.3	2.3
Revised.....	3.6	0.8	-2.7	8.4	4.1	4.7
First quarter 2005						
Business:						
Previous .....	2.9	4.4	1.4	6.2	3.7	3.2
Revised.....	2.9	4.4	1.4	4.7	2.3	1.7
Nonfarm business:						
Previous .....	3.2	4.3	1.1	6.9	4.5	3.6
Revised.....	3.2	4.3	1.1	5.5	3.1	2.2
Manufacturing:						
Previous .....	4.2	3.5	-0.7	7.1	4.7	2.8
Revised.....	4.2	3.5	-0.7	7.1	4.6	2.8

Hourly compensation growth in the first quarter also was revised to reflect new estimates of compensation. In the business and nonfarm business sectors, hourly compensation grew more slowly in the first quarter than reported in August. As a result, unit labor costs in these sectors now grow less than previously reported. In the manufacturing sector, hourly compensation data for the first quarter are similar to those reported earlier.

## Revised Measures: Nonfinancial Corporations

Data for the first quarter of 2005 were revised for the nonfinancial corporate sector. Productivity, output, hourly compensation, and unit labor costs grew more slowly than reported on August 9.

Table D. Nonfinancial corporations: Previous and revised productivity and cost measures (Quarterly percent changes at seasonally adjusted annual rates)								
	Produc- tivity	Output	Hours	Hourly compen- sation	Real hourly compen- sation	Unit labor costs	Unit profits	Implicit price deflator
First quarter 2005								
Previous .....	3.6	4.1	0.5	7.3	4.8	3.5	6.2	2.2
Revised.....	2.7	3.3	0.5	5.9	3.5	3.1	7.1	2.2

### Next release date

The next release of **Productivity and Costs** is scheduled for **8:30 AM EST, Thursday, Nov. 3, 2005**. Preliminary third-quarter measures for business, nonfarm business, and manufacturing will be released at that time.

The index numbers and rates of change reported by BLS for productivity and costs in its news release and on its Internet site are rounded to one decimal place, based upon unrounded data using many decimal places. This rounding protocol has been practiced in order to facilitate ease of use and interpretation of the published data. This has meant, however, that if data users calculated rates of change using the published rounded index figures, their results could differ from the published rates of change, simply due to differences in rounding.

In order to make the data directly used in the calculations more readily available to the public and to ensure greater transparency of its calculating methods, BLS, beginning with the December 6, 2005 publication of the quarterly "Productivity and Costs" news release, will modify its productivity program practices. It will post on its web site productivity index numbers rounded to three decimal places, and, in addition, will calculate all published rates of change from those indexes. The change in calculation method may cause published productivity growth rates to change slightly—likely by no more than a tenth—from the rates that would have been calculated using the current method. The convention of publishing in the news release index values rounded to one decimal place will continue.

## TECHNICAL NOTES

**Labor Hours:** Hours data for the labor productivity and cost measures include hours for all persons working in the sector—wage and salary workers, the self-employed, and unpaid family workers. The primary source of hours and employment data is the BLS Current Employment Statistics (CES) program, which provides monthly survey data on the number of jobs held by wage and salary workers in nonfarm establishments. The CES also provides average weekly paid hours of production and nonsupervisory workers in these establishments. Weekly paid hours are adjusted to hours at work using data from the National Compensation Survey (NCS). The BLS Hours at Work survey, conducted for this purpose, was used for years prior to 2001. The Office of Productivity and Technology estimates average weekly hours at work for nonproduction and supervisory workers using information from the Current Population Survey (CPS), the CES, and the NCS.

Data from the CPS are used for farm labor, nonfarm proprietors, and nonfarm unpaid family workers. Estimates of labor input for government enterprises are derived from the CPS, the CES, and the National Income and Product Accounts (NIPA) prepared by the Bureau of Economic Analysis (BEA) of the Department of Commerce.

