

News Release

Unit labour cost growth slows for most major OECD economies in the third quarter of 2007

Unit labour costs (ULC) in industry fell for most major OECD economies in the third quarter of 2007. In France, Germany, Japan and the United States they declined more than in the second quarter. Italy is the only G7 economy where ULC grew appreciably in the third quarter of 2007 (0.8%), although there as well they slowed, from the 1.1% increase recorded in the previous quarter.

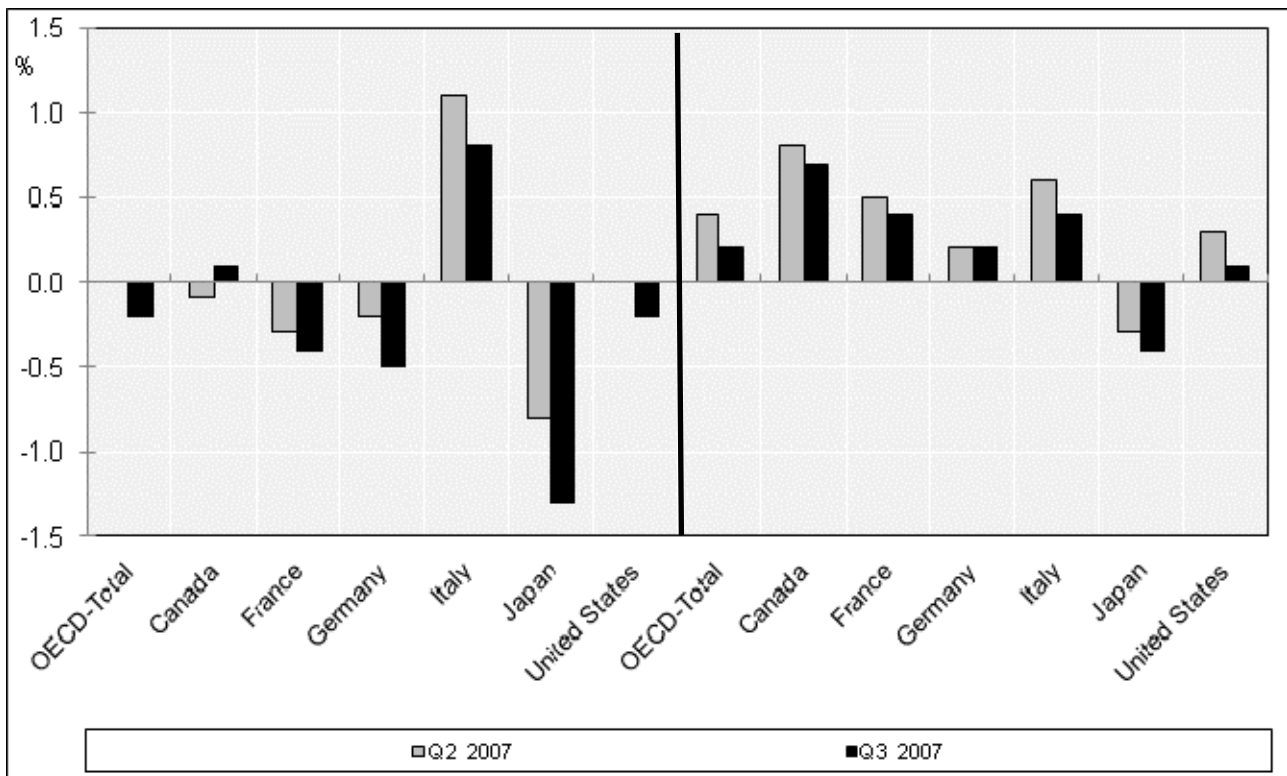
Unit labour cost growth in market services remained subdued in the third quarter of 2007, slowing in virtually all the major OECD economies compared with the second quarter of 2007. United States ULC in market services grew by only 0.1% in the third quarter of 2007 and have now recorded three consecutive falls since the recent peak of 1.9% in the fourth quarter of 2006. This pattern is matched, but to a lesser extent, by Canada, Italy and France. Japanese ULC in market services fell 0.4% in the third quarter of 2007, so continuing a 10-year decline.

Quarterly Unit Labour Costs

Percentage change on the previous quarter (trend-cycle data)

Industry¹

Market Services²



¹ ISIC Divisions: Mining and quarrying (C), Manufacturing (D), and Electricity, gas and water supply (E).

² ISIC Divisions: Wholesale and retail trade (G), Hotels and restaurants (H), Transport, storage and communication (I), Financial intermediation (J), and Real estate, renting and business activities (K).

