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PRODUCTIVITY AND COSTS Third Quarter 2006, 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 third quarter of 2006. The seasonally adjusted annual rates of productivity growth in the third quarter were:

0.4 percent in the business sector and
0.2 percent in the nonfarm business sector.

In both sectors, changes in productivity are higher than the preliminary estimates published November 2, as output was revised up more than hours (See table C).

In manufacturing, revised productivity increases in the third quarter were:

6.7 percent in manufacturing,
9.0 percent in durable goods manufacturing, and
3.1 percent in nondurable goods manufacturing.

Productivity growth in the manufacturing sector was revised up, reflecting an upward revision to output and no change to the previously-reported decrease in hours (table C). 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. Third-quarter measures are summarized in table A and appear in detail in tables 1 through 5.

The data sources and methods used in the preparation of the manufacturing series differ from those used in preparing the business and nonfarm business series, and these measures are not directly comparable. Output measures for business and nonfarm business are based on measures of gross domestic product prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce. Quarterly output measures for manufacturing reflect indexes of industrial production independently prepared by the Board of Governors of the Federal Reserve System. See Technical Notes for further information on data sources (page 8).

Table A. Productivity and costs: Revised third-quarter 2006 measures (Seasonally adjusted annual rates)						
Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	0.4	2.2	1.8	2.9	-0.1	2.5
Nonfarm business	0.2	2.3	2.1	2.6	-0.4	2.3
Manufacturing	6.7	5.1	-1.6	2.4	-0.5	-4.1
Durable	9.0	5.9	-2.9	4.1	1.1	-4.5
Nondurable	3.1	3.9	0.8	-0.5	-3.4	-3.5
Percent change from same quarter a year ago						
Business	1.5	3.4	1.8	4.4	1.1	2.8
Nonfarm business	1.4	3.3	1.9	4.3	1.0	2.9
Manufacturing	4.5	6.3	1.8	2.4	-0.9	-2.0
Durable	6.6	8.4	1.7	3.3	0.0	-3.0
Nondurable	1.7	3.7	2.0	0.6	-2.7	-1.1

Business

Business sector productivity grew at an annual rate of 0.4 percent during the third quarter of 2006, as output increased 2.2 percent and hours of all persons engaged in the sector rose 1.8 percent (tables A and 1). When the third quarter of 2006 is compared to the third quarter of 2005, labor productivity rose 1.5 percent. This is the smallest four-quarter increase since a similar rise in the second quarter of 1997. In the second quarter of 2006, output per hour increased 1.1 percent.

Hourly compensation in the business sector increased 2.9 percent during the third quarter of 2006, following a decline of 1.4 percent in the second quarter (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, edged down 0.1 percent in the third quarter and fell 6.1 percent in the second quarter.

Unit labor costs rose 2.5 percent in the third quarter of 2006, after having fallen 2.5 percent in the previous quarter. The implicit price deflator for the business sector, which reflects changes both in unit labor costs and in unit nonlabor payments, rose 1.1 percent in the third quarter of 2006.

Nonfarm business

Output per hour of all persons in the nonfarm business sector rose 0.2 percent during the third quarter of 2006, reflecting increases in output and hours of 2.3 percent and 2.1 percent, respectively (tables A and 2). The 1.4-percent increase from the third quarter of 2005 to the third quarter of 2006 was the smallest four-quarter gain in nonfarm business productivity since the second quarter of 1997 (1.3 percent). In the second quarter of 2006, productivity in nonfarm businesses had increased 1.2 percent as output grew 2.7 percent and hours increased 1.5 percent.

Hourly compensation grew 2.6 percent in the third quarter of 2006, following the 1.2 percent decline in the second quarter (as revised). When the rise in consumer prices is taken into account, real hourly compensation declined 0.4 percent in the third quarter of 2006 and fell 5.9 percent one quarter earlier.

Unit labor costs rose 2.3 percent in the third quarter, in contrast to the previous quarter, when they dropped 2.4 percent. The implicit price deflator for nonfarm business was revised to 0.7 percent in the third quarter of 2006.

Manufacturing

Productivity increased 6.7 percent in manufacturing in the third quarter of 2006, as output increased 5.1 percent and hours of all persons decreased 1.6 percent (seasonally adjusted annual rates). This was the largest quarterly productivity gain since the third quarter of 2003, when manufacturing output per hour grew 8.6 percent. In durable goods industries, productivity increased 9.0 percent in the third quarter of 2006, as an increase of 5.9 percent in output combined with a decrease of 2.9 percent in hours. Productivity grew more slowly in the nondurable goods industries, 3.1 percent, reflecting increases of 3.9 percent in output and 0.8 percent in hours (tables 3, 4, and 5).