**Output:** Business sector output is an annual-weighted index constructed after excluding from gross domestic product (GDP) the following outputs: general government, nonprofit institutions, and private households (including owner-occupied housing). Corresponding exclusions also are made in labor inputs. Business output accounted for about 78 percent of the value of GDP in 2000. Nonfarm business, which also excludes farming, accounted for about 77 percent of GDP in 2000.

Annual indexes for manufacturing and its durable and nondurable goods components are constructed by deflating current-dollar industry value of production data from the U.S. Bureau of the Census with deflators from the BEA. These deflators are based on data from the BLS producer price program and other sources. The industry shipments are aggregated using annual weights, and intrasector transactions are removed. Quarterly manufacturing output measures are based on the index of industrial production prepared monthly by the Board of Governors of the Federal Reserve System, adjusted to be consistent

with annual indexes of manufacturing sector output prepared by BLS. Durables include the following 3-digit NAICS industries: wood product manufacturing; nonmetallic mineral product manufacturing; primary metal manufacturing; fabricated metal product manufacturing; machinery manufacturing; computer and electronic product manufacturing; electrical equipment and appliance manufacturing; transportation equipment manufacturing; furniture and related product manufacturing; and miscellaneous manufacturing. Nondurables include: food manufacturing; beverage and tobacco product manufacturing; textile mills; textile product mills; apparel manufacturing; leather and allied product manufacturing; paper manufacturing; printing and related support activities; petroleum and coal products manufacturing; chemical manufacturing; and plastics and rubber products manufacturing.

Nonfinancial corporate output is an annual-weighted index calculated on the basis of the costs incurred and the incomes earned from production. The output measure excludes the following outputs from GDP: general government; nonprofit institutions; private households; unincorporated business; and those corporations classified as offices of bank holding companies, offices of other holding companies, or offices in the finance and insurance sector. Nonfinancial corporations accounted for about 54 percent of the value of GDP in 2000.

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

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

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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	Unit non-labor payments (3)	Implicit price deflator (4)	
Indexes 1992=100									
2003	I	125.6	144.6	115.2	147.8	115.5	117.7	116.4	117.2
	II	127.9	146.4	114.5	150.3	117.3	117.5	117.2	117.4
	III	130.5	149.8	114.8	152.0	118.0	116.4	120.3	117.9
	IV	130.6	150.8	115.5	152.8	118.4	117.0	120.5	118.3
	ANNUAL	128.6	147.9	115.0	150.7	117.3	117.2	118.6	117.7
2004	I	131.7	152.6	115.9	154.4	118.5	117.3	123.0	119.4
	II	132.8	154.1	116.1	155.7	118.2	117.2	126.1	120.5
	III	133.3	155.8	116.9	158.2	119.6	118.7	124.2	120.7
	IV	134.3	157.2	117.1	162.5	121.8	121.0	122.3	121.5
	ANNUAL	133.0	154.9	116.5	157.7	119.5	118.6	123.9	120.6
2005	I	135.3	158.9	117.5	r164.4	r122.5	r121.5	r123.6	122.3
	II	r135.5	r160.4	r118.4	r165.7	r122.2	122.3	r124.3	123.0
Percent change from previous quarter at annual rate(5)									
2003	I	2.8	1.7	-1.1	5.5	1.3	2.6	0.5	1.8
	II	7.6	4.9	-2.6	7.0	6.5	-0.6	2.8	0.6
	III	8.4	9.9	1.3	4.5	2.3	-3.6	10.7	1.5
	IV	0.3	2.6	2.3	2.3	1.4	2.1	0.9	1.6
	ANNUAL	3.9	3.4	-0.5	3.9	1.6	0.0	3.7	1.4
2004	I	3.4	4.9	1.5	4.2	0.3	0.8	8.6	3.7
	II	3.4	4.0	0.6	3.3	-1.0	-0.1	10.3	3.8
	III	1.4	4.4	3.0	6.5	4.8	5.0	-5.8	0.7
	IV	3.1	3.6	0.5	11.3	7.5	7.9	-6.0	2.4
	ANNUAL	3.4	4.8	1.3	4.6	1.9	1.2	4.4	2.4
2005	I	2.9	4.4	1.4	r4.7	r2.3	r1.7	r4.4	2.7
	II	r0.7	r4.0	r3.2	r3.3	r-0.8	r2.6	r2.1	r2.4
Percent change from corresponding quarter of previous year									
2003	I	2.4	2.0	-0.4	3.0	0.1	0.6	2.7	1.4
	II	3.8	2.6	-1.1	3.6	1.4	-0.2	3.9	1.3
	III	4.7	4.2	-0.5	4.3	2.0	-0.4	4.6	1.4
	IV	4.7	4.7	0.0	4.8	2.9	0.1	3.7	1.4
	ANNUAL	3.9	3.4	-0.5	3.9	1.6	0.0	3.7	1.4
2004	I	4.9	5.5	0.6	4.5	2.6	-0.4	5.7	1.9
	II	3.8	5.3	1.4	3.6	0.8	-0.2	7.6	2.7
	III	2.1	4.0	1.8	4.1	1.4	1.9	3.3	2.4
	IV	2.8	4.2	1.4	6.3	2.8	3.4	1.5	2.6
	ANNUAL	3.4	4.8	1.3	4.6	1.9	1.2	4.4	2.4
2005	I	2.7	4.1	1.3	r6.4	r3.3	r3.6	r0.5	2.4
	II	r2.0	r4.1	2.0	r6.4	r3.4	4.3	r-1.4	r2.1