Quarterly Unit Labour Costs¹
Percentage change on the previous quarter (trend-cycle² data)

| | Industry | | | | | Market Services | | | | |
|-----------------------------|----------|------|------|------|------|-----------------|------|------|------|------|
| | 2006 | | 2007 | | | 2006 | | 2007 | | |
| | Sep | Dec | Mar | Jun | Sep | Sep | Dec | Mar | Jun | Sep |
| OECD Area ³ | 0.0 | 0.1 | 0.1 | 0.0 | -0.2 | 0.6 | 1.0 | 0.9 | 0.4 | 0.2 |
| Major Seven | -0.1 | -0.1 | 0.0 | -0.1 | -0.3 | 0.6 | 1.0 | 0.9 | 0.3 | 0.1 |
| Euro Area | -0.1 | -0.2 | 0.1 | 0.0 | -0.5 | 0.3 | 0.4 | 0.5 | 0.4 | 0.2 |
| Australia | 0.0 | 0.6 | 1.6 | 1.6 | 1.4 | 0.7 | 1.0 | 1.2 | 1.1 | 0.8 |
| Austria | -0.8 | -0.6 | -0.3 | -0.2 | -0.2 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| Belgium | -0.2 | -0.1 | 0.2 | 0.3 | 0.0 | 0.8 | 1.0 | 0.9 | 0.7 | 0.5 |
| Canada | 1.3 | 1.0 | 0.3 | -0.1 | 0.1 | 0.5 | 0.8 | 0.9 | 0.8 | 0.7 |
| Czech Republic | 0.4 | 2.6 | 2.2 | -0.7 | -1.6 | 1.0 | 0.7 | 0.6 | 0.7 | 0.9 |
| Denmark | 1.2 | 1.6 | 1.2 | 1.0 | 0.9 | 1.0 | 0.9 | 0.8 | 0.7 | 0.7 |
| Finland | -1.0 | -0.5 | -0.1 | 0.2 | 0.3 | 0.9 | 0.8 | 0.7 | 0.6 | 0.6 |
| France | 0.2 | 0.1 | -0.1 | -0.3 | -0.4 | 0.6 | 0.6 | 0.6 | 0.5 | 0.4 |
| Germany | -0.5 | -0.9 | -0.6 | -0.2 | -0.5 | -0.1 | 0.0 | 0.1 | 0.2 | 0.2 |
| Hungary | 0.9 | 0.5 | -0.1 | -0.4 | -0.6 | 2.1 | 2.1 | 2.0 | 2.0 | |
| Ireland | -1.1 | -1.0 | -1.3 | -1.1 | -0.8 | 0.4 | 0.4 | 0.6 | 0.9 | 1.1 |
| Italy | 0.3 | 0.5 | 1.0 | 1.1 | 0.8 | -0.2 | -0.1 | 0.6 | 0.6 | 0.4 |
| Japan | -0.6 | -0.8 | -1.0 | -0.8 | -1.3 | -0.1 | -0.3 | -0.5 | -0.3 | -0.4 |
| Korea | 0.1 | 0.8 | 0.1 | -0.5 | 0.0 | -0.4 | 0.4 | 0.5 | -0.3 | -0.3 |
| Luxembourg | -0.4 | -0.2 | 0.0 | -0.4 | -0.5 | 0.5 | 0.6 | 0.6 | 0.7 | 0.7 |
| Netherlands | 0.8 | 0.6 | 0.2 | -0.1 | | 0.3 | 0.3 | 0.3 | 0.3 | |
| New Zealand | 1.4 | 1.0 | 0.5 | 0.1 | 0.2 | 1.2 | 0.3 | -0.3 | 0.0 | 0.1 |
| Norway | 2.7 | 2.9 | 3.3 | 3.1 | 2.5 | 1.4 | 1.1 | 1.1 | 1.0 | 0.9 |
| Poland | -1.2 | -0.7 | 0.3 | 0.7 | 0.9 | -0.7 | 0.4 | 0.5 | 0.3 | -0.3 |
| Portugal | -0.9 | -0.8 | -0.8 | -0.3 | 0.0 | 0.3 | 0.3 | 0.2 | -0.1 | -0.3 |
| Slovak Republic | -1.1 | -1.3 | -1.7 | -2.3 | -2.2 | -0.1 | -0.9 | 0.7 | 1.5 | 1.5 |
| Spain | -0.2 | -0.1 | 0.0 | 0.0 | 0.0 | 0.9 | 1.0 | 0.9 | 0.9 | 0.9 |
| Sweden | 0.6 | 0.8 | 0.8 | 0.5 | 0.3 | 0.1 | 0.9 | 1.5 | 1.5 | 1.6 |
| Turkey | 1.9 | 2.0 | | | | 3.0 | 3.0 | | | |
| United Kingdom ⁴ | 0.7 | 0.6 | 0.5 | 0.3 | | 0.0 | 0.0 | 0.1 | 0.1 | |
| United States | -0.1 | 0.2 | 0.3 | 0.0 | -0.2 | 1.1 | 1.9 | 1.6 | 0.3 | 0.1 |

