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Fourth Quarter and Annual Averages 2012, Revised

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Productivity and Costs Fourth Quarter and Annual Averages 2012, Revised

Nonfarm business sector labor productivity decreased at a 1.9 percent annual rate during the fourth quarter of 2012, the U.S. Bureau of Labor Statistics reported today. The decrease in productivity reflects increases of 0.5 percent in output and 2.5 percent in hours worked. (All quarterly percent changes in this release are seasonally adjusted annual rates.) From the fourth quarter of 2011 to the fourth quarter of 2012, productivity increased 0.5 percent as output and hours worked increased 2.5 percent and 1.9 percent, respectively. (See table A.) Annual average productivity increased 0.7 percent from 2011 to 2012. (See table C.)

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 were based on more recent source data than were available for the preliminary report.

Unit labor costs in nonfarm businesses increased 4.6 percent in the fourth quarter of 2012, the combined effect of the 1.9 percent decrease in productivity and a 2.6 percent increase in hourly compensation. Unit labor costs rose 2.1 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.

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Data in this release reflect the annual benchmark revision of BLS Current Employment Statistics program data on nonfarm employment and hours, and the revised seasonal adjustment of those data. More detail can be found in tables 1 through 6 and appendix tables 1 through 6. See Revised measures.
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Manufacturing sector productivity increased 2.1 percent in the fourth quarter of 2012, as output increased 2.5 percent and hours increased 0.4 percent. Productivity increased 2.7 percent in the durable goods sector

and increased 1.7 percent in the nondurable goods sector. Over the last four quarters, manufacturing productivity increased 1.8 percent, as output increased 3.3 percent and hours worked rose 1.4 percent. Unit labor costs in manufacturing decreased 1.9 percent in the fourth quarter of 2012 and increased 2.3 percent from the same quarter a year ago. (See tables A and 3.)

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

Quarterly and annual measures of hours and related series including productivity for all sectors were revised back to 1990 to incorporate revised Current Employment Statistics program data published February 1, 2013. The data were subject to revision from 2008 forward as a result of annual benchmarking of establishment survey data and revised seasonal adjustment of those data, and from 1990 to 2008 due to other minor revisions. All index measures related to hours show historical revisions because the 2005 base year values were revised; resulting revisions to percent changes are small. Third quarter, fourth quarter, and annual average data for 2012 were also revised for regular updates of source data on output and compensation. Revised and previous measures for the third and fourth quarters of 2012 are shown in table B for the business, nonfarm business, and manufacturing sectors. Revised annual average measures for 2008 to 2012 are shown in table C for the nonfarm business and manufacturing sectors. Revised third quarter measures for the nonfinancial corporate sector are shown in table D. Quarterly and annual data for all sectors appear in tables 1-6 for 2010 through 2012, and in appendix tables 1-6 for 2008 and 2009. Full historical annual and quarterly measures can be found on the labor productivity and costs home page at <http://www.bls.gov/lpc/#data>.

In the fourth quarter of 2012, nonfarm business productivity declined 1.9 percent, as output was revised upward slightly more than hours. Unit labor costs rose 4.6 percent, about the same as the preliminary estimate. Manufacturing productivity growth was revised upward, to 2.1 percent, reflecting an upward revision to output that was larger than an upward revision to hours. Due to both the upward revision to productivity and a downward revision to hourly compensation, manufacturing unit labor costs fell 1.9 percent, rather than rising 0.4 percent as reported in the preliminary release. (See table B.)

In the third quarter of 2012, nonfarm business productivity growth was little changed, at 3.1 percent, reflecting a slight upward revision to hours. However, unit labor costs decreased 1.9 percent rather than falling 2.3 percent as reported February 7, due to an upward revision to hourly compensation and the slight downward revision to productivity. In the manufacturing sector, productivity was not revised in the third quarter. Unit labor costs increased less than previously reported due to a downward revision to hourly compensation. (See table B.)

Annual Average productivity growth for 2012 in the nonfarm business sector was revised down slightly to 0.7 percent, due to an upward revision to hours worked. The 2.2 percent increase in hours was the largest since a similar gain in 2006. The upward revision to hours also led to a downward revision to compensation per hour. The increase of 1.4 percent in hourly compensation is the smallest in the annual series which begins in 1948 except for another 1.4 percent increase in 2009. Real hourly compensation, which also takes into account changes in consumer prices, decreased 0.6 percent in 2012 in the nonfarm business sector, the same as the decline in 2011. Nonfarm business unit labor costs rose 0.7 percent in 2012, as

previously reported. (See table C.)

Manufacturing sector productivity grew 2.2 percent in 2012, reflecting a 4.5 percent increase in output combined with a 2.3 percent increase in hours. The increase in hours worked was the largest since 1994, and follows a 2.1 percent increase in 2011. Unit labor costs were revised downward to 0.0 percent in the manufacturing sector.

The preliminary Productivity and Costs press release for first-quarter 2013 is scheduled to be released on Thursday, May 2, 2013 at 8:30 a.m. (EDT).