See footnotes following Table 6.  
r=revisedSept. 7, 2005  
Source: Bureau of Labor Statistics



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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	Unit non-labor payments (3)	Implicit price deflator (4)
Indexes 1992=100								
2003	I	124.9	144.8	115.9	147.0	114.9	117.7	118.2
	II	126.9	146.5	115.4	149.3	116.5	117.6	118.7
	III	129.9	150.2	115.6	151.2	117.4	116.4	121.6
	IV	130.1	151.2	116.2	152.2	117.9	116.9	121.3
	ANNUAL	128.0	148.2	115.8	149.9	116.7	117.1	120.0
2004	I	130.8	152.8	116.8	153.5	117.8	117.3	123.5
	II	132.2	154.5	116.8	154.9	117.6	117.1	126.5
	III	132.7	156.3	117.8	157.2	118.8	118.5	125.3
	IV	133.5	157.7	118.2	161.0	120.7	120.7	123.7
	ANNUAL	132.3	155.3	117.4	156.7	118.7	118.4	124.7
2005	I	134.5	159.4	118.5	r163.2	r121.6	r121.3	r125.0
	II	r135.1	r161.0	r119.2	r165.0	r121.7	122.1	r125.7
Percent change from previous quarter at annual rate(5)								
2003	I	3.1	2.0	-1.1	5.8	1.5	2.6	0.8
	II	6.6	4.7	-1.8	6.2	5.8	-0.3	1.7
	III	9.6	10.4	0.8	5.1	2.9	-4.1	10.2
	IV	0.8	2.8	2.0	2.7	1.8	2.0	-1.1
	ANNUAL	3.8	3.3	-0.5	4.0	1.6	0.2	3.2
2004	I	2.1	4.2	2.0	3.5	-0.5	1.3	7.4
	II	4.5	4.6	0.1	3.7	-0.7	-0.8	10.0
	III	1.3	4.6	3.3	6.1	4.4	4.7	-3.6
	IV	2.5	3.9	1.4	10.2	6.4	7.6	-5.1
	ANNUAL	3.4	4.8	1.4	4.5	1.8	1.1	3.9
2005	I	3.2	4.3	1.1	r5.5	r3.1	r2.2	r4.4
	II	r1.8	r4.1	r2.2	r4.4	r0.2	r2.5	r2.3
Percent change from corresponding quarter of previous year								
2003	I	2.0	1.7	-0.4	3.0	0.1	1.0	2.7
	II	3.5	2.5	-0.9	3.5	1.3	0.1	3.2
	III	4.8	4.2	-0.5	4.4	2.1	-0.4	4.1
	IV	5.0	4.9	0.0	5.0	3.0	0.0	2.8
	ANNUAL	3.8	3.3	-0.5	4.0	1.6	0.2	3.2
2004	I	4.7	5.5	0.7	4.4	2.5	-0.3	4.5
	II	4.2	5.5	1.2	3.7	0.9	-0.4	6.5
	III	2.2	4.0	1.9	4.0	1.2	1.8	3.0
	IV	2.6	4.3	1.7	5.8	2.4	3.2	1.9
	ANNUAL	3.4	4.8	1.4	4.5	1.8	1.1	3.9
2005	I	2.9	4.4	1.5	r6.3	r3.3	r3.4	r1.2
	II	r2.2	r4.2	2.0	r6.5	r3.5	r4.2	r-0.6

