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## **PRODUCTIVITY AND COSTS** Second Quarter 2003

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 2003. The seasonally adjusted annual rates of productivity change in the second quarter were:

7.2 percent in the business sector and  
6.8 percent in the nonfarm business sector.

In both sectors, increases in productivity were larger than reported on Aug. 7, due primarily to upward revisions to output. (See table C.)

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

3.7 percent in manufacturing,  
3.5 percent in durable goods manufacturing, and  
3.4 percent in nondurable goods manufacturing.

In total manufacturing, the change in productivity was revised down from a preliminary estimate of 4.2 percent. Output and hours in manufacturing, which includes about 15 percent of U.S. business-sector employment, tend to vary more from quarter to quarter than data for the more 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. 7 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 8).

Table A. Productivity and costs: Revised second-quarter 2003 measures  
(Seasonally adjusted annual rates)

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
Percent change from preceding quarter						
Business	7.2	4.2	-2.7	4.3	3.7	-2.7
Nonfarm business	6.8	4.4	-2.3	3.8	3.2	-2.8
Manufacturing	3.7	-2.4	-5.9	5.2	4.6	1.5
Durable	3.5	-3.3	-6.5	4.9	4.3	1.4
Nondurable	3.4	-1.7	-4.9	5.9	5.3	2.4
Percent change from same quarter a year ago						
Business	4.3	3.2	-1.1	3.2	1.0	-1.1
Nonfarm business	4.1	3.2	-0.9	2.9	0.7	-1.2
Manufacturing	3.5	-1.0	-4.3	4.3	2.1	0.8
Durable	4.2	-0.8	-4.7	3.9	1.7	-0.2
Nondurable	2.5	-1.2	-3.6	5.0	2.8	2.5

## Business

From the first quarter to the second quarter of 2003, productivity in the business sector grew at a 7.2 percent annual rate, as output increased 4.2 percent and hours worked by all persons engaged in the sector fell 2.7 percent (tables A and 1). In the first quarter of 2003, productivity increased 2.7 percent, as output rose 1.4 percent and hours declined 1.2 percent.

Hourly compensation in the business sector increased 4.3 percent in the second quarter of 2003 after increasing 4.8 percent one quarter earlier (seasonally adjusted annual rates). 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, increased 3.7 percent in the second quarter of 2003, after rising 0.9 percent in the first quarter.

Changes in unit labor costs reflect changes in both hourly compensation and productivity. Unit labor costs decreased 2.7 percent in the second quarter of 2003, after increasing 2.0 percent in the first quarter (seasonally adjusted annual rates). The implicit price deflator for the business sector rose 0.8 percent in the second quarter, as a 6.6 percent increase in unit nonlabor payments was partially offset by a decline in unit labor costs.

## **Nonfarm business**

Productivity in the nonfarm business sector grew at a 6.8 percent annual rate in the second quarter of 2003, as output grew 4.4 percent and hours of all persons fell 2.3 percent (table A). In the first quarter of 2003, output per hour in the nonfarm business sector increased 2.1 percent, as output rose 1.4 percent and hours declined 0.7 percent (table 2).

Hourly compensation rose 3.8 percent in the second quarter of 2003, following a 4.1 percent advance in the first quarter. When the rise in consumer prices was taken into account, real hourly compensation increased 3.2 percent in the second quarter of 2003. This was the largest gain in real hourly compensation since the third quarter of 2000, when it grew 5.0 percent.

Unit labor costs decreased 2.8 percent in the second quarter of 2003. This measure increased 2.0 percent in the first quarter. Unit nonlabor payments grew 6.3 percent, and the implicit price deflator for nonfarm business output rose 0.6 percent in the second quarter of 2003 (seasonally adjusted annual rates).

## **Manufacturing**

In the second quarter of 2003, productivity increased 3.7 percent in manufacturing, as output declined 2.4 percent and hours of all persons fell 5.9 percent (seasonally adjusted annual rates). In the durable goods sector, productivity grew 3.5 percent in the second quarter of 2003, as output fell 3.3 percent and hours dropped by 6.5 percent. In nondurable goods, output per hour rose 3.4 percent, as output decreased 1.7 percent and hours dropped 4.9 percent (tables 3, 4, and 5).