The average hourly compensation of all manufacturing workers rose 2.4 percent in the third quarter of 2006. Hourly compensation was revised down substantially in the second quarter, from the 4.0-percent increase reported previously to a 5.8-percent decrease. In durable goods industries, hourly compensation increased 4.1 percent in the third quarter, compared with a 0.5 percent decline in nondurable goods manufacturing. When the increase in consumer prices is taken into account, real hourly compensation for all manufacturing workers declined 0.5 percent in the third quarter of 2006.

Unit labor costs in manufacturing fell 4.1 percent in the third quarter of 2006 and 8.3 percent in the previous quarter, as revised. Unit labor costs declined 4.5 percent in durable goods industries and 3.5 percent in nondurable goods manufacturing during the third quarter.

Nonfinancial Corporations

Third-quarter 2006 measures of productivity and costs also were released for nonfinancial corporations (tables B and 6). Output per all-employee hour grew at a 5.6 percent annual rate; a reversal from the 4.3-percent decline reported in the previous quarter (as revised). Output increased 7.3 percent in the third quarter, and hours of all employees rose 1.6 percent (seasonally adjusted annual rates). The nonfinancial corporate sector includes all corporations doing business in the United States, except those classified as depository institutions, nondepository institutions, security and commodity brokers, insurance carriers, regulated investment offices, small business investment offices, and real estate investment trusts.

Period	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
	Percent change from preceding quarter							
2006 III	5.6	7.3	1.6	2.8	-0.1	-2.7	27.6	0.2
	Percent change from same quarter a year ago							
2006 III	3.8	5.7	1.9	4.3	0.9	0.5	19.0	1.8

Hourly compensation in nonfinancial corporations increased 2.8 percent in the third quarter following a second-quarter decline of 0.7 percent, as revised. When the rise in consumer prices is taken into account, real hourly compensation fell 0.1 percent in the third quarter and 5.4 percent in the second quarter.

Unit labor costs for the sector declined 2.7 percent in third-quarter 2006 after increasing 3.7 percent one quarter earlier. Unit nonlabor costs also fell in the third quarter, by 5.3 percent. Unit profits increased at a 27.6 percent annual rate in the third quarter. As a result of these movements, the implicit price deflator for the output of nonfinancial corporations—which reflects a weighted average of these three measures—edged up 0.2 percent.

Revised Measures

Current and previous measures for the second and third quarters of 2006 for the business, nonfarm business, and manufacturing sectors are compared in table C. In the third quarter, productivity in the business and nonfarm business sectors was revised up slightly as output was revised up by more than hours. In manufacturing, productivity was also revised up, by 0.8 percentage point, reflecting a similar upward revision in output, as hours declined at the same 1.6-percent rate reported Nov. 2. Increases in hourly compensation were revised down in all three sectors, and the combination of faster productivity growth and slower hourly compensation growth lead to significant downward revisions to unit labor costs.

Table C. Previous and revised productivity and related measures: Quarterly percent change at seasonally adjusted annual rate						
Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Third quarter 2006						
Business:						
Previous.....	0.1	1.4	1.4	4.0	1.0	4.0
Revised.....	0.4	2.2	1.8	2.9	-0.1	2.5
Nonfarm business:						
Previous.....	0.0	1.6	1.6	3.7	0.7	3.8
Revised.....	0.2	2.3	2.1	2.6	-0.4	2.3
Manufacturing:						
Previous.....	5.9	4.2	-1.6	2.9	-0.1	-2.9
Revised.....	6.7	5.1	-1.6	2.4	-0.5	-4.1
Second quarter 2006						
Business:						
Previous.....	1.1	2.7	1.7	6.4	1.3	5.3
Revised.....	1.1	2.7	1.7	-1.4	-6.1	-2.5
Nonfarm business:						
Previous.....	1.2	2.7	1.5	6.6	1.6	5.4
Revised.....	1.2	2.7	1.5	-1.2	-5.9	-2.4
Manufacturing:						
Previous.....	2.7	5.1	2.3	4.0	-0.9	1.2
Revised.....	2.7	5.1	2.3	-5.8	-10.3	-8.3

The second-quarter 2006 measures of hourly compensation, real hourly compensation, and unit labor costs were revised to reflect new information on employee compensation reported by the Bureau of Economic Analysis of the U.S. Department of Commerce on Nov. 29. In both the business and nonfarm business sectors, hourly compensation growth was revised down by 7.8 percent, and moderate declines have replaced sizable increases. Because productivity was not revised, the hourly compensation revisions caused corresponding downward revisions to unit labor costs, which now decline rather than increase in the second quarter.

