

Profits of Large Industrial
Corporations for the First Nine Months of 1946

by

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Profits after taxes of large industrial corporations, according to preliminary figures for the 629 companies whose earnings are summarized regularly in the Bulletin, were 12 per cent larger in the third quarter of this year than in the second quarter and 54 per cent larger than in the third quarter of 1945. For the first nine months of 1946, profits of these 629 companies were 11 per cent above those for the same period of last year. All year-to-year comparisons, however, reflect to a considerable extent the removal of the excess profits tax in 1946 and, in some cases, large tax credits arising from the carry-back provisions of the revenue laws; available data on profits before taxes for the first nine months of the year, covering 297 of the 629 companies, indicate a decline of 37 per cent from 1945 to 1946.

Profits after taxes

Profits after taxes for the first nine months of 1946 varied considerably among industrial groups, reflecting the seriousness of reconversion problems and the length of time required to settle them. Figures for the third quarter and first nine months of 1946 are summarized in the following table.

In all nondurable goods industries, except oil, and in miscellaneous service groups (particularly trade), profits after taxes were much larger for the first nine months of 1946 than for the same period a year ago. In these industries, reconversion problems were at a minimum, and in most cases the continued high level of output plus higher selling prices came close to offsetting, or did offset, the increase in costs. In addition, companies in these groups benefited especially from the removal of the excess profits tax, since profits before taxes were better maintained than in some durable goods groups. Even in the chemical group, in which profits before taxes appear to have been somewhat lower than in 1945, the decline in tax provisions made possible an increase of about 45 per cent in profits after taxes.

Producers of such primary products as iron and steel and non-ferrous metals, though held back by work stoppages and materials shortages particularly in the early part of the year, have continued to turn out much the same products which they made during the war, and consequently have not had major problems of product reconversion. As a result profits after taxes, which were lower during the first half of 1946 than in 1945, began to increase substantially in the third quarter. Although profits before taxes appear to have been somewhat lower in the first nine months of this year than in the same period a year ago, profits after taxes increased 10 per cent in the nonferrous metals group and 32 per cent in iron and steel.

Profits after Taxes of 629 Large Industrial Corporations,
Third Quarter of 1946
(dollars in millions)

Industrial Group	No. of Cos.	1946		Percentage change	
		3rd qtr.	1st 9 mos.	2nd qtr. 1946- 3rd qtr. 1946	1st 9 mos. 1945- 1st 9 mos. 1946
Total	629	676	1,602	12	11
Durable goods	351	292	537	16	- 25
Nondurable goods	204	305	824	12	43
Misc. services	74	79	241	- 1	66
Durable goods					
Iron & steel	47	94	183	39	32
Nonferrous metals	77	43	89	62	10
Machinery	69	31	60	- 36	- 40
elec. ind.	11	12	9	- 57	- 83
other ind.	39	6	15	- 14	- 61
business	9	11	29	13	59
other	10	2	6	5	40
Automobiles	15	44	31	107	- 83
Other transporta- tion equipment	68	38	83	- 25	- 37
Other durable	75	43	91	15	46
building	33	23	53	1/	58
misc. metal prod.	14	9	20	3/4	49
lumber	9	5	11	19	97
hshld appl. & furn.	19	6	7	73	- 28
Nondurable goods					
Foods	22	35	80	37	49
Bev., conf., & tobacco	27	49	142	1	62
Chemicals	30	67	196	2	44
Oil	45	78	196	25	5
Other nondurable	60	76	209	7	84
paper	34	34	88	12	104
drugs	18	25	74	7	63
textiles	15	11	31	- 6	106
containers	6	4	12	2/	108
other	7	2	4	41	1
Miscellaneous services					
Trade	29	28	89	1	125
Amusements	13	32	101	2/	71
Transp. services	21	7	16	- 3	- 31
Other	11	12	35	- 6	50

1/ Insignificant increase.

2/ Insignificant decrease.