The hourly compensation of all manufacturing workers increased 5.2 percent during the second quarter of 2003, reflecting a 4.9-percent rise in hourly compensation in durable goods industries and a 5.9-percent increase in the nondurable goods sector. Real hourly compensation in the total manufacturing sector advanced 4.6 percent in the second quarter, after increasing 2.4 percent one quarter earlier.

Unit labor costs in manufacturing rose 1.5 percent in the second quarter of 2003, compared with a 2.2 percent increase in the first quarter. Unit labor costs rose 1.4 percent in durable goods and 2.4 percent in nondurable goods in the second quarter of 2003.

## **Nonfinancial corporations**

Preliminary second-quarter 2003 measures of productivity and costs also were reported today for nonfinancial corporations (tables B and 6). Productivity increased 8.1 percent during the second quarter, as output increased 5.9 percent and hours declined 2.0 percent (seasonally adjusted annual rates). In the first quarter of 2003, output per hour increased 4.3 percent, as output rose 2.8 percent and hours of all employees fell 1.5 percent. Nonfinancial corporations include 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.

Table B. Nonfinancial corporations: Preliminary second-quarter 2003 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								
2003 II	8.1	5.9	-2.0	3.9	3.3	-3.8	55.5	-0.7
Percent change from same quarter a year ago								
2003 II	4.8	3.3	-1.5	3.6	1.5	-1.1	16.2	0.1

Hourly compensation rose 3.9 percent in the second quarter of 2003, following a 5.2 percent gain in the first quarter. When the rise in consumer prices is taken into account, real hourly compensation increased 3.3 percent in the second quarter and 1.3 percent in the first quarter of 2003 (table 6).

Unit labor costs for nonfinancial corporations decreased 3.8 percent in the second quarter of 2003, compared with a 0.9-percent increase in the first quarter of the year. Unit profits grew at a 55.5 percent annual rate in the second quarter of 2003, after rising 7.6 percent in the first quarter. The implicit price deflator for nonfinancial corporate output declined 0.7 percent in the second quarter of 2003.

## Revised Measures

Current and previous measures for the second quarter of 2003 for the business, nonfarm business, and manufacturing sectors are compared in table C. The quarterly movements differ from those reported on Aug. 7 based on information then available. Ratios of hours worked to hours paid for the second quarter of 2003, derived from the National Compensation Survey, were incorporated into the current measures.

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
Second quarter 2003						
Business:						
Previous.....	6.1	3.2	-2.7	3.9	3.3	-2.0
Current .....	7.2	4.2	-2.7	4.3	3.7	-2.7
Nonfarm business:						
Previous.....	5.7	3.4	-2.2	3.5	2.9	-2.1
Current .....	6.8	4.4	-2.3	3.8	3.2	-2.8
Manufacturing:						
Previous.....	4.2	-2.1	-6.1	5.4	4.8	1.2
Current .....	3.7	-2.4	-5.9	5.2	4.6	1.5

In the business and nonfarm business sectors, output and productivity were revised up, and unit labor costs were revised down. In the manufacturing sector, productivity was revised down due to the combination of a larger decline in output and a smaller decline in hours. Because productivity was revised down more than hourly compensation, unit labor costs in manufacturing rose more than reported on Aug. 7.

## Corrected Measures

In the Productivity and Costs news release of August 7, 2003, data for manufacturing, durable manufacturing, nondurable manufacturing, and nonfinancial corporations for the fourth quarter in 2002, the annual average for 2002, and the first quarter in 2003 were incorrect. Previously published and corrected data are displayed in table D for the manufacturing sector and in table E for the nonfinancial corporate sector. Tables 3-6 contain the correct data for all four sectors.