See footnotes following Table 6.  
r=revised

Sept. 7, 2005  
Source: Bureau of Labor Statistics

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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	
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Indexes 1992=100							
2003	I	151.6	131.8	86.9	156.5	122.3	103.2
	II	152.9	130.7	85.5	159.2	124.3	104.1
	III	156.9	132.1	84.2	161.5	125.4	102.9
	IV	158.1	134.2	84.9	163.2	126.5	103.2
	ANNUAL	154.8	132.2	85.4	160.1	124.6	103.4
2004	I	159.3	136.0	85.4	159.1	122.1	99.9
	II	162.2	138.0	85.1	161.1	122.3	99.3
	III	164.0	139.4	85.0	164.9	124.7	100.6
	IV	166.5	141.0	84.7	169.3	126.9	101.7
	ANNUAL	163.0	138.6	85.0	163.6	124.0	100.4
2005	I	168.2	142.3	84.6	r172.2	r128.3	102.4
	II	r169.7	r142.5	84.0	r175.8	r129.6	r103.6
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Percent change from previous quarter at annual rate(5)							
2003	I	5.7	-0.9	-6.3	17.9	13.1	11.5
	II	3.3	-3.4	-6.5	6.9	6.5	3.5
	III	11.0	4.5	-5.9	5.9	3.7	-4.5
	IV	3.2	6.6	3.3	4.3	3.4	1.1
	ANNUAL	5.2	0.0	-4.9	8.3	5.9	3.0
2004	I	3.0	5.4	2.4	-9.7	-13.1	-12.4
	II	7.6	5.9	-1.6	5.1	0.7	-2.3
	III	4.4	4.0	-0.3	9.8	8.0	5.2
	IV	6.3	4.9	-1.3	11.2	7.4	4.6
	ANNUAL	5.3	4.8	-0.4	2.2	-0.5	-2.9
2005	I	4.2	3.5	-0.7	7.1	r4.6	2.8
	II	r3.6	r0.8	r-2.7	r8.4	r4.1	r4.7
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Percent change from corresponding quarter of previous year							
2003	I	5.0	0.6	-4.2	8.2	5.2	3.1
	II	4.4	-1.3	-5.4	7.8	5.5	3.3
	III	5.5	-0.8	-6.0	8.4	6.0	2.7
	IV	5.8	1.6	-3.9	8.7	6.6	2.7
	ANNUAL	5.2	0.0	-4.9	8.3	5.9	3.0
2004	I	5.1	3.2	-1.8	1.6	-0.2	-3.3
	II	6.1	5.6	-0.5	1.2	-1.6	-4.7
	III	4.5	5.5	0.9	2.1	-0.6	-2.3
	IV	5.3	5.1	-0.2	3.7	0.3	-1.5
	ANNUAL	5.3	4.8	-0.4	2.2	-0.5	-2.9
2005	I	5.6	4.6	-1.0	8.3	5.1	2.5
	II	r4.6	r3.3	-1.3	r9.1	r6.0	r4.3
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See footnotes following Table 6.  
r=revised