Table A. Revised fourth-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	-1.9	0.5	-1.8	0.4	2.1	1.8	2.7	4.2	1.7	-0
Output	0.5	2.5	0.3	2.3	2.5	3.3	3.5	5.7	1.4	0
Hours	2.5	1.9	2.2	1.8	0.4	1.4	0.8	1.5	-0.3	1
Hourly compensation	2.6	2.6	2.9	2.7	0.2	4.2	-0.2	5.2	0.8	2
Real hourly compensation	0.4	0.8	0.7	0.8	-2.0	2.3	-2.3	3.3	-1.3	0
Unit labor costs	4.6	2.1	4.8	2.3	-1.9	2.3	-2.9	1.0	-0.8	3

Table B. Revised and previous measures: fourth quarter and third quarter 2012

Sector	Nonfarm Business		Business		Manufacturing		Durable Manufacturing		Nondurable Manufacturing	
	Revised	Previous	Revised	Previous	Revised	Previous	Revised	Previous	Revised	Previous
Percent change, annual rate fourth quarter 2012										
Productivity	-1.9	-2.0	-1.8	-1.9	2.1	0.5	2.7	1.6	1.7	-0
Output	0.5	0.1	0.3	0.0	2.5	0.7	3.5	1.8	1.4	-0
Hours	2.5	2.2	2.2	1.9	0.4	0.1	0.8	0.3	-0.3	-0
Hourly compensation	2.6	2.4	2.9	2.7	0.2	1.0	-0.2	0.9	0.8	1
Real hourly compensation	0.4	0.3	0.7	0.6	-2.0	-1.1	-2.3	-1.2	-1.3	-0
Unit labor costs	4.6	4.5	4.8	4.6	-1.9	0.4	-2.9	-0.7	-0.8	1
Percent change, annual rate, third quarter 2012										
Productivity	3.1	3.2	2.8	2.9	-0.9	-0.9	-1.2	-1.5	-0.9	-0
Output	4.7	4.7	4.2	4.2	-0.5	-0.7	-1.6	-1.9	0.7	0
Hours	1.6	1.5	1.4	1.3	0.4	0.2	-0.3	-0.4	1.6	1
Hourly compensation	1.2	0.8	1.3	0.9	0.6	2.3	0.3	2.2	1.1	2
Real hourly compensation										

compensation	-0.9	-1.5	-0.8	-1.3	-1.5	0.0	-1.7	-0.1	-0.9	0
Unit labor										
costs	-1.9	-2.3	-1.5	-1.9	1.4	3.2	1.6	3.8	2.0	3

Table C. Revised annual average changes in productivity and related measures: 2008-2012

Sector	Nonfarm Business					Manufacturing				
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
Productivity	0.6	2.9	3.1	0.6	0.7	-0.6	0.1	6.5	2.6	2
Output	-1.5	-4.5	3.1	2.6	2.9	-4.5	-12.9	6.4	4.8	4
Hours	-2.1	-7.2	-0.1	2.0	2.2	-4.0	-13.0	-0.1	2.1	2
Hourly compensation	3.4	1.4	2.1	2.6	1.4	4.3	4.0	1.2	2.8	2
Real hourly compensation	-0.4	1.8	0.4	-0.6	-0.6	0.4	4.4	-0.5	-0.4	0
Unit labor costs	2.8	-1.5	-1.0	2.0	0.7	4.9	4.0	-5.0	0.1	0

Table D. Nonfinancial corporations: revised third-quarter 2012 productivity and cost measures

	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs	Unit profits	Implied price deflator
	Percent change, annual rate, third quarter 2012							
Revised	-4.8	-3.8	1.0	1.4	-0.6	6.5	-1.3	5
Previous	-4.7	-3.8	0.9	1.5	-0.7	6.5	-1.3	5

- [Technical notes](#)
- [Table 1. Business sector: Productivity, hourly compensation, unit labor costs, and prices, seasonally adjusted](#)
- [Table 2. Nonfarm business sector: Productivity, hourly compensation, unit labor costs, and prices, seasonally adjusted](#)
- [Table 3. Manufacturing sector: Productivity, hourly compensation, and unit labor costs, seasonally adjusted](#)
- [Table 4. Durable manufacturing sector: Productivity, hourly compensation, and unit labor costs, seasonally adjusted](#)
- [Table 5. Nondurable manufacturing sector: Productivity, hourly compensation, and unit labor costs, seasonally adjusted](#)
- [Table 6. Nonfinancial corporate sector: Productivity, hourly compensation, unit labor costs, unit profits, and prices, seasonally adjusted](#)
- [Sources and footnotes for tables](#)
- [Appendix table 1. Business sector: Revised productivity, hourly compensation, unit labor costs, and prices, seasonally adjusted](#)
- [Appendix table 2. Nonfarm business sector: Revised productivity, hourly compensation, unit labor costs, and prices, seasonally adjusted](#)
- [Appendix table 3. Manufacturing sector: Revised productivity, hourly compensation, and unit labor costs, seasonally adjusted](#)
- [Appendix table 4. Durable manufacturing sector: Revised productivity, hourly compensation, and unit labor costs, seasonally adjusted](#)
- [Appendix table 5. Nondurable manufacturing sector: Revised productivity, hourly compensation, and unit labor costs, seasonally adjusted](#)
- [Appendix table 6. Nonfinancial corporate sector: Revised productivity, hourly compensation, unit labor costs, unit profits, and prices, seasonally adjusted](#)