Table D. Manufacturing industries: Published and corrected productivity and related measures Quarterly percent changes at seasonally adjusted annual rates						
	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
First quarter 2003						
Published.....	4.9	-0.7	-5.3	7.3	3.3	2.2
Corrected.....	4.0	-0.7	-4.5	6.3	2.4	2.2
Fourth quarter 2002						
Published.....	3.6	-3.7	-7.1	7.4	5.3	3.6
Corrected.....	-0.4	-3.7	-3.3	3.1	1.1	3.5
Annual average 2002						
Published.....	6.4	-1.1	-7.0	5.0	3.4	-1.3
Corrected.....	6.1	-1.1	-6.8	4.7	3.1	-1.3

Table E. Nonfinancial corporations: Published and corrected productivity and cost measures Quarterly percent changes at seasonally adjusted annual rates								
	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
First quarter 2003								
Published.....	4.5	2.8	-1.6	5.4	1.5	0.9	7.6	0.7
Corrected.....	4.3	2.8	-1.5	5.2	1.3	0.9	7.6	0.7
Fourth quarter 2002								
Published.....	3.6	2.8	-0.8	2.6	0.6	-1.0	22.8	0.9
Corrected.....	3.8	2.8	-1.0	2.8	0.8	-1.0	22.8	0.9
Annual average 2002								
Published.....	5.8	3.1	-2.5	3.5	1.8	-2.2	9.1	-0.5
Corrected.....	5.8	3.1	-2.5	3.5	1.9	-2.2	9.1	-0.5

### **Upcoming changes**

Historical measures of output and compensation for all sectors, along with the conversion of the manufacturing and nonfinancial corporate sectors from the 1987 Standard Industrial Classification (SIC) to the 2002 North American Industry Classification System (NAICS), will be prepared following the release of the revised national income and product accounts in December. On Jan. 7, 2004, the BLS will post revised productivity and cost measures through the fourth quarter of 2002 on its web site. More specific information will be announced later this year.

### **Next release date**

The next release of **Productivity and Costs** is scheduled for **8:30 AM EST, Thursday, Nov. 6, 2003**. Preliminary third-quarter measures for business, nonfarm business, and manufacturing will be released at that time.

## 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. The Office of Productivity and Technology estimates average weekly paid hours of nonproduction and supervisory workers. Weekly paid hours were adjusted to hours at work using the BLS Hours at Work survey, conducted for this purpose. Data from the National Compensation Survey are used for recent years.

Data from the BLS Current Population Survey (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, paid employees of private households, and the rental value of owner-occupied dwellings. Corresponding exclusions also are made in labor inputs. Business output accounted for about 77 percent of the value of GDP in 1996. Nonfarm business, which also excludes farming, accounted for about 76 percent of GDP in 1996.

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 2-digit SIC industries: Primary metal industries; fabricated metal products; nonelectrical machinery; industrial and commercial machinery and computer equipment; electronic and other electrical equipment; transportation equipment; instruments; lumber and lumber products; furniture and fixtures; stone, clay, and glass and concrete products; and miscellaneous manufactures. Nondurables include: Food and kindred products, tobacco products, textile mill products, apparel products, paper and allied products, printing and publishing, chemicals and chemical products, petroleum refining and related industries, rubber and plastic products, and leather and leather products.

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; employees of private households; the rental value of owner-occupied dwellings; unincorporated business; and those corporations which are depository institutions, nondepository institutions, security and commodity brokers, insurance carriers, regulated investment offices, small business investment offices, and real estate investment trusts. Nonfinancial corporations accounted for about 53 percent of the value of GDP in 1996.