Sept. 7, 2005  
Source: Bureau of Labor Statistics

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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	
----- Indexes 1992=100							
2003	I	172.7	155.7	90.1	154.9	121.1	89.7
	II	174.3	154.3	88.6	157.7	123.1	90.5
	III	180.9	157.6	87.1	160.1	124.3	88.5
	IV	182.8	161.5	88.3	161.9	125.5	88.6
	ANNUAL	177.6	157.3	88.5	158.6	123.5	89.3
2004	I	184.4	164.6	89.3	155.5	119.4	84.3
	II	187.8	167.1	88.9	158.2	120.1	84.2
	III	190.0	169.5	89.2	162.1	122.6	85.3
	IV	193.4	172.1	89.0	166.0	124.4	85.8
	ANNUAL	188.9	168.3	89.1	160.4	121.6	84.9
2005	I	196.1	174.3	88.9	r169.0	r125.9	86.2
	II	r197.7	r175.0	88.5	r172.4	r127.1	r87.2
----- Percent change from previous quarter at annual rate(5)							
2003	I	5.1	-1.6	-6.4	22.2	17.2	16.3
	II	3.7	-3.4	-6.9	7.3	6.9	3.4
	III	16.0	8.7	-6.3	6.2	3.9	-8.5
	IV	4.2	10.1	5.7	4.7	3.8	0.5
	ANNUAL	6.9	1.3	-5.3	9.3	6.9	2.3
2004	I	3.6	8.1	4.3	-14.9	-18.1	-17.9
	II	7.7	6.0	-1.5	6.9	2.5	-0.7
	III	4.6	6.0	1.3	10.3	8.5	5.5
	IV	7.5	6.3	-1.1	9.9	6.1	2.2
	ANNUAL	6.4	7.0	0.6	1.1	-1.5	-4.9
2005	I	5.7	5.2	-0.5	r7.5	r5.1	r1.7
	II	r3.3	r1.5	-1.8	r8.2	r3.9	r4.8
----- Percent change from corresponding quarter of previous year							
2003	I	6.7	1.7	-4.7	9.1	6.0	2.2
	II	5.9	-0.6	-6.1	8.7	6.4	2.7
	III	7.9	0.7	-6.7	9.6	7.3	1.6
	IV	7.2	3.3	-3.6	9.9	7.8	2.5
	ANNUAL	6.9	1.3	-5.3	9.3	6.9	2.3
2004	I	6.8	5.8	-1.0	0.4	-1.4	-6.0
	II	7.8	8.3	0.4	0.3	-2.5	-6.9
	III	5.0	7.6	2.4	1.3	-1.4	-3.6
	IV	5.8	6.6	0.7	2.5	-0.9	-3.2
	ANNUAL	6.4	7.0	0.6	1.1	-1.5	-4.9
2005	I	6.4	5.9	-0.5	8.7	r5.5	2.2
	II	r5.3	r4.7	-0.5	r9.0	r5.9	r3.5
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See footnotes following Table 6.				Sept. 7, 2005			
r=revised				Source: Bureau of Labor Statistics			