In the manufacturing sector there was an even larger downward revision to hourly compensation growth, from positive 4.0 percent to negative 5.8 percent. As a result, manufacturing unit labor costs, which had been reported as rising at a 1.2 percent annual rate, actually fell 8.3 percent in the second quarter.

Revised measures: Nonfinancial corporations

Measures for the nonfinancial corporate sector also were revised to reflect updated information on output and employee compensation during the second quarter of 2006 (table D). Productivity was revised down along with output, as hours grew at the same rate reported Nov 2. Hourly compensation was revised down from a 6.5-percent gain to 0.7-percent decline in the second quarter. Because hourly compensation was revised down more than productivity, the increase in unit labor costs also was revised down, from 6.4 percent to 3.7 percent.

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
	Second quarter 2006							
Previous	0.2	1.8	1.6	6.5	1.5	6.4	-15.3	2.9
Revised	-4.3	-2.7	1.6	-0.7	-5.4	3.7	-11.4	2.9

Next release date

The next release of **Productivity and Costs** is scheduled for **8:30 AM EST, Wednesday, February 7, 2007**. Preliminary fourth-quarter and annual 2006 measures for the business, nonfarm business, and manufacturing sectors will be released at that time.

Scheduled release dates for productivity and costs measures for major sectors of the U.S. economy in 2007 are:

<u>Reference period</u>	<u>2007 release date</u>
2006:	
Fourth quarter, Annual	February 7
Fourth quarter, Annual (revised)	March 6
2007:	
First quarter	May 3
First quarter (revised)	June 6
Second quarter	August 7
Second quarter (revised)	September 6
Third quarter	November 7
Third quarter (revised)	December 5

These dates are based on presently available schedules for the release of underlying source data in 2007. Each issue of *Productivity and Costs* contains a "Next release date" paragraph that readers should use to confirm the dates above.

TECHNICAL NOTES

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

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

The CES measures jobs, counting a person who is employed by two or more establishments at each place of employment. In contrast, the CPS features measures of employment that count each person only once and classify each person according to his or her primary job; hours worked at all jobs by that person accrue to his or her primary job. However, the CPS also collects more detailed information on employment and hours worked at primary jobs and all other jobs, separately. The BLS productivity measures use the more detailed information on employment and hours to assign all hours worked to the correct industrial sector and avoid duplicating hours data from the CES.

Output: Business sector output is 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 BLS. These deflators are based on data from the BLS producer price program and other sources. The industry shipments are aggregated using annual weights, and intrasector transactions are removed. Quarterly manufacturing output measures are based on the index of industrial production prepared monthly by the Board of Governors of the Federal Reserve System, adjusted to be consistent with annual indexes of manufacturing sector output prepared by BLS. Durables include the following 3-digit NAICS industries: wood product manufacturing; nonmetallic mineral product manufacturing; primary metal manufacturing; fabricated metal product manufacturing; machinery manufacturing; computer and electronic product manufacturing; electrical equipment and appliance manufacturing; transportation equipment manufacturing; furniture and related product manufacturing; and miscellaneous manufacturing. Nondurables include: food manufacturing; beverage and tobacco product manufacturing; textile mills; textile product mills; apparel manufacturing; leather and allied product manufacturing; paper manufacturing; printing and related support activities; petroleum and coal products manufacturing; chemical manufacturing; and plastics and rubber products manufacturing.

Nonfinancial corporate output is 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.

Labor Compensation: Estimates of labor compensation by major sector, required for measures of hourly compensation and unit labor costs, are based primarily on employee compensation data from the NIPA, prepared by the BEA. The compensation of employees in general government, nonprofit institutions and private households are subtracted from compensation of domestic employees to derive employee compensation for the business sector. The labor compensation of proprietors cannot be explicitly identified and must be estimated. This is done by assuming that proprietors have the same hourly compensation as employees in the same sector. The quarterly labor productivity and cost measures do not contain estimates of compensation for unpaid family workers.

Unit Labor Costs: The measures of unit labor costs in this release describe the relationship between compensation per hour and productivity, or real output per hour, and can be used as an indicator of inflationary pressure on producers. Increases in hourly compensation increase unit labor costs; labor productivity increases offset compensation increases and lower unit labor costs.

Presentation of the data: The quarterly data in this release are presented in three ways; as index number series where 1992=100, as percent changes from the corresponding quarter of the previous year, and as percent changes from the previous quarter presented at a compound annual rate. Annual data are presented both as index number series and percent changes from the previous year.