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Manufacturers of finished durable goods, such as machinery, automobiles, and transportation equipment, have faced during 1946 not only the problems of materials shortages and protracted work stoppages but also the problem of reconverting production lines from wartime to peace-time products. By the end of the third quarter, profits of most of the large companies in these industries had not yet reflected the rising volume of production, and in spite of large tax credits, profits after taxes were considerably lower in the first nine months of 1946 than in the same period of 1945. In the automobile and auto accessory groups, however, as is shown in the following table, profits for the third quarter were well above the level of the first half of the year.

Quarterly Profits after Taxes in Selected Industrial Groups,
1945 and 1946
(In millions of dollars)

	Automobiles (15 cos.)	Auto accessories (47 cos.)
1945 - 1st qtr.	63	24
2nd qtr.	77	22
3rd qtr.	46	13
4th qtr.	58	12
1946 - 1st qtr.	-34	- 8
2nd qtr.	21	15
3rd qtr.	44	21

Profits before taxes

Data on profits before taxes for the first nine months of 1945 and 1946 are available for 297 of the 629 companies in the Bulletin series and are summarized in the following table. In general, the percentages of change in profits after taxes for this smaller sample are of the same order of magnitude as for the 629 companies.

As shown in the table, profits before taxes for the first nine months of the year declined in most major groups from 1945 to 1946, with the largest declines occurring among producers of finished durable goods. Whereas a few nondurable goods groups as well as the trade group showed increases from 1945 to 1946, and the remaining nondurable goods groups and the primary metals groups showed moderate declines, profits before taxes declined 85 per cent in the machinery group and 67 per cent in the other transportation equipment group, and auto companies as a group reported a deficit before taxes for the first nine months of 1946.

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In all groups, however, the availability of tax credits and the reduction in Federal tax liabilities in 1946 because of the removal of the excess profits tax resulted in a much more favorable change in profits after taxes. Declines were more moderate than in profits before taxes, or were changed to moderate-to-large increases, and groups which had shown a moderate increase in profits before taxes showed very large increases (as much as 170 per cent in the case of trade) in profits after taxes.

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Profits Before and After Taxes of 297 Large Industrial Corporations,
First Nine Months of 1946
(dollars in millions)

Industrial Group	No. of Cos.	Profits before Fed. Inc. Taxes		Profits after Fed. Inc. Taxes		Percentage change	
		1st 9 mos. 1945	1st 9 mos. 1946	1st 9 mos. 1945	1st 9 mos. 1946	Before Taxes	After Taxes
Total	297	1,444	1,042	-37		+ 6	
Durable goods	167	391	362	-67		- 28	
Nondurable goods	108	970	626	- 4		+ 40	
Misc. services	22	84	53	- 4		+ 60	
Durable goods							
Iron & steel	25	222	158	- 7		+ 35	
Nonferrous metals	32	73	50	-10		+ 19	
Machinery	33	36	19	-85		- 72	
elec. ind.	7	3	5	-98		- 88	
other ind.	15	- 2	- 6	1/		1/	
business	5	27	16	-24		+ 39	
other	6	8	4	+ 4		+118	
Automobiles	9	- 84	25	1/		- 86	
Other transportation equipment							
	31	58	55	-67		- 2	
Other durable							
building	19	49	33	-22		+ 50	
misc. metal prod.	7	22	12	- 4		+ 93	
lumber	4	10	6	+20		+111	
hshld appl. & furn.	7	5	3	-32		- 3	
Nondurable goods							
Foods	14	109	65	-11		+ 46	
Bev., conf., & tobacco	13	163	91	+ 6		+ 78	
Chemicals	15	273	171	-15		+ 46	
Oil	24	205	161	-10		+ 1	
Other nondurable							
paper	17	80	50	+13		+130	
drugs	10	79	51	+10		+ 32	
textiles	9	42	25	+11		+242	
other	6	20	12	2/		+ 78	
Miscellaneous services							
Trade	11	51	31	+48		+170	
Other	11	33	22	-38		+ 1	

1/ Deficit in first nine months of 1946.

2/ Insignificant increase.

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