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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	
----- Indexes 1992=100							
2003	I	130.2	106.9	82.1	158.0	123.5	121.4
	II	131.1	106.0	80.9	160.5	125.3	122.4
	III	132.6	105.9	79.8	162.7	126.3	122.6
	IV	133.6	106.5	79.7	163.9	127.0	122.7
	ANNUAL	131.8	106.3	80.6	161.2	125.5	122.3
2004	I	134.5	107.1	79.6	164.1	125.9	122.0
	II	137.0	108.6	79.3	164.7	125.1	120.3
	III	138.6	109.0	78.7	168.1	127.1	121.2
	IV	140.2	109.8	78.3	173.5	130.1	123.8
	ANNUAL	137.6	108.6	79.0	167.6	127.0	121.8
2005	I	141.1	110.2	78.1	176.1	r131.3	r124.9
	II	r142.6	r110.2	r77.3	r179.8	r132.6	r126.1
----- Percent change from previous quarter at annual rate(5)							
2003	I	6.5	0.1	-6.0	10.3	5.9	3.6
	II	2.6	-3.5	-5.9	6.3	5.9	3.6
	III	4.9	-0.6	-5.2	5.6	3.4	0.7
	IV	2.8	2.4	-0.4	3.0	2.1	0.2
	ANNUAL	2.8	-1.5	-4.2	6.4	4.0	3.5
2004	I	2.9	2.1	-0.8	0.5	-3.3	-2.4
	II	7.5	5.7	-1.7	1.7	-2.6	-5.5
	III	4.8	1.7	-3.0	8.4	6.6	3.4
	IV	4.6	2.9	-1.7	13.7	9.7	8.6
	ANNUAL	4.3	2.2	-2.1	3.9	1.2	-0.4
2005	I	2.5	1.5	-1.1	r6.1	r3.7	r3.5
	II	r4.4	r0.0	r-4.2	r8.6	r4.3	r4.0
----- Percent change from corresponding quarter of previous year							
2003	I	2.6	-0.9	-3.4	6.7	3.7	4.0
	II	2.2	-2.2	-4.3	6.4	4.1	4.1
	III	2.3	-2.6	-4.8	6.2	3.9	3.9
	IV	4.2	-0.4	-4.4	6.3	4.3	2.0
	ANNUAL	2.8	-1.5	-4.2	6.4	4.0	3.5
2004	I	3.3	0.1	-3.1	3.8	2.0	0.5
	II	4.5	2.4	-2.0	2.7	-0.2	-1.8
	III	4.5	3.0	-1.5	3.3	0.6	-1.1
	IV	5.0	3.1	-1.8	5.9	2.4	0.9
	ANNUAL	4.3	2.2	-2.1	3.9	1.2	-0.4
2005	I	4.9	2.9	-1.8	r7.4	r4.3	2.4
	II	r4.1	1.5	r-2.5	r9.2	r6.1	r4.9

See footnotes following Table 6.  
r=revised

Sept. 7, 2005  
Source: Bureau of Labor Statistics

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

Year and quarter	Output per all-employee hour	Output	Employee hours	Hourly compensation (1)	Real hourly compensation(2)	Unit labor costs	Unit non-labor costs(6)	Total unit costs (7)	Unit profits (8)	Implicit price deflator (4)	
Indexes 1992=100											
2003	I	130.4	152.3	116.8	144.6	113.0	110.9	111.4	111.0	107.8	110.7
	II	132.7	154.3	116.3	147.0	114.8	110.8	110.5	110.7	113.7	111.0
	III	135.1	156.9	116.2	148.9	115.6	110.2	110.9	110.4	119.9	111.3
	IV	135.9	158.7	116.8	149.8	116.0	110.2	110.8	110.4	124.8	111.7
	ANNUAL	133.5	155.6	116.5	147.6	114.8	110.5	110.9	110.6	116.7	111.2
2004	I	136.1	160.0	117.5	150.3	115.4	110.4	111.4	110.7	130.2	112.4
	II	136.9	161.3	117.8	151.7	115.2	110.8	111.5	111.0	138.6	113.4
	III	139.4	165.0	118.4	154.0	116.5	110.5	110.3	110.5	139.7	113.1
	IV	142.3	169.0	118.8	158.0	118.4	111.0	108.8	110.5	143.1	113.4
	ANNUAL	138.7	163.8	118.1	153.5	116.4	110.7	110.5	110.6	138.0	113.1
2005	I	r143.2	r170.3	118.9	r160.3	r119.4	r111.9	r108.2	110.9	r145.6	114.0
	II	145.6	174.3	119.7	161.8	119.4	111.2	106.6	109.9	159.2	114.3
Percent change from previous quarter at annual rate(5)											
2003	I	1.1	-1.8	-2.8	3.9	-0.3	2.9	6.7	3.9	-11.6	2.4
	II	7.3	5.5	-1.7	6.9	6.4	-0.4	-3.1	-1.1	23.8	0.9
	III	7.3	6.9	-0.3	5.2	2.9	-1.9	1.3	-1.1	23.9	1.0
	IV	2.4	4.5	2.1	2.4	1.5	0.0	-0.3	-0.1	17.2	1.5
	ANNUAL	4.1	2.7	-1.4	3.9	1.6	-0.2	0.1	-0.1	19.0	1.4
2004	I	0.8	3.4	2.6	1.5	-2.3	0.7	2.1	1.1	18.6	2.7
	II	2.3	3.3	1.0	3.7	-0.7	1.3	0.3	1.1	28.2	3.7
	III	7.4	9.4	1.9	6.3	4.6	-1.0	-4.2	-1.9	3.4	-1.3
	IV	8.5	9.9	1.3	10.6	6.8	1.9	-5.2	0.0	10.0	1.1
	ANNUAL	3.9	5.3	1.4	4.0	1.3	0.2	-0.4	0.0	18.3	1.7
2005	I	r2.7	r3.3	0.5	r5.9	r3.5	r3.1	r-2.5	r1.6	r7.1	2.2
	II	6.8	9.5	2.6	4.0	-0.1	-2.6	-5.7	-3.4	43.2	1.3
Percent change from corresponding quarter of previous year											
2003	I	3.5	2.0	-1.5	3.2	0.3	-0.3	-1.4	-0.6	25.6	1.2
	II	3.8	2.0	-1.8	3.6	1.4	-0.1	-0.1	-0.1	20.4	1.4
	III	4.6	3.1	-1.5	4.3	2.1	-0.3	0.8	0.0	19.6	1.6
	IV	4.5	3.7	-0.7	4.6	2.6	0.1	1.1	0.4	12.3	1.5
	ANNUAL	4.1	2.7	-1.4	3.9	1.6	-0.2	0.1	-0.1	19.0	1.4
2004	I	4.4	5.1	0.7	4.0	2.1	-0.4	0.0	-0.3	20.8	1.5
	II	3.2	4.6	1.3	3.2	0.3	0.0	0.8	0.2	21.9	2.2
	III	3.2	5.2	1.9	3.5	0.7	0.3	-0.6	0.0	16.5	1.6
	IV	4.7	6.5	1.7	5.5	2.0	0.7	-1.8	0.1	14.7	1.5
	ANNUAL	3.9	5.3	1.4	4.0	1.3	0.2	-0.4	0.0	18.3	1.7
2005	I	r5.2	r6.4	1.2	r6.6	r3.5	r1.3	r-2.9	0.2	r11.8	1.4
	II	6.3	8.0	1.6	6.7	3.6	0.3	-4.4	-0.9	14.9	0.8