**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: 202-691-5200; 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									
2001	I	117.4	140.4	119.6	137.4	111.9	117.1	112.0	115.2
	II	117.8	139.4	118.3	138.2	111.6	117.3	113.3	115.8
	III	118.8	139.1	117.1	139.1	112.1	117.1	115.1	116.4
	IV	121.3	140.3	115.6	139.8	112.8	115.2	117.0	115.9
	ANNUAL	118.8	139.8	117.6	138.6	112.1	116.7	114.3	115.8
2002	I	123.9	142.3	114.9	141.0	113.4	113.8	119.7	116.0
	II	124.1	142.5	114.8	142.4	113.5	114.7	118.8	116.2
	III	125.9	144.4	114.6	143.1	113.5	113.6	120.9	116.3
	IV	126.4	145.0	114.7	143.7	113.4	113.7	122.1	116.8
	ANNUAL	125.1	143.5	114.7	142.5	113.5	113.9	120.4	116.3
2003	I	127.2	145.5	114.3	145.4	113.7	114.2	122.3	117.2
	II	r129.5	r147.0	r113.5	r146.9	r114.7	r113.5	r124.3	r117.4
Percent change from previous quarter at annual rate(5)									
2001	I	-0.5	-1.0	-0.5	4.6	0.8	5.1	0.3	3.4
	II	1.5	-2.8	-4.3	2.3	-0.9	0.8	4.6	2.2
	III	3.3	-0.9	-4.1	2.5	1.6	-0.8	6.8	1.8
	IV	8.7	3.5	-4.8	2.1	2.7	-6.1	6.7	-1.6
	ANNUAL	2.0	-0.2	-2.1	3.8	1.0	1.8	2.3	2.0
2002	I	8.7	5.9	-2.6	3.5	2.2	-4.8	9.6	0.3
	II	0.8	0.6	-0.2	4.0	0.4	3.1	-3.2	0.7
	III	5.9	5.3	-0.6	2.1	0.0	-3.6	7.6	0.5
	IV	1.5	1.7	0.2	1.6	-0.4	0.1	3.8	1.5
	ANNUAL	5.3	2.7	-2.5	2.8	1.2	-2.3	5.3	0.4
2003	I	2.7	1.4	-1.2	4.8	0.9	2.0	0.8	1.6
	II	r7.2	r4.2	-2.7	r4.3	r3.7	r-2.7	r6.6	r0.8
Percent change from corresponding quarter of previous year									
2001	I	2.2	1.4	-0.8	4.9	1.4	2.6	1.4	2.2
	II	1.1	-0.7	-1.7	4.8	1.4	3.7	-0.5	2.1
	III	1.7	-1.0	-2.6	3.3	0.6	1.6	3.7	2.3
	IV	3.2	-0.3	-3.4	2.9	1.0	-0.3	4.6	1.4
	ANNUAL	2.0	-0.2	-2.1	3.8	1.0	1.8	2.3	2.0
2002	I	5.5	1.4	-3.9	2.6	1.4	-2.8	6.9	0.7
	II	5.4	2.3	-2.9	3.0	1.7	-2.2	4.9	0.3
	III	6.0	3.8	-2.1	2.9	1.3	-2.9	5.0	0.0
	IV	4.2	3.4	-0.8	2.8	0.5	-1.4	4.3	0.7
	ANNUAL	5.3	2.7	-2.5	2.8	1.2	-2.3	5.3	0.4
2003	I	2.7	2.2	-0.5	3.1	0.2	0.4	2.2	1.1
	II	r4.3	r3.2	-1.1	r3.2	r1.0	r-1.1	r4.6	1.1