Full time series for all countries are available at: (if data does not load please click refresh)

<http://stats.oecd.org/wbos/default.aspx?queryname=341&querytype=view>

Footnotes:

1. An increase in unit labour costs indicates that growth in average employee compensation exceeds growth in labour productivity, which may create pressure on producer prices.
2. The trend-cycle data can be interpreted as a short-term trend or smoothed seasonally adjusted series, where the degree of smoothing depends on the historical volatility of the series and will thus vary from country to country.
3. Excludes Switzerland.
4. Third quarter 2007 compensation of employees data yet to be supplied to the OECD.

Quarterly Unit Labour Costs¹
Percentage change on the same quarter of the previous year (trend-cycle² data)

| | Industry | | | | | Market Services | | | | |
|-----------------------------|----------|------|------|------|------|-----------------|------|------|------|------|
| | 2006 | | 2007 | | | 2006 | | 2007 | | |
| | Sep | Dec | Mar | Jun | Sep | Sep | Dec | Mar | Jun | Sep |
| OECD Area ³ | 0.0 | 0.1 | 0.2 | 0.3 | 0.1 | 2.1 | 2.6 | 3.0 | 2.9 | 2.5 |
| Major Seven | 0.0 | -0.3 | -0.3 | -0.2 | -0.5 | 2.0 | 2.5 | 2.9 | 2.8 | 2.2 |
| Euro Area | -0.6 | -0.9 | -0.5 | -0.3 | -0.7 | 1.1 | 1.1 | 1.4 | 1.6 | 1.5 |
| Australia | 4.5 | 3.4 | 3.0 | 3.8 | 5.2 | 1.5 | 2.3 | 3.3 | 4.0 | 4.1 |
| Austria | -4.1 | -3.6 | -2.7 | -1.9 | -1.3 | 2.0 | 2.1 | 2.2 | 2.2 | 2.1 |
| Belgium | -1.1 | -1.2 | -0.6 | 0.2 | 0.4 | 2.9 | 3.3 | 3.4 | 3.4 | 3.2 |
| Canada | 4.2 | 4.6 | 3.9 | 2.5 | 1.3 | 1.9 | 2.1 | 2.7 | 3.2 | 3.3 |
| Czech Republic | -6.9 | -3.0 | 2.8 | 4.4 | 2.4 | 4.6 | 4.3 | 3.7 | 3.1 | 3.0 |
| Denmark | 2.0 | 3.0 | 4.1 | 5.1 | 4.8 | 3.4 | 3.8 | 3.6 | 3.4 | 3.1 |
| Finland | -5.5 | -5.0 | -3.5 | -1.5 | -0.2 | 2.5 | 3.1 | 3.2 | 3.0 | 2.7 |
| France | 0.0 | 0.3 | 0.3 | 0.0 | -0.6 | 1.9 | 2.1 | 2.3 | 2.4 | 2.2 |
| Germany | -1.7 | -2.2 | -2.2 | -2.2 | -2.2 | -1.1 | -0.8 | -0.3 | 0.2 | 0.5 |
| Hungary | 0.9 | 1.6 | 1.7 | 0.8 | -0.7 | 5.1 | 6.8 | 7.8 | 8.4 | |
| Ireland | -4.0 | -4.3 | -4.5 | -4.4 | -4.1 | 2.8 | 2.6 | 2.2 | 2.4 | 3.1 |
| Italy | 1.8 | 1.5 | 2.0 | 2.9 | 3.5 | 1.3 | 0.1 | 0.3 | 1.0 | 1.6 |
| Japan | -2.1 | -2.3 | -2.9 | -3.1 | -3.8 | -2.1 | -1.3 | -1.1 | -1.2 | -1.5 |
| Korea | -3.0 | -0.2 | 0.8 | 0.5 | 0.5 | -0.7 | -0.4 | 0.1 | 0.2 | 0.3 |
| Luxembourg | 3.1 | 1.7 | -0.2 | -0.9 | -1.0 | 1.5 | 2.0 | 2.3 | 2.5 | 2.6 |
| Netherlands | 3.3 | 3.3 | 2.6 | 1.5 | | 0.8 | 1.1 | 1.1 | 1.2 | |
| New Zealand | 3.1 | 3.9 | 4.1 | 3.1 | 1.9 | 7.6 | 5.9 | 3.2 | 1.2 | 0.2 |
| Norway | 10.4 | 11.2 | 12.1 | 12.7 | 12.4 | 4.6 | 5.5 | 5.3 | 4.6 | 4.2 |
| Poland | -4.2 | -3.8 | -2.4 | -0.9 | 1.2 | -1.9 | -1.8 | -0.9 | 0.6 | 1.0 |
| Portugal | -1.8 | -2.6 | -3.1 | -2.8 | -1.9 | 0.8 | 1.0 | 1.1 | 0.7 | 0.1 |
| Slovak Republic | -3.6 | -3.4 | -4.6 | -6.3 | -7.3 | -2.1 | -4.7 | -1.9 | 1.2 | 2.9 |
| Spain | 0.4 | 0.1 | -0.3 | -0.4 | -0.2 | 2.5 | 2.9 | 3.4 | 3.7 | 3.8 |
| Sweden | -0.1 | 1.4 | 2.5 | 2.8 | 2.4 | -0.3 | 0.9 | 2.7 | 4.2 | 5.7 |
| Turkey | 6.4 | 7.3 | | | | 9.4 | 11.3 | | | |
| United Kingdom ⁴ | 2.8 | 2.6 | 2.5 | 2.1 | | 0.3 | 0.1 | 0.2 | 0.2 | |
| United States | 0.1 | -0.2 | 0.1 | 0.4 | 0.3 | 4.1 | 5.0 | 5.5 | 5.0 | 3.9 |