See footnotes following Table 6.  
r=revised

September 7, 2005  
Source: Bureau of Labor Statistics

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

**RELIABILITY:** Productivity and cost measures are regularly revised as more complete information becomes available. The measures are first published within 40 days of the close of the reference period; revisions appear 30 days later, and second revisions after an additional 60 days. In the business sector, the third publication (second revision) of a quarterly index of output per hour of all persons has differed from the initial value by between  $-1.4$  and  $+1.4$  index points approximately 95 percent of the time. This interval is based on the performance of this measure between the fourth quarter of 1995 and the first quarter of 2005.

### Footnotes, Tables 1-6

- (1) Wages and salaries of employees plus employers' contributions for social insurance and private benefit plans. Except for nonfinancial corporations, where there are no self-employed, data also include an estimate of wages, salaries, and supplemental payments for the self-employed.
- (2) The change for recent quarters is based on the Consumer Price Index for all urban consumers (CPI-U). The trend from 1978-2004 is based on the Consumer Price Index research series (CPI-U-RS).
- (3) Unit nonlabor payments include profits, consumption of fixed capital, taxes on production and imports less subsidies, net interest and miscellaneous payments, business current transfer payments, rental income of persons, and the current surplus of government enterprises.
- (4) Current dollar output divided by the output index.
- (5) Quarterly changes: Percent change compounded at annual rate from the original data rather than index numbers. Annual changes: Percent change between annual average levels.
- (6) Unit nonlabor costs include consumption of fixed capital, taxes on production and imports less subsidies, net interest and miscellaneous payments, and business current transfer payments.
- (7) Total unit costs are the sum of unit labor and nonlabor costs.
- (8) Unit profits include corporate profits before tax with inventory valuation and capital consumption adjustments.