See footnotes following Table 6.  
r=revised

September 4, 2003  
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									
2001	I	116.9	140.7	120.3	136.7	111.3	117.0	113.5	115.7
	II	117.4	139.7	119.0	137.4	111.0	117.1	114.9	116.3
	III	118.3	139.4	117.8	138.2	111.4	116.8	116.8	116.8
	IV	120.7	140.4	116.3	138.9	112.1	115.1	119.0	116.5
	ANNUAL	118.3	140.1	118.4	137.8	111.4	116.5	116.1	116.3
2002	I	123.4	142.5	115.5	140.2	112.8	113.6	121.5	116.4
	II	123.7	142.9	115.5	141.5	112.9	114.4	121.2	116.8
	III	125.5	144.7	115.3	142.2	112.8	113.3	123.1	116.9
	IV	126.0	145.3	115.3	142.8	112.7	113.3	124.3	117.3
	ANNUAL	124.7	143.9	115.4	141.7	112.8	113.6	122.5	116.9
2003	I	126.7	145.8	115.1	144.2	112.8	113.8	124.5	117.7
	II	r128.8	r147.4	114.4	r145.6	r113.7	r113.0	r126.4	117.9
Percent change from previous quarter at annual rate(5)									
2001	I	-0.4	-0.9	-0.5	4.3	0.5	4.7	0.8	3.3
	II	1.6	-2.7	-4.3	2.0	-1.2	0.3	5.0	2.0
	III	3.4	-0.8	-4.1	2.4	1.5	-0.9	6.6	1.7
	IV	8.3	2.9	-5.0	2.1	2.7	-5.7	7.7	-1.0
	ANNUAL	1.9	-0.1	-2.0	3.6	0.8	1.7	2.4	1.9
2002	I	9.3	6.2	-2.9	3.7	2.4	-5.2	8.7	-0.2
	II	1.0	0.9	0.0	3.9	0.3	2.9	-0.9	1.4
	III	5.9	5.2	-0.6	2.0	-0.2	-3.7	6.6	0.1
	IV	1.7	1.7	0.0	1.6	-0.4	-0.1	3.9	1.4
	ANNUAL	5.4	2.7	-2.5	2.8	1.2	-2.4	5.6	0.5
2003	I	2.1	1.4	-0.7	4.1	0.2	2.0	0.4	1.4
	II	r6.8	r4.4	r-2.3	r3.8	r3.2	r-2.8	r6.3	r0.6
Percent change from corresponding quarter of previous year									
2001	I	2.0	1.4	-0.6	4.5	1.1	2.5	1.4	2.1
	II	1.1	-0.6	-1.6	4.6	1.1	3.5	-0.3	2.1
	III	1.7	-0.8	-2.5	3.0	0.3	1.3	3.7	2.2
	IV	3.2	-0.4	-3.5	2.7	0.9	-0.5	5.0	1.5
	ANNUAL	1.9	-0.1	-2.0	3.6	0.8	1.7	2.4	1.9
2002	I	5.6	1.3	-4.0	2.5	1.3	-2.9	7.0	0.6
	II	5.4	2.3	-3.0	3.0	1.7	-2.3	5.4	0.5
	III	6.1	3.8	-2.1	2.9	1.3	-3.0	5.4	0.1
	IV	4.4	3.5	-0.9	2.8	0.5	-1.6	4.5	0.7
	ANNUAL	5.4	2.7	-2.5	2.8	1.2	-2.4	5.6	0.5
2003	I	2.6	2.3	-0.3	2.9	0.0	0.2	2.5	1.1
	II	r4.1	r3.2	-0.9	r2.9	r0.7	r-1.2	r4.3	0.9

See footnotes following Table 6.  
r=revised

September 4, 2003  
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							
2001	I	135.2	134.9	99.8	132.0	107.5	97.6
	II	135.8	132.8	97.8	133.6	107.9	98.4
	III	137.8	131.1	95.1	135.0	108.8	97.9
	IV	139.9	129.1	92.3	136.7	110.3	97.7
	ANNUAL	137.1	132.0	96.3	134.3	108.6	97.9
2002	I	142.9	129.5	90.6	138.3	111.3	96.8
	II	144.8	130.6	90.2	140.5	112.0	97.0
	III	147.2	131.6	89.4	141.3	112.1	96.0
	IV	r147.0	130.3	r88.6	r142.4	r112.4	96.9
	ANNUAL	r145.5	130.5	r89.7	r140.6	r112.0	96.7
2003	I	r148.5	130.1	r87.6	r144.6	r113.1	97.4
	II	r149.8	r129.3	r86.3	r146.5	r114.4	97.7
Percent change from previous quarter at annual rate(5)							
2001	I	-2.1	-7.6	-5.7	1.6	-2.1	3.7
	II	1.8	-6.2	-7.9	5.0	1.7	3.1
	III	6.1	-4.9	-10.3	4.1	3.2	-1.8
	IV	6.0	-6.1	-11.5	5.1	5.7	-0.9
	ANNUAL	1.6	-4.9	-6.4	2.4	-0.4	0.8
2002	I	9.1	1.2	-7.2	5.0	3.7	-3.8
	II	5.5	3.5	-1.9	6.3	2.7	0.8
	III	6.7	3.0	-3.4	2.5	0.3	-3.9
	IV	r-0.4	-3.7	r-3.3	r3.1	r1.1	r3.5
	ANNUAL	r6.1	-1.1	r-6.8	r4.7	r3.1	-1.3
2003	I	r4.0	-0.7	r-4.5	r6.3	r2.4	2.2
	II	r3.7	r-2.4	r-5.9	r5.2	r4.6	r1.5
Percent change from corresponding quarter of previous year							
2001	I	1.2	-2.4	-3.6	0.5	-2.9	-0.7
	II	0.7	-5.0	-5.7	3.4	0.0	2.7
	III	1.8	-5.9	-7.5	2.1	-0.6	0.3
	IV	2.9	-6.2	-8.9	3.9	2.1	1.0
	ANNUAL	1.6	-4.9	-6.4	2.4	-0.4	0.8
2002	I	5.7	-4.0	-9.2	4.8	3.6	-0.9
	II	6.7	-1.7	-7.8	5.1	3.8	-1.4
	III	6.8	0.3	-6.1	4.7	3.1	-2.0
	IV	r5.1	1.0	r-4.0	r4.2	r1.9	-0.9
	ANNUAL	r6.1	-1.1	r-6.8	r4.7	r3.1	-1.3
2003	I	r3.9	0.5	r-3.3	r4.5	r1.6	r0.6
	II	r3.5	r-1.0	r-4.3	r4.3	r2.1	r0.8