Full time series for all countries are available at: (if data does not load please click refresh)

<http://stats.oecd.org/wbos/default.aspx?queryname=341&querytype=view>

Footnotes:

1. An increase in unit labour costs indicates that growth in average employee compensation exceeds growth in labour productivity, which may create pressure on producer prices.
2. The trend-cycle data can be interpreted as a short-term trend or smoothed seasonally adjusted series, where the degree of smoothing depends on the historical volatility of the series and will thus vary from country to country.
3. Excludes Switzerland.
4. Third quarter 2007 compensation of employees data yet to be supplied to the OECD.



Methodological Notes

Unit labour costs measure the average cost of labour per unit of output. They are calculated as the ratio of total labour costs to real output, or equivalently, as the ratio of mean labour costs per hour to labour productivity (output per hour). As such, a unit labour cost (ULC) represents a link between productivity and the cost of labour in producing output. An increase in unit labour costs indicates that growth in average employee compensation exceeds growth in labour productivity, which may create pressure on producer prices.

The *OECD System of Unit Labour Cost Indicators* compiles annual and quarterly ULC and related indicators according to a specific methodology to ensure data are comparable across countries. This system is principally based on national accounts concepts and data but also brings together a wide range of proxy sources for quarterly data. The compilation of the quarterly ULC indicators presented in this news release involves the following stepwise process:

- Identifying suitable quarterly indicator data. The target variable for total labour costs is compensation of employees and proxy variables in order of preference include: gross wages and salaries; labour cost index multiplied by hours worked; earnings or wage series multiplied by total employment. The target variable for real output is constant price value added with production indices being used as proxies if required and available.
- Benchmarking to more reliable annual data to form a consistent set of temporally disaggregated quarterly time series of total labour costs and real output.
- Taking the quotient of the above input series as the raw ULC series and deriving both seasonally adjusted and trend-cycle series, the latter being a combination of a long-term trend and business cycle series, produced using the TRAMO-SEATS software.

Given the inherent volatility in a derived indicator such as the unit labour cost, the OECD presents the trend-cycle series as the headline indicator in this news release, for the key economic sectors of industry and market services. The [trend-cycle series](#) can be regarded as a short-term trend or smoothed seasonally adjusted series, where the degree of smoothing is dependent on the historical volatility of the series and will thus vary from country to country.

All time series together with detailed methodological information and country data sources are freely available through the OECD System of Unit Labour Cost Indicators web portal at: <http://stats.oecd.org/mei/default.asp?rev=3>. Data are available for all OECD Member countries and the Euro area for total economy, manufacturing, industry, construction, trade transport & communication, financial and business services, market services and the business sector excluding agriculture. Quarterly data are available as raw, seasonally adjusted and trend-cycle series. Annual time series also include related series such as labour productivity, labour compensation per unit labour input, exchange rate adjusted ULC and labour income share ratios. The latter variables can differ from other data sources, such as the OECD Structural Analysis and Productivity Databases, due to statistical coverage, frequency of updates or other comparability issues. Users are therefore encouraged to refer to the methodological information provided for more detailed explanations.

Contacts:

For further information data users are invited to contact the OECD's Media Relations Division on (33) 1 45 24 97 00 or email news.contact@oecd.org. For technical questions please contact stat.contact@oecd.org

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