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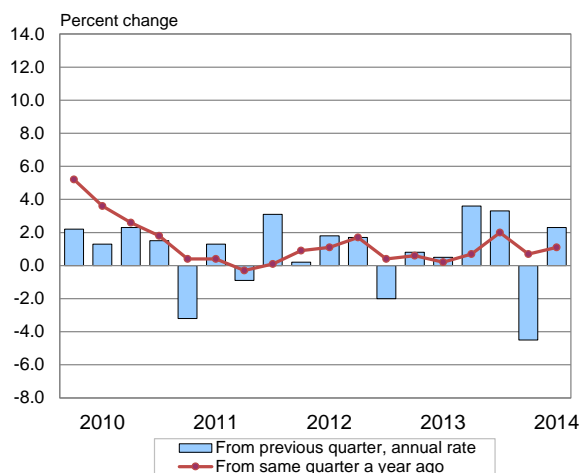
PRODUCTIVITY AND COSTS

Second Quarter 2014, Revised

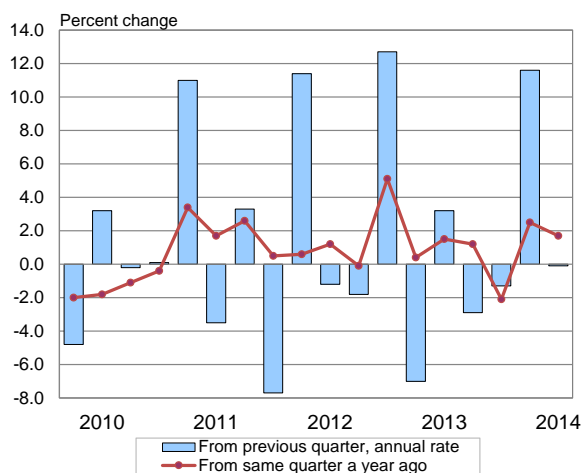
Nonfarm business sector labor productivity increased at a 2.3 percent annual rate during the second quarter of 2014, the U.S. Bureau of Labor Statistics reported today, as hours increased 2.6 percent and output increased 5.0 percent. (All quarterly percent changes in this release are seasonally adjusted annual rates.) From the second quarter of 2013 to the second quarter of 2014, productivity increased 1.1 percent as output and hours worked rose 3.2 percent and 2.0 percent, respectively. (See chart 1 and 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 were based on more recent source data than were available for the preliminary report.

**Chart 1. Output per hour, nonfarm business, all persons,
2010Q1 – 2014Q2**



**Chart 2. Unit labor costs, nonfarm business, all persons,
2010Q1 – 2014Q2**



Unit labor costs in nonfarm businesses edged down 0.1 percent in the second quarter of 2014, and increased 1.7 percent over the last four quarters. (See chart 2 and tables A and 2.)

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 increased 3.3 percent in the second quarter of 2014, as output increased 6.9 percent and hours worked increased 3.5 percent. The increase in output was the largest since the second quarter of 2010 (11.6 percent). Productivity increased 3.4 percent in the durable goods sector and increased 4.7 percent in the nondurable goods sector. Over the last 4 quarters, manufacturing productivity increased 2.1 percent, as output increased 3.7 percent and hours increased 1.6 percent. **Unit labor costs in manufacturing** decreased 1.6 percent in the second quarter of 2014 and increased 0.8 percent from the same quarter a year ago. (See charts 3 and 4, and tables A and 3.)

