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**PRODUCTIVITY AND COSTS**  
Third Quarter 2012, Revised

**Nonfarm business sector labor productivity** increased at a 2.9 percent annual rate during the third quarter of 2012, the U.S. Bureau of Labor Statistics reported today. The increase in productivity reflects increases of 4.2 percent in output and 1.3 percent in hours worked. (All quarterly percent changes in this release are seasonally adjusted annual rates.) From the third quarter of 2011 to the third quarter of 2012, productivity increased 1.7 percent as output and hours worked rose 3.5 percent and 1.8 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, 2008Q1–2012Q3

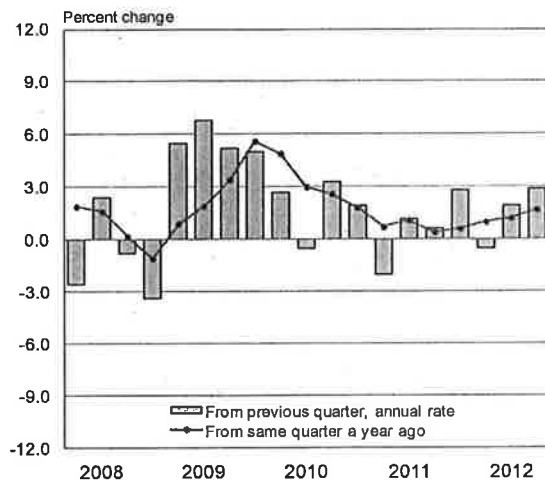
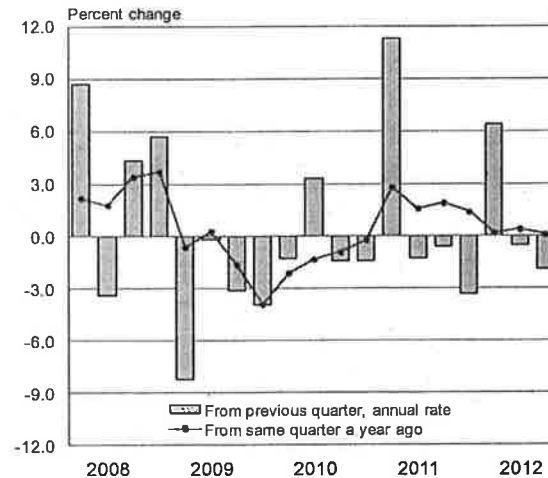


Chart 2. Unit labor costs, nonfarm business, all persons, 2008Q1–2012Q3



**Unit labor costs in nonfarm businesses** declined 1.9 percent in the third quarter of 2012, while hourly compensation increased 0.9 percent. Unit labor costs rose slightly, 0.1 percent, over the last four quarters. (See chart 2 and 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** declined 0.7 percent in the third quarter of 2012, as output decreased 0.7 percent and hours were unchanged. Productivity fell 1.6 percent in the durable goods sector and increased 0.2 percent in the nondurable goods sector. Over the last four quarters, manufacturing productivity increased 1.3 percent, as output increased 4.0 percent and hours worked rose 2.6 percent. **Unit labor costs in manufacturing** grew 3.2 percent in the third quarter of 2012 and increased 1.5 percent from the same quarter a year ago. (See tables A and 3.) **Nonfinancial corporate sector productivity** decreased 4.0 percent in the third quarter of 2012.

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. (See page 4.)

### **Revised measures**

The measures released today are based on more recent source data than were available for the preliminary report. Tables B and C present previous and revised productivity and related measures for the major sectors: nonfarm business, business, and manufacturing, as well as nonfinancial corporations.

**In the third quarter of 2012**, nonfarm business productivity growth increased 2.9 percent, rather than 1.9 percent as reported November 1. The revision was due solely to an upward revision to output. Unit labor costs were revised down and decreased 1.9 percent, due to both the upward revision to productivity and a downward revision to hourly compensation. In the manufacturing sector, productivity declined 0.7 percent, as revised. Unit labor costs increased 3.2 percent, due primarily to a large upward revision to hourly compensation.