The index numbers and rates of change reported in the productivity and costs news release are rounded to one decimal place. All percent changes in this release and on the BLS web site are calculated using index numbers to three decimal places. These index numbers are available at the BLS web site, <http://www.bls.gov/data/home.htm>, or by contacting the BLS Division of Major Sector Productivity. (Telephone 202-691-5606 or email DPRWEB@BLS.GOV)

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									
2004	I	131.4	151.7	115.5	154.4	118.5	117.5	122.9	119.5
	II	132.8	153.5	115.6	155.8	118.3	117.3	126.2	120.6
	III	133.0	154.8	116.4	157.5	119.1	118.5	125.5	121.1
	IV	133.5	155.8	116.7	160.1	120.0	119.9	125.8	122.1
	ANNUAL	132.7	154.0	116.1	157.0	119.0	118.3	125.1	120.8
2005	I	134.5	157.4	117.0	161.6	120.4	120.1	127.9	123.0
	II	134.9	159.0	117.9	162.0	119.5	120.0	130.0	123.7
	III	136.6	160.9	117.8	165.2	120.3	121.0	131.1	124.7
	IV	136.7	161.7	118.3	166.5	120.3	121.8	132.3	125.7
	ANNUAL	135.7	159.8	117.7	163.8	120.2	120.7	130.3	124.3
2006	I	138.2	164.3	118.9	171.9	123.6	124.4	130.2	126.6
	II	138.6	165.4	119.4	r171.3	r121.6	r123.6	r134.1	127.5
	III	r138.7	r166.3	r119.9	r172.5	r121.6	r124.4	r133.7	r127.9
Percent change from previous quarter at annual rate(5)									
2004	I	3.2	4.5	1.2	2.1	-1.5	-1.1	11.8	3.6
	II	4.5	4.8	0.3	3.5	-0.5	-0.9	11.1	3.6
	III	0.5	3.4	2.9	4.7	2.5	4.1	-2.0	1.7
	IV	1.6	2.6	1.0	6.7	3.0	5.0	0.9	3.4
	ANNUAL	3.1	4.4	1.3	3.8	1.1	0.7	5.8	2.6
2005	I	3.1	4.2	1.0	3.9	1.5	0.7	6.7	3.0
	II	1.2	4.1	2.9	0.8	-2.9	-0.4	6.6	2.3
	III	5.0	4.9	-0.1	8.3	2.7	3.2	3.6	3.3
	IV	0.2	1.8	1.6	3.1	-0.2	2.9	3.6	3.2
	ANNUAL	2.3	3.7	1.4	4.4	1.0	2.1	4.2	2.9
2006	I	4.5	6.7	2.1	13.6	11.3	8.7	-6.2	2.7
	II	1.1	2.7	1.7	r-1.4	r-6.1	r-2.5	r12.4	3.1
	III	r0.4	r2.2	r1.8	r2.9	r-0.1	r2.5	r-1.2	r1.1
Percent change from corresponding quarter of previous year									
2004	I	4.5	5.1	0.6	4.3	2.4	-0.1	5.5	1.9
	II	3.8	5.2	1.3	3.3	0.5	-0.5	8.1	2.7
	III	1.7	3.5	1.7	3.3	0.6	1.6	4.5	2.7
	IV	2.5	3.8	1.3	4.2	0.9	1.7	5.3	3.1
	ANNUAL	3.1	4.4	1.3	3.8	1.1	0.7	5.8	2.6
2005	I	2.4	3.8	1.3	4.7	1.6	2.2	4.1	2.9
	II	1.6	3.6	1.9	4.0	1.0	2.3	3.0	2.6
	III	2.7	3.9	1.2	4.9	1.1	2.1	4.4	3.0
	IV	2.4	3.7	1.3	4.0	0.3	1.6	5.1	3.0
	ANNUAL	2.3	3.7	1.4	4.4	1.0	2.1	4.2	2.9
2006	I	2.7	4.4	1.6	6.4	2.6	3.6	1.8	2.9
	II	2.7	4.0	1.3	r5.8	r1.7	r3.0	r3.2	3.1
	III	1.5	r3.4	r1.8	r4.4	r1.1	r2.8	r1.9	2.5