Chart 3. Output per hour, manufacturing, all persons, 2010Q1 – 2014Q2

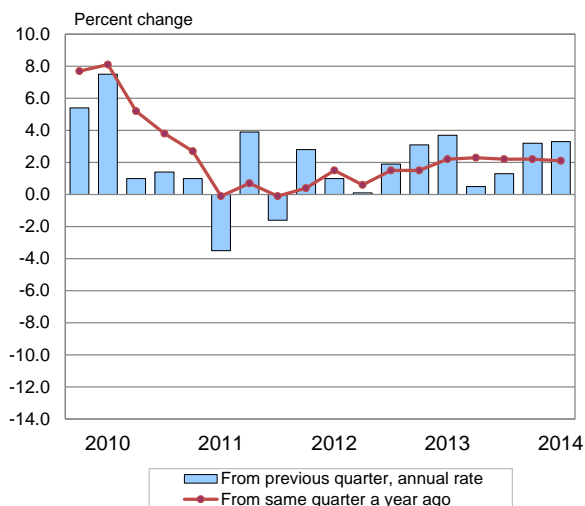
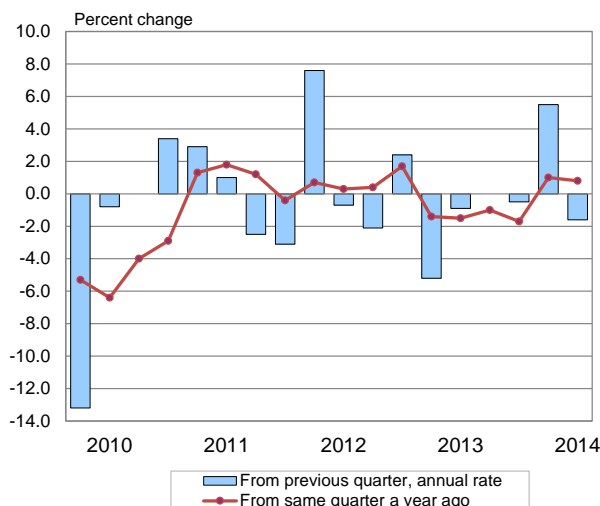


Chart 4. Unit labor costs, manufacturing, all persons, 2010Q1 – 2014Q2



The concepts, sources, and methods used for the manufacturing 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. (See page 5.)

Preliminary second-quarter 2014 measures of productivity and costs were announced for the **nonfinancial corporate sector**. Productivity increased 3.1 percent in the second quarter of 2014 as output and hours rose 7.8 percent and 4.5 percent, respectively. Unit labor costs fell 1.2 percent, as the 1.8 percent gain in hourly compensation was less than the 3.1 percent gain in productivity. (See tables C and 6.)

Revised measures

The measures released today are based on more recent source data than were available for the preliminary report. Table B presents previous and revised productivity and related measures for the major sectors: nonfarm business, business, and manufacturing. Output data for manufacturing incorporates revised annual output indexes constructed by BLS using data from the U.S. Bureau of the Census. Manufacturing measures based on output—including productivity and unit labor costs—were subject to revision back to the beginning of the series in 1987. Revised quarterly and annual series for recent years for all sectors appear in tables 1-6. Revised annual indexes for the manufacturing sectors for all years appear in appendix tables 1-3. Full historical annual and quarterly measures can be found on the productivity and costs home page: www.bls.gov/lpc/#data.

In the **second quarter of 2014**, nonfarm business productivity growth was revised down to 2.3 percent from 2.5 percent, due to a downward revision to output. Unit labor costs declined 0.1 percent rather than increasing 0.6 percent as reported August 8, due primarily to a downward revision to hourly compensation. In the manufacturing sector, productivity growth was revised down, reflecting both an upward revision to hours worked and a small downward revision to output. Unit labor costs decreased more than previously reported, as hourly compensation was revised down by more than productivity.

In the **first quarter of 2014**, nonfarm business productivity was unrevised and fell 4.5 percent. Hourly compensation, and therefore unit labor costs, increased slightly less than previously reported. In the manufacturing sector, productivity increased at the same 3.2 percent rate as the preliminary estimate. Hourly compensation and unit labor costs were revised upwards.

Annual average productivity growth for 2013 in the total manufacturing sector was revised to 2.0 percent from 2.3 percent due to a downward revision to output. For the full series from **1987 to 2013**, the average annual rate of manufacturing productivity growth was 3.2 percent, unchanged from data published August 8.

Table C presents previous and revised productivity and related measures for the nonfinancial corporate sector. **In the first quarter of 2014**, nonfinancial corporate sector productivity declined 1.1 percent, rather than 0.9 percent as reported August 8. Unit labor costs increased less in the first quarter than previously reported, as hourly compensation was revised down by more than productivity.

The preliminary Productivity and Costs news release for third-quarter 2014 is scheduled to be released on Thursday, November 6, 2014 at 8:30 a.m. (EST).