**In the second quarter of 2012**, nonfarm business productivity, output, and hours were unrevised. Unit labor costs decreased 0.5 percent rather than increasing 1.7 percent, the result of a downward revision to hourly compensation. In the manufacturing sector, output and productivity growth were revised down by 0.3 percent. Unit labor cost growth was revised up, to 9.0 percent, reflecting a large upward revision to hourly compensation.

Second-quarter 2012 measures of productivity and costs were revised for the **nonfinancial corporate sector**. Productivity decreased 2.4 percent rather than increasing 1.6 percent, as previously reported. (See table C.)

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**The preliminary Productivity and Costs press release for fourth-quarter 2012 is scheduled to be released on Thursday, February 7, 2013 at 8:30 a.m. (EST).**

**Table A. Revised third-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	2.9	1.7	2.5	1.6	-0.7	1.3	-1.6	3.6	0.2	-0.8
Output	4.2	3.5	3.6	3.4	-0.7	4.0	-1.9	7.1	0.7	0.6
Hours	1.3	1.8	1.1	1.8	0.0	2.6	-0.3	3.3	0.4	1.4
Hourly compensation	0.9	1.8	1.0	1.8	2.4	2.9	2.0	3.3	3.3	1.8
Real hourly compensation	-1.4	0.1	-1.3	0.1	0.1	1.1	-0.3	1.6	0.9	0.1
Unit labor costs	-1.9	0.1	-1.5	0.2	3.2	1.5	3.7	-0.3	3.0	2.7

**Table B. Revised and previous measures: third quarter and second 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, third quarter 2012										
Productivity	2.9	1.9	2.5	1.5	-0.7	-0.4	-1.6	-0.7	0.2	-0.1
Output	4.2	3.2	3.6	2.7	-0.7	-0.6	-1.9	-1.0	0.7	0.0
Hours	1.3	1.3	1.1	1.2	0.0	-0.2	-0.3	-0.4	0.4	0.1
Hourly compensation	0.9	1.8	1.0	1.9	2.4	1.2	2.0	0.2	3.3	2.9
Real hourly compensation	-1.4	-0.4	-1.3	-0.4	0.1	-1.1	-0.3	-2.0	0.9	0.6
Unit labor costs	-1.9	-0.1	-1.5	0.4	3.2	1.5	3.7	0.9	3.0	3.0

**Table C. Nonfinancial corporations: preliminary third quarter and revised second quarter 2012**

Q to Q	Productivity		Output		Hours		Hourly compensation		Real hourly compensation		Unit labor costs		Unit profits		Implicit price deflator	
	Y to Y	Revised	Y to Y	Revised	Y to Y	Revised	Y to Y	Revised	Y to Y	Revised	Y to Y	Revised	Y to Y	Revised	Y to Y	Revised
Percent change, annual rate, second quarter 2012																
Productivity	1.9	1.9	1.7	1.7	1.7	1.7	-0.1	0.2	3.9	4.1	4.1	4.1	-4.3	-4.0	-4.0	-4.0
Output	2.1	2.1	1.9	1.9	1.9	1.9	1.2	1.5	5.4	5.7	5.7	5.7	-3.4	-3.1	-3.1	-3.1
Hours	0.2	0.2	0.2	0.2	0.2	0.2	1.3	1.3	1.5	1.5	1.5	1.5	0.9	0.9	0.9	0.9
Hourly compensation	1.3	3.6	1.3	3.6	3.6	3.6	9.0	1.1	12.2	0.5	0.5	0.5	3.0	2.0	2.0	2.0
Real hourly compensation	0.6	2.8	0.6	2.8	2.8	2.8	8.1	0.3	11.3	-0.2	-0.2	-0.2	2.2	1.3	1.3	1.3
Unit labor costs	-0.5	1.7	-0.4	1.8	1.8	1.8	9.0	0.8	8.0	-3.5	-3.5	-3.5	7.6	6.3	6.3	6.3