See footnotes following Table 6.
r=revised

December 5, 2006
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									
2004	I	130.5	151.9	116.4	153.4	117.8	117.6	123.6	119.8
	II	132.2	153.9	116.4	154.8	117.6	117.2	126.8	120.7
	III	132.2	155.1	117.3	156.6	118.3	118.4	126.6	121.4
	IV	132.4	156.0	117.8	158.7	118.9	119.9	127.0	122.5
	ANNUAL	131.8	154.2	117.0	155.9	118.2	118.3	126.0	121.1
2005	I	133.5	157.6	118.0	160.4	119.5	120.1	129.4	123.5
	II	134.3	159.4	118.6	161.0	118.9	119.9	131.8	124.3
	III	135.8	161.3	118.8	164.1	119.5	120.9	133.1	125.3
	IV	135.8	162.0	119.3	165.3	119.4	121.7	134.3	126.4
	ANNUAL	134.9	160.0	118.7	162.7	119.3	120.7	132.2	124.9
2006	I	137.2	164.6	120.0	170.6	122.6	124.4	132.2	127.3
	II	r137.6	r165.7	r120.4	r170.1	r120.8	r123.6	r136.4	r128.3
	III	r137.7	r166.6	r121.1	r171.2	r120.7	r124.4	r135.8	r128.6
Percent change from previous quarter at annual rate(5)									
2004	I	1.9	3.6	1.7	1.3	-2.2	-0.5	10.8	3.6
	II	5.1	5.2	0.1	3.7	-0.4	-1.4	10.6	3.1
	III	0.2	3.2	3.0	4.5	2.3	4.3	-0.6	2.4
	IV	0.4	2.4	2.0	5.6	2.0	5.1	1.3	3.7
	ANNUAL	3.0	4.3	1.3	3.6	0.9	0.7	5.4	2.4
2005	I	3.6	4.2	0.6	4.3	1.9	0.7	7.7	3.3
	II	2.3	4.4	2.1	1.6	-2.0	-0.7	7.8	2.5
	III	4.4	4.9	0.4	7.8	2.2	3.3	3.9	3.5
	IV	-0.1	1.8	1.8	2.9	-0.4	3.0	3.7	3.3
	ANNUAL	2.3	3.8	1.5	4.4	1.0	2.0	4.9	3.1
2006	I	4.3	6.7	2.3	13.7	11.3	9.0	-6.2	2.9
	II	1.2	2.7	1.5	r-1.2	r-5.9	r-2.4	r13.3	3.4
	III	r0.2	r2.3	r2.1	r2.6	r-0.4	r2.3	r-1.8	r0.7
Percent change from corresponding quarter of previous year									
2004	I	4.3	5.1	0.7	4.2	2.3	-0.1	4.5	1.6
	II	4.1	5.3	1.2	3.4	0.6	-0.7	7.3	2.3
	III	1.6	3.4	1.7	3.2	0.4	1.5	4.2	2.5
	IV	1.9	3.6	1.7	3.8	0.4	1.8	5.4	3.2
	ANNUAL	3.0	4.3	1.3	3.6	0.9	0.7	5.4	2.4
2005	I	2.3	3.8	1.4	4.5	1.5	2.2	4.7	3.1
	II	1.6	3.6	1.9	4.0	1.0	2.3	4.0	3.0
	III	2.7	4.0	1.3	4.8	1.0	2.1	5.1	3.3
	IV	2.5	3.8	1.2	4.1	0.4	1.6	5.7	3.2
	ANNUAL	2.3	3.8	1.5	4.4	1.0	2.0	4.9	3.1
2006	I	2.7	4.4	1.7	6.4	2.6	3.6	2.2	3.0
	II	2.4	4.0	1.5	r5.6	r1.6	r3.1	r3.4	3.3
	III	r1.4	r3.3	r1.9	r4.3	r1.0	r2.9	r2.0	2.6