See footnotes following Table 6.  
r=revised

September 4, 2003  
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							
2001	I	149.3	158.3	106.0	129.4	105.3	86.6
	II	149.7	154.9	103.5	131.3	106.1	87.7
	III	151.7	151.8	100.1	132.0	106.4	87.0
	IV	153.7	148.6	96.7	134.3	108.4	87.4
	ANNUAL	151.0	153.4	101.5	131.7	106.5	87.2
2002	I	158.1	149.4	94.5	135.6	109.1	85.8
	II	160.7	151.2	94.1	138.2	110.3	86.0
	III	163.9	152.6	93.1	138.8	110.1	84.7
	IV	r164.5	151.5	r92.0	r140.0	r110.5	85.1
	ANNUAL	r161.8	151.2	r93.4	r138.1	r110.0	85.4
2003	I	r165.9	151.3	r91.2	r141.9	r111.0	r85.5
	II	r167.4	r150.0	r89.6	r143.6	r112.2	r85.8
Percent change from previous quarter at annual rate(5)							
2001	I	-2.0	-8.9	-7.0	3.1	-0.6	5.2
	II	1.0	-8.2	-9.1	6.2	2.9	5.1
	III	5.4	-7.9	-12.6	2.0	1.1	-3.3
	IV	5.5	-8.0	-12.8	7.2	7.8	1.6
	ANNUAL	0.9	-6.3	-7.1	1.8	-0.9	0.9
2002	I	11.9	2.1	-8.7	3.9	2.6	-7.1
	II	6.7	4.9	-1.7	8.1	4.4	1.2
	III	8.3	3.8	-4.2	1.6	-0.5	-6.2
	IV	r1.5	-2.9	r-4.4	r3.5	r1.5	r2.0
	ANNUAL	r7.1	-1.5	r-8.0	r4.9	r3.3	-2.1
2003	I	r3.4	-0.5	r-3.8	r5.6	r1.7	2.2
	II	r3.5	r-3.3	r-6.5	r4.9	r4.3	1.4
Percent change from corresponding quarter of previous year							
2001	I	0.5	-2.9	-3.3	-1.1	-4.3	-1.6
	II	-0.2	-6.3	-6.1	3.0	-0.4	3.2
	III	0.9	-7.8	-8.6	1.1	-1.6	0.2
	IV	2.4	-8.2	-10.4	4.6	2.7	2.1
	ANNUAL	0.9	-6.3	-7.1	1.8	-0.9	0.9
2002	I	5.9	-5.6	-10.8	4.8	3.6	-1.0
	II	7.3	-2.4	-9.1	5.3	3.9	-1.9
	III	8.1	0.5	-7.0	5.2	3.5	-2.7
	IV	r7.0	1.9	r-4.8	r4.2	r2.0	-2.6
	ANNUAL	r7.1	-1.5	r-8.0	r4.9	r3.3	-2.1
2003	I	r5.0	1.3	r-3.5	r4.7	r1.7	r-0.3
	II	r4.2	r-0.8	r-4.7	r3.9	r1.7	-0.2

