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## Economic News Release

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### Productivity and Costs, First Quarter 2012, Revised

Transmission of material in this release is embargoed until 8:30 a.m. (EDT) Wednesday, June 6, 2012

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#### PRODUCTIVITY AND COSTS First Quarter 2012, Revised

Nonfarm business sector labor productivity decreased at a 0.9 percent annual rate during the first quarter of 2012, the U.S. Bureau of Labor Statistics reported today. The decline in productivity reflects increases of 2.4 percent in output and 3.3 percent in hours worked. (All quarterly percent changes in this release are seasonally adjusted annual rates.) From the first quarter of 2011 to the first quarter of 2012, productivity increased 0.4 percent as output and hours worked rose 2.7 percent and 2.2 percent, respectively. (See table A.)

Labor productivity, or output per hour, is calculated by dividing an index of real output by an index of hours worked of all persons, including employees, proprietors, and unpaid family workers. The measures released today are based on more recent source data than were available for the preliminary report.

Unit labor costs in nonfarm businesses increased 1.3 percent in the first quarter of 2012, while hourly compensation increased 0.4 percent. Unit labor costs rose 0.9 percent over the last four quarters. (See table A.)

BLS defines unit labor costs as the ratio of hourly compensation to labor productivity; increases in hourly compensation tend to increase unit labor costs and increases in output per hour tend to reduce them.

Manufacturing sector productivity rose 5.2 percent in the first quarter of 2012, as output grew 10.0 percent and hours worked increased 4.6 percent. Over the last four quarters, manufacturing sector productivity increased 2.3 percent, as output increased 5.3 percent and hours rose 2.9 percent--the largest four-quarter increase in hours worked since the first quarter of 1997 (3.0 percent). Manufacturing hourly compensation declined 0.7 percent from the first quarter of 2011 to the first quarter of 2012--the first four-quarter decline in the measure. Real hourly compensation fell 3.4 percent over the last four quarters, the largest decline in the measure, which begins in the first quarter of 1988. Unit labor costs in manufacturing fell 4.9 percent in the first quarter of 2012 and decreased 2.9 percent from the same quarter a year ago. (See tables A and 3.)

Preliminary first-quarter 2012 measures of productivity and costs were announced for the nonfinancial corporate sector. Productivity increased 0.3 percent in the first quarter of 2012, as output and hours rose 3.8 percent and 3.5 percent, respectively. (See tables C and 6.)

The concepts, sources, and methods used for the manufacturing and nonfinancial corporate output series differ from those used in the business and nonfarm business output series; these output measures are not directly comparable. See Technical Notes for a more detailed explanation.

#### Revised measures

Table B presents previous and revised productivity and related measures for the business, nonfarm business, and manufacturing sectors, for the first quarter of 2012 and the fourth quarter of 2011.

In the first quarter of 2012, nonfarm business productivity growth fell 0.9 percent, a greater decline than reported in the preliminary estimate. The revised figure reflects a downward revision to output and a slight upward revision to hours. Unit labor costs grew 1.3 percent in the first quarter, as hourly compensation was revised down by more than productivity. In the manufacturing sector, productivity growth in the first quarter was revised down to 5.2 percent, due to a downward revision to output. Unit labor costs declined 4.9 percent, rather than falling 4.2 percent as previously reported.

In the fourth quarter of 2011, nonfarm business and manufacturing productivity were unrevised from the May 3 release. For both sectors, a large downward revision in hourly compensation accounted for the decline in unit labor costs compared to the increase reported previously.

In the nonfinancial corporate sector, fourth-quarter productivity growth was revised down to 1.3 percent from the preliminary estimate of 3.7 percent, due to a downward revision to output. (See table C.)

The preliminary Productivity and Costs press release for second-quarter 2012 is scheduled to be released on Wednesday, August 8, 2012 at 8:30 a.m. (EDT).

Table A. Revised first-quarter 2012 measures: percent change from previous quarter at annual rate (Q to Q) and from same quarter a year ago (Y to Y)

Sector	Nonfarm Business		Business		Manufacturing		Durable Manufacturing		Nondurable Manufacturing	
	Q to Q	Y to Y	Q to Q	Y to Y	Q to Q	Y to Y	Q to Q	Y to Y	Q to Q	Y to Y
Productivity	-0.9	0.4	-1.0	0.4	5.2	2.3	9.9	4.1	0.1	0.9
Output	2.4	2.7	2.4	2.6	10.0	5.3	15.4	8.2	4.3	2.1
Hours	3.3	2.2	3.4	2.2	4.6	2.9	4.9	4.0	4.1	1.2
Hourly compensation	0.4	1.3	0.3	1.3	0.0	-0.7	-0.6	-1.4	1.0	0.6
Real hourly										

compensation	-2.0	-1.5	-2.1	-1.5	-2.4	-3.4	-3.0	-4.1	-1.4	-2.2
Unit labor										
costs	1.3	0.9	1.3	0.9	-4.9	-2.9	-9.6	-5.3	0.9	-0.3

Table B. Revised and previous measures: first quarter 2012 and fourth quarter 2011

Sector	Nonfarm Business		Business		Manufacturing		Durable Manufacturing		Nondurable Manufacturing	
	Revised	Previous	Revised	Previous	Revised	Previous	Revised	Previous	Revised	Previous
Percent change, annual rate, first quarter 2012										
Productivity	-0.9	-0.5	-1.0	-0.6	5.2	5.9	9.9	10.2	0.1	1.4
Output	2.4	2.7	2.4	2.7	10.0	10.8	15.4	15.6	4.3	5.7
Hours	3.3	3.2	3.4	3.3	4.6	4.6	4.9	4.9	4.1	4.2
Hourly compensation	0.4	1.5	0.3	1.4	0.0	1.5	-0.6	0.7	1.0	2.8
Real hourly compensation	-2.0	-0.9	-2.1	-1.1	-2.4	-1.0	-3.0	-1.7	-1.4	0.4
Unit labor costs	1.3	2.0	1.3	2.0	-4.9	-4.2	-9.6	-8.6	0.9	1.4
Percent change, annual rate, fourth quarter 2011										
Productivity	1.2	1.2	1.2	1.2	0.6	0.6	1.6	1.6	1.0	0.9
Output	3.7	3.7	3.7	3.7	5.4	5.4	9.1	9.1	1.5	1.5
Hours	2.4	2.4	2.5	2.5	4.8	4.8	7.5	7.5	0.5	0.5
Hourly compensation	-0.4	3.9	-0.3	4.0	-3.7	1.9	-4.4	0.8	-2.8	3.4
Real hourly compensation	-1.6	2.6	-1.6	2.7	-4.9	0.6	-5.6	-0.5	-4.1	2.0
Unit labor costs	-1.5	2.7	-1.5	2.8	-4.2	1.3	-5.8	-0.8	-3.7	2.4

Table C. Nonfinancial corporations: preliminary first-quarter 2012 and revised and previous fourth-quarter 2011 productivity and cost measures

	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implicit price deflator
Percent change, annual rate, first quarter 2012								
Q to Q	0.3	3.8	3.5	0.0	-2.4	-0.3	-1.5	-0.3
Y to Y	1.2	3.9	2.7	1.2	-1.6	0.1	9.2	1.2
Percent change, annual rate, fourth quarter 2011								
Revised	1.3	3.5	2.2	-0.5	-1.8	-1.8	7.1	-0.3
Previous	3.7	5.9	2.2	3.3	2.0	-0.4	4.6	-0.3

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