See footnotes following Table 6.
r=revised

December 5, 2006
Source: Bureau of Labor Statistics

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

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Compensation per hour (1)	Real compensation per hour (2)	Unit labor costs	
Indexes 1992=100							
2004	I	161.8	138.1	85.4	157.5	120.8	97.3
	II	163.3	138.9	85.0	159.8	121.4	97.8
	III	164.0	139.3	84.9	163.0	123.2	99.4
	IV	166.1	140.3	84.4	165.5	124.0	99.6
	ANNUAL	163.8	139.1	84.9	161.4	122.3	98.5
2005	I	168.1	141.7	84.3	166.1	123.7	98.8
	II	169.7	142.2	83.8	167.8	123.8	98.9
	III	171.2	143.1	83.6	170.7	124.3	99.7
	IV	173.2	146.3	84.5	170.9	123.4	98.7
	ANNUAL	170.5	143.3	84.0	168.8	123.8	99.0
2006	I	174.8	148.4	84.9	176.3	126.7	100.9
	II	r176.0	r150.3	85.4	r173.7	r123.3	r98.7
	III	r178.9	r152.2	r85.1	r174.7	r123.1	r97.7
Percent change from previous quarter at annual rate(5)							
2004	I	-2.1	0.1	2.2	-10.6	-13.7	-8.7
	II	3.9	2.2	-1.6	5.9	1.8	2.0
	III	1.7	1.2	-0.4	8.3	6.0	6.5
	IV	5.2	2.8	-2.3	6.3	2.7	1.0
	ANNUAL	1.9	1.3	-0.5	2.0	-0.7	0.1
2005	I	4.8	4.2	-0.5	1.5	-0.8	-3.2
	II	3.9	1.2	-2.5	4.0	0.3	0.2
	III	3.7	2.6	-1.0	7.1	1.5	3.2
	IV	4.7	9.4	4.6	0.5	-2.7	-4.0
	ANNUAL	4.1	3.0	-1.1	4.6	1.2	0.5
2006	I	3.7	5.8	2.0	13.3	11.0	9.3
	II	2.7	5.1	2.3	r-5.8	r-10.3	r-8.3
	III	r6.7	r5.1	-1.6	r2.4	r-0.5	r-4.1
Percent change from corresponding quarter of previous year							
2004	I	2.4	0.6	-1.8	1.9	0.0	-0.5
	II	2.3	1.7	-0.6	1.6	-1.1	-0.7
	III	0.6	1.5	0.9	2.3	-0.4	1.7
	IV	2.1	1.6	-0.6	2.2	-1.1	0.0
	ANNUAL	1.9	1.3	-0.5	2.0	-0.7	0.1
2005	I	3.9	2.6	-1.2	5.5	2.4	1.5
	II	3.9	2.4	-1.5	5.0	2.0	1.1
	III	4.4	2.7	-1.6	4.7	0.9	0.3
	IV	4.3	4.3	0.1	3.2	-0.5	-1.0
	ANNUAL	4.1	3.0	-1.1	4.6	1.2	0.5
2006	I	4.0	4.7	0.7	6.1	2.4	2.1
	II	3.7	5.7	1.9	r3.5	r-0.4	r-0.2
	III	r4.5	r6.3	1.8	r2.4	r-0.9	r-2.0

See footnotes following Table 6.
r=revised

December 5, 2006
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							
2004	I	184.0	164.2	89.2	153.6	117.9	83.5
	II	185.0	164.6	89.0	156.4	118.9	84.6
	III	185.5	165.7	89.3	159.8	120.8	86.1
	IV	188.2	167.3	88.9	161.7	121.2	85.9
	ANNUAL	185.7	165.4	89.1	157.9	119.7	85.0
2005	I	191.3	170.1	88.9	161.7	120.5	84.5
	II	193.2	171.1	88.6	162.8	120.2	84.3
	III	196.3	174.0	88.7	165.8	120.8	84.5
	IV	201.0	180.3	89.7	165.8	119.8	82.5
	ANNUAL	195.4	173.9	89.0	164.1	120.3	83.9
2006	I	202.9	182.6	90.0	172.1	123.6	84.8
	II	204.6	186.0	90.9	r169.6	r120.4	r82.9
	III	r209.1	r188.6	r90.2	r171.3	r120.8	r81.9
Percent change from previous quarter at annual rate(5)							
2004	I	-3.9	0.1	4.2	-16.1	-19.0	-12.7
	II	2.1	0.8	-1.2	7.5	3.3	5.3
	III	1.1	2.7	1.5	8.9	6.6	7.6
	IV	6.0	4.0	-1.9	5.0	1.4	-1.0
	ANNUAL	1.1	1.8	0.6	0.7	-1.9	-0.4
2005	I	6.6	6.8	0.1	0.0	-2.3	-6.3
	II	4.0	2.6	-1.4	2.8	-1.0	-1.2
	III	6.5	7.0	0.4	7.5	1.9	0.9
	IV	9.9	15.2	4.8	0.0	-3.2	-9.0
	ANNUAL	5.3	5.1	-0.1	3.9	0.5	-1.3
2006	I	3.8	5.3	1.4	15.9	13.5	11.6
	II	3.6	7.5	3.8	r-5.5	r-10.0	r-8.7
	III	r9.0	r5.9	r-2.9	r4.1	r1.1	r-4.5
Percent change from corresponding quarter of previous year							
2004	I	2.2	1.3	-1.0	0.4	-1.4	-1.8
	II	1.8	2.2	0.4	0.5	-2.3	-1.3
	III	-0.7	1.8	2.5	1.2	-1.5	1.9
	IV	1.3	1.9	0.6	0.8	-2.5	-0.5
	ANNUAL	1.1	1.8	0.6	0.7	-1.9	-0.4
2005	I	3.9	3.5	-0.4	5.3	2.2	1.3
	II	4.4	4.0	-0.4	4.1	1.1	-0.3
	III	5.8	5.1	-0.7	3.8	0.0	-1.9
	IV	6.8	7.8	1.0	2.5	-1.2	-4.0
	ANNUAL	5.3	5.1	-0.1	3.9	0.5	-1.3
2006	I	6.0	7.4	1.3	6.4	2.6	0.3
	II	5.9	8.7	2.6	r4.2	r0.2	r-1.7
	III	r6.6	r8.4	1.7	r3.3	r0.0	r-3.0