See footnotes following Table 6.  
r=revised

September 4, 2003  
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						
2001	I	123.1	112.7	91.6	134.7	109.4
	II	123.8	111.7	90.2	135.8	109.7
	III	125.6	111.3	88.6	138.6	110.3
	IV	127.4	110.1	86.4	139.2	109.3
	ANNUAL	125.0	111.5	89.2	137.0	109.7
2002	I	129.1	110.2	85.4	141.6	109.7
	II	130.4	110.8	84.9	142.9	109.5
	III	131.9	111.4	84.4	144.3	109.4
	IV	r130.9	110.1	r84.1	r145.3	r114.7
	ANNUAL	r130.6	110.6	r84.7	r143.5	r114.3
2003	I	r132.5	109.9	r82.9	r147.9	r115.6
	II	r133.7	r109.4	r81.9	r150.0	r117.1
----- Percent change from previous quarter at annual rate(5)						
2001	I	-2.5	-6.0	-3.6	-0.8	-4.4
	II	2.3	-3.8	-5.9	3.3	0.0
	III	5.8	-1.4	-6.7	8.4	7.4
	IV	6.0	-4.0	-9.4	1.9	2.5
	ANNUAL	2.3	-3.2	-5.3	3.6	0.8
2002	I	5.4	0.3	-4.9	7.1	5.8
	II	4.2	1.9	-2.1	3.5	0.0
	III	4.6	2.3	-2.2	4.2	2.0
	IV	r-3.1	-4.6	r-1.6	r2.6	r0.6
	ANNUAL	r4.5	-0.8	r-5.0	r4.7	r3.1
2003	I	r5.2	-0.6	r-5.5	r7.3	r3.3
	II	r3.4	r-1.7	r-4.9	r5.9	r5.3
----- Percent change from corresponding quarter of previous year						
2001	I	2.1	-1.9	-3.9	3.1	-0.3
	II	1.7	-3.4	-5.1	4.1	0.7
	III	2.5	-3.5	-5.9	4.1	1.3
	IV	2.8	-3.8	-6.4	3.1	1.3
	ANNUAL	2.3	-3.2	-5.3	3.6	0.8
2002	I	4.8	-2.2	-6.7	5.1	3.9
	II	5.3	-0.8	-5.8	5.2	3.9
	III	5.0	0.1	-4.7	4.2	2.5
	IV	r2.7	-0.1	r-2.7	r4.3	r2.1
	ANNUAL	r4.5	-0.8	r-5.0	r4.7	r3.1
2003	I	r2.7	-0.3	r-2.9	r4.4	r1.5
	II	r2.5	r-1.2	r-3.6	r5.0	r2.8

