
U.S. Productivity and Costs: Preliminary Fourth-Quarter and Annual Averages for 2001

Michael Youssef¹
myoussef@usitc.gov
202-205-3269

Improvements in productivity growth matter most in sustaining and improving long-term economic growth. Productivity growth in the United States accelerated during the second half of the 1990s, and most economists believe that much of that productivity growth resulted from improved ways of doing things and the destruction of old or obsolete methods. Economists expect that productivity growth will remain the propeller of long-term economic growth and help maintain muted rates of inflation.

The Bureau of Labor Statistics of the U.S. Department of Labor reported preliminary productivity data—measured as output per hour of all persons—for the fourth quarter and for the full year 2001. It also provided annual data for the period extending from 1992 to 2001.²

Productivity gains in the fourth quarter of 2001 were measured in the business sector as increasing by 3.4 percent and in the non-farm business sector by 3.5 percent, at seasonally adjusted annual rates. Productivity measures gained 1.8 percent on average in calendar 2001, over 2000, in both sectors. Productivity advanced 3.4 percent in the business sector as output

declined 0.3 percent and hours worked fell 3.6 percent, at seasonally adjusted annual rates. In the non-farm business sector, productivity rose 3.5 percent, as output decreased 0.4 percent and hours dropped 3.7 percent. On an average annual basis, productivity in both the business and non-farm business rose 1.8 percent in 2001 over 2000, the smallest increase since 1995 when output per hour increased 0.7 and 0.9 percent in the business and non-farm business sectors, respectively. Fourth quarter productivity and related measures are summarized in table 1.

In the manufacturing sector, increases in productivity in the fourth quarter were: 3.5 percent in the manufacturing sector, 2.3 percent in durable goods manufacturing, and 4.3 percent in non-durable goods manufacturing. On an annual basis, productivity gains in 2001 averaged 1.0 percent in the manufacturing sector, 0.5 percent in durable goods manufacturing, and 1.5 percent in nondurable goods manufacturing.

It is worth noting, however, that the data sources and methods used in the preparation of the manufacturing series differ from those used in preparing the business and non-farm business series, and these measures are not directly comparable. Output measures for business and non-farm 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 Board.

¹ The views expressed in this article are those of the author. They are not the views of the U.S. International Trade Commission (USITC) as a whole or of any individual Commissioner.

² Data for this article were taken largely from U.S. Department of Labor, Bureau of Labor Statistics, "Productivity and Costs," *USDL 02-64*, found at Internet address <http://www.bls.gov/news.release/prod2.nr0.htm>, retrieved on Mar. 21, 2002.

Table 1
Productivity and costs: Preliminary fourth quarter 2001 measures, at seasonally adjusted annual rates

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
	<i>(Percentage change, from preceding quarter)</i>					
Business	3.4	-0.3	-3.6	2.3	2.7	-1.1
Nonfarm business ...	3.5	-0.4	-3.7	2.3	2.8	-1.1
Manufacturing	3.5	-7.2	-10.4	2.6	3.0	-0.9
Durable	2.3	-10.3	-12.3	3.6	4.0	1.3
Nondurable	4.3	-3.3	-7.3	1.4	1.8	-2.8
	<i>(Percentage change, from same quarter a year ago)</i>					
Business	1.5	-0.5	-2.0	4.0	2.1	2.4
Nonfarm business ...	1.6	-0.5	-2.1	3.9	2.0	2.2
Manufacturing	0.7	-6.4	-7.0	4.5	2.6	3.8
Durable	0.0	-8.5	-8.5	5.1	3.2	5.1
Nondurable	1.1	-3.6	-4.7	3.9	2.1	2.8

Source: Compiled from official statistics of the Bureau of Labor Statistics, U.S. Department of Labor, found at Internet address <http://www.bls.gov/news.release/prod2.toc.htm>, retrieved on Mar. 21, 2002.