See footnotes following Table 6.
r=revisedDecember 5, 2006
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							
2004	I	139.4	110.9	79.6	163.0	125.1	116.9
	II	141.6	112.0	79.1	164.2	124.8	116.0
	III	142.7	111.9	78.4	166.9	126.2	117.0
	IV	144.2	112.2	77.8	170.5	127.8	118.2
	ANNUAL	142.0	111.8	78.7	166.1	125.9	117.0
2005	I	145.2	112.5	77.5	172.3	128.4	118.7
	II	146.7	112.4	76.6	175.0	129.1	119.3
	III	147.0	111.6	75.9	177.5	129.3	120.8
	IV	146.3	112.2	76.7	178.1	128.7	121.8
	ANNUAL	146.3	112.2	76.7	175.7	128.9	120.1
2006	I	147.4	114.0	77.3	181.9	130.7	123.4
	II	148.4	114.6	77.3	r178.7	r126.9	r120.5
	III	r149.5	r115.7	r77.4	r178.5	r125.8	r119.4
Percent change from previous quarter at annual rate(5)							
2004	I	1.2	0.1	-1.1	0.3	-3.2	-0.8
	II	6.5	4.0	-2.3	3.1	-0.9	-3.2
	III	3.2	-0.6	-3.6	6.8	4.5	3.5
	IV	4.4	1.4	-2.8	8.8	5.1	4.3
	ANNUAL	3.3	0.8	-2.4	4.2	1.5	0.9
2005	I	2.7	0.9	-1.7	4.3	1.9	1.5
	II	4.2	-0.4	-4.4	6.3	2.5	2.0
	III	0.7	-2.8	-3.5	5.9	0.4	5.2
	IV	-1.9	2.3	4.2	1.4	-1.9	3.3
	ANNUAL	3.0	0.4	-2.6	5.8	2.3	2.6
2006	I	3.2	6.4	3.1	8.8	6.5	5.4
	II	2.5	2.3	-0.2	r-6.7	r-11.1	r-9.0
	III	r3.1	r3.9	r0.8	r-0.5	-3.4	r-3.5
Percent change from corresponding quarter of previous year							
2004	I	2.9	-0.3	-3.1	4.6	2.7	1.6
	II	3.4	1.2	-2.2	3.6	0.8	0.2
	III	3.0	1.2	-1.7	4.0	1.2	0.9
	IV	3.8	1.2	-2.5	4.7	1.3	0.9
	ANNUAL	3.3	0.8	-2.4	4.2	1.5	0.9
2005	I	4.2	1.4	-2.6	5.7	2.6	1.5
	II	3.6	0.3	-3.2	6.5	3.5	2.8
	III	3.0	-0.3	-3.1	6.3	2.5	3.2
	IV	1.4	0.0	-1.4	4.5	0.7	3.0
	ANNUAL	3.0	0.4	-2.6	5.8	2.3	2.6
2006	I	1.5	1.3	-0.2	5.6	1.8	4.0
	II	1.1	2.0	0.9	r2.2	r-1.7	r1.0
	III	r1.7	r3.7	2.0	r0.6	r-2.7	r-1.1