See footnotes following Table 6.  
r=revised

September 4, 2003  
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											
2001	I	118.7	147.9	124.7	131.2	106.8	110.6	111.6	110.8	93.1	109.3
	II	120.0	147.8	123.1	132.6	107.1	110.4	113.5	111.3	95.4	109.9
	III	121.3	147.7	121.7	133.8	107.8	110.3	115.5	111.7	97.9	110.5
	IV	124.5	149.6	120.2	134.7	108.7	108.2	114.1	109.8	107.6	109.6
	ANNUAL	121.1	148.2	122.4	133.0	107.6	109.9	113.7	110.9	98.5	109.8
2002	I	126.0	150.8	119.7	135.9	109.4	107.9	114.0	109.5	107.6	109.4
	II	127.7	152.8	119.6	137.3	109.5	107.5	114.5	109.4	107.8	109.3
	III	128.7	153.4	119.2	138.2	109.7	107.4	115.4	109.6	104.6	109.1
	IV	129.9	154.5	118.9	r139.2	r109.9	107.1	115.2	109.3	110.1	109.4
	ANNUAL	128.1	152.9	r119.3	137.7	109.6	107.5	114.8	109.4	107.5	109.3
2003	I	131.3	155.5	118.4	141.0	110.2	107.3	114.6	109.3	112.2	109.6
	II	133.9	157.8	117.8	142.3	111.1	106.3	112.2	107.9	125.3	109.4
Percent change from previous quarter at annual rate(5)											
2001	I	-2.6	-3.3	-0.7	-1.2	-4.7	1.4	10.1	3.7	-20.2	1.7
	II	4.7	-0.5	-5.0	4.3	1.0	-0.4	7.1	1.6	10.0	2.2
	III	4.4	-0.3	-4.5	3.7	2.8	-0.6	7.2	1.5	10.8	2.2
	IV	10.8	5.4	-4.9	2.7	3.3	-7.3	-4.9	-6.7	46.1	-3.3
	ANNUAL	2.0	-0.1	-2.1	3.1	0.3	1.0	6.5	2.5	-11.7	1.2
2002	I	5.0	3.3	-1.6	3.7	2.5	-1.2	-0.2	-0.9	-0.2	-0.8
	II	5.5	5.3	-0.3	4.2	0.6	-1.3	1.7	-0.5	0.9	-0.3
	III	3.1	1.7	-1.4	2.7	0.5	-0.5	3.1	0.5	-11.2	-0.5
	IV	r3.8	2.8	r-1.0	r2.8	r0.8	-1.0	-0.6	-0.9	22.8	0.9
	ANNUAL	5.8	3.1	-2.5	3.5	r1.9	-2.2	1.0	-1.3	9.1	-0.5
2003	I	r4.3	2.8	r-1.5	r5.2	r1.3	0.9	-1.9	0.1	7.6	0.7
	II	8.1	5.9	-2.0	3.9	3.3	-3.8	-8.4	-5.1	55.5	-0.7
Percent change from corresponding quarter of previous year											
2001	I	0.9	0.4	-0.4	3.5	0.1	2.6	6.7	3.7	-22.0	1.3
	II	1.5	-0.1	-1.6	3.9	0.5	2.3	6.8	3.5	-19.7	1.3
	III	1.6	-1.1	-2.7	2.7	0.0	1.1	7.8	2.9	-10.6	1.7
	IV	4.2	0.3	-3.8	2.4	0.5	-1.8	4.7	0.0	9.2	0.7
	ANNUAL	2.0	-0.1	-2.1	3.1	0.3	1.0	6.5	2.5	-11.7	1.2
2002	I	6.2	1.9	-4.0	3.6	2.4	-2.4	2.2	-1.2	15.5	0.0
	II	6.4	3.4	-2.8	3.6	2.3	-2.6	0.9	-1.7	13.0	-0.6
	III	6.1	3.9	-2.1	3.3	1.7	-2.6	-0.1	-1.9	6.9	-1.3
	IV	r4.4	3.2	r-1.1	3.3	r1.1	-1.0	1.0	-0.4	2.4	-0.2
	ANNUAL	5.8	3.1	-2.5	3.5	r1.9	-2.2	1.0	-1.3	9.1	-0.5
2003	I	4.2	3.1	r-1.1	3.7	0.8	-0.5	0.6	-0.2	4.3	0.2
	II	4.8	3.3	-1.5	3.6	1.5	-1.1	-2.0	-1.4	16.2	0.1

See footnotes following Table 6.  
r=revised

September 4, 2003  
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  $+1.5$  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 2003.

#### **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 1978-2002 is based on the Consumer Price Index research series (CPI-U-RS).
- (3) Unit nonlabor payments include profits, capital consumption allowances, interest, rental income of persons, and indirect taxes.
- (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 capital consumption allowances, interest, rental income of persons, and indirect taxes. For nonfinancial corporations, rental income of persons is zero by definition.
- (7) Total unit costs are the sum of unit labor and nonlabor costs.
- (8) Unit profits include corporate profits with inventory valuation and capital consumption adjustments.