

# Productivity leaps 9.4 percent in third quarter, best since 1983

By Jeannine Aversa  
THE ASSOCIATED PRESS

WASHINGTON — Productivity of U.S. companies rocketed at a 9.4 percent annual rate in the third quarter, the best showing in 20 years, offering an encouraging sign that the economic resurgence will be lasting.

The increase in productivity reported by the Labor Department on Wednesday was even stronger than the 8.1 percent pace initially estimated for the July-to-September quarter a month ago. It was up from a 7 percent growth rate posted in the second quarter.

"The booming productivity gains are translating into better profits, which are now inducing businesses to expand activities — namely investing and hiring," said Mark Zandi, chief economist at Economy.com. "The report suggests that the economic expansion that is now unfolding will be solid and durable."

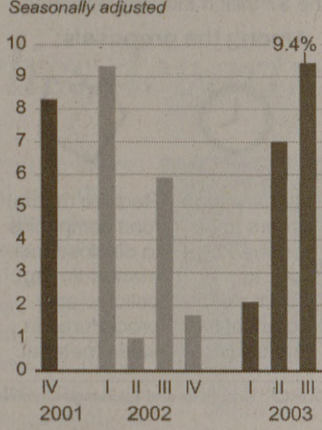
On Wall Street, the good news on productivity lifted stocks. The Dow Jones industrials were up 31 points and the Nasdaq index gained 6 points in morning trading.

The third-quarter's productivity gain, based on more complete data, was better than the 9.2 percent growth rate economists were forecasting and marked the strongest performance since the second quarter of 1983, when productivity grew at a blistering 9.7 percent rate.

The report raised new hopes that businesses may be more confident than before that the economic rebound is genuine.

## Productivity

Here is a look at non-farm business productivity, percent change from previous quarter. Seasonally adjusted



SOURCE: U.S. Bureau of Labor Statistics AP

For the economy's long-term health and for rising living standards, productivity gains are vital. They allow the economy to grow faster without triggering inflation. Companies can pay workers more without raising prices, which would eat up those wage gains. And, productivity can bolster a company's profitability.

That's particularly important in the current economic climate. As profits improve, companies may be more willing to boost capital investment and hiring.

That labor market has recently shown signs of turning around.

The nation's payrolls are expected to grow in November for the fourth month in a row by around 150,000, economists predict. The government will release the employment report

for November on Friday.

Businesses in the third quarter pumped out more and actually increased workers' hours, compared with a long string of quarters where hours were either cut or were flat.

Companies' output in the third quarter surged at a 10.3 percent rate, the biggest increase since the third quarter of 1983. That was better than the 8.8 percent growth rate previously estimated for the third quarter and up from a 4.6 percent pace in the second quarter.

Workers' hours increased at a 0.8 percent rate in the third quarter, the best showing since the first quarter of 2000. That was stronger than the 0.7 percent growth rate first estimated and better than the 2.2 percent rate of decline registered in the second quarter.

Companies' unit labor costs fell at a rate of 5.8 percent in the third quarter, boding well for profit margins. That was better than the 4.6 percent rate of decline previously estimated for the third quarter and the 3.2 percent rate of decline reported for the second quarter.

Economists said the increase in workers' hours may be a harbinger of stronger job creation in the months ahead. Businesses, economists said, may be running out of ways to squeeze more out of existing workers to meet customers' demands for goods and services.

With the job market improving and the economy gaining traction, economists believe the Federal Reserve will hold a key short-term interest rate at a 45-year low of 1 percent at its next meeting Dec. 9.

# Recording industry files 41 more suits

By Ted Bridis  
THE ASSOCIATED PRESS

WASHINGTON — The recording industry has filed 41 more lawsuits against computer users in at least 11 states it said were caught illegally distributing songs over the Internet, continuing its aggressive campaign against online music piracy.

The latest copyright suits this week bring to 382 filed since the Washington-based Recording Industry Association of America announced its legal campaign nearly six months ago.

The group's president, Cary Sherman, said the group has no plans to cut back, even as media coverage over the continuing lawsuits wanes.

"People who engage in illegal file-sharing should be aware, whether or not they hear about it this month, that doesn't mean the enforcement program has been reduced in any way," Sherman said.

The recording industry is monitoring popular Internet services where computer users can download song files, searching for people illegally distributing the largest music collections. Court-issued subpoenas compel Internet providers to identify their customers linked to the online accounts used to download songs.

Among the RIAA's recent targets is retiree

Ernest Brenot, 79, of Ridgefield, Wash., who wrote in a handwritten note to a federal judge that he does not own a computer nor can he operate one.

Brenot was accused of illegally offering for download 774 songs by artists including Vanilla Ice, U2, Creed, Linkin Park and Guns N' Roses.

Brenot's wife, Dorothy, said she and her husband were stunned by the claims, offended at the suggestion they listened to such music. Brenot was targeted in the previous round of 80 suits the recording organization filed late in October.

Brenot and her husband said their son-in-law briefly added Internet service to their own cable television account while living with the couple because Comcast Cable Communications Inc. said it would add a surcharge to send separate bills to the same mailing address.

The 41 most recent suits were filed against Internet users in Massachusetts, Colorado, Arizona, Connecticut, New Jersey, Wisconsin, Florida, Tennessee, Georgia, Illinois and Washington.

The recording industry also said Wednesday that it has reached financial settlements against at least 220 computer users. Defense lawyers familiar with some of the cases have said penalties ranged from \$2,500 to \$7,500 each.

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