See footnotes following Table 6.
r=revised

December 5, 2006
Source: Bureau of Labor Statistics

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

Year and quarter	Output per all-employee hour	Output	Employee hours	Hourly compensation (1)	Real hourly compensation(2)	Unit labor costs	Unit non-labor costs (6)	Total unit costs (7)	Unit profits (8)	Implicit price deflator (4)	
Indexes 1992=100											
2004	I	137.6	159.6	116.1	151.8	116.5	110.4	109.1	110.0	131.2	111.9
	II	138.6	161.1	116.2	153.2	116.4	110.5	109.3	110.2	139.2	112.8
	III	140.5	164.0	116.8	155.0	117.1	110.3	109.2	110.0	142.3	112.9
	IV	141.0	165.3	117.2	157.1	117.7	111.4	109.3	110.8	142.4	113.7
	ANNUAL	139.4	162.5	116.6	154.3	116.9	110.7	109.2	110.3	138.8	112.8
2005	I	142.8	167.5	117.4	158.6	118.2	111.1	110.3	110.9	148.5	114.2
	II	144.5	170.6	118.1	159.3	117.6	110.2	110.2	110.2	159.0	114.6
	III	145.6	172.3	118.3	162.4	118.3	111.6	112.6	111.9	149.9	115.3
	IV	146.7	174.7	119.1	163.6	118.2	111.5	110.5	111.3	159.6	115.6
	ANNUAL	144.9	171.3	118.2	161.0	118.1	111.1	110.9	111.1	154.3	114.9
2006	I	150.6	180.1	119.6	168.5	121.1	111.9	108.3	110.9	172.9	116.5
	II	r149.0	r178.9	120.1	r168.2	r119.4	r112.9	r110.8	r112.3	r167.8	117.3
	III	151.1	182.1	120.5	169.4	119.4	112.1	109.3	111.4	178.3	117.4
Percent change from previous quarter at annual rate(5)											
2004	I	2.9	5.6	2.7	-0.5	-3.9	-3.3	-3.6	-3.4	53.5	1.2
	II	3.1	3.6	0.5	3.7	-0.3	0.6	1.1	0.7	27.1	3.3
	III	5.5	7.6	2.0	4.7	2.5	-0.8	-0.5	-0.7	9.2	0.4
	IV	1.6	3.2	1.5	5.6	2.0	4.0	0.3	3.0	0.2	2.7
	ANNUAL	3.7	5.1	1.3	3.2	0.5	-0.4	-1.8	-0.8	26.2	1.6
2005	I	5.0	5.5	0.5	4.0	1.6	-1.0	3.6	0.2	18.1	2.1
	II	4.9	7.4	2.4	1.6	-2.1	-3.2	-0.1	-2.4	31.5	1.2
	III	3.0	4.1	1.0	8.2	2.6	5.0	9.1	6.1	-21.0	2.4
	IV	3.2	5.8	2.6	3.0	-0.3	-0.1	-7.4	-2.1	28.5	1.1
	ANNUAL	3.9	5.4	1.4	4.4	1.0	0.4	1.5	0.7	11.1	1.9
2006	I	11.1	13.0	1.7	12.4	10.1	1.2	-7.7	-1.2	37.9	3.1
	II	r-4.3	r-2.7	1.6	r-0.7	r-5.4	r3.7	r9.6	r5.3	r-11.4	2.9
	III	5.6	7.3	1.6	2.8	-0.1	-2.7	-5.3	-3.4	27.6	0.2
Percent change from corresponding quarter of previous year											
2004	I	4.3	4.9	0.6	3.8	2.0	-0.4	-3.3	-1.2	27.3	1.2
	II	3.7	5.0	1.2	2.9	0.1	-0.8	-1.6	-1.0	31.5	1.8
	III	3.5	5.3	1.8	2.8	0.0	-0.7	-1.5	-0.9	26.1	1.5
	IV	3.3	5.0	1.7	3.4	0.0	0.1	-0.7	-0.1	20.9	1.9
	ANNUAL	3.7	5.1	1.3	3.2	0.5	-0.4	-1.8	-0.8	26.2	1.6
2005	I	3.8	5.0	1.1	4.5	1.5	0.7	1.1	0.8	13.2	2.1
	II	4.3	5.9	1.6	4.0	1.0	-0.3	0.8	0.0	14.2	1.6
	III	3.6	5.0	1.4	4.8	1.0	1.1	3.1	1.7	5.3	2.1
	IV	4.0	5.7	1.6	4.2	0.4	0.1	1.1	0.4	12.0	1.7
	ANNUAL	3.9	5.4	1.4	4.4	1.0	0.4	1.5	0.7	11.1	1.9
2006	I	5.5	7.5	1.9	6.2	2.5	0.7	-1.8	0.0	16.5	1.9
	II	r3.1	r4.9	1.7	r5.6	r1.6	r2.4	r0.5	r1.9	r5.5	2.4
	III	3.8	5.7	1.9	4.3	0.9	0.5	-3.0	-0.4	19.0	1.8

See footnotes following Table 6.
r=revisedDecember 5, 2006
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 $+1.3$ index points approximately 95 percent of the time. This interval is based on the performance of this measure between the fourth quarter of 1995 and the second quarter of 2006.

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 1978-2005 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.