

NEWS



U. S. DEPARTMENT OF LABOR BUREAU OF LABOR STATISTICS

Washington, D.C. 20012
L.J. Fulco (202) 961-4597
K.D. Hoyle (202) 961-2913
Home (202) 331-1384

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PRODUCTIVITY AND COSTS IN NONFINANCIAL CORPORATIONS, THIRD QUARTER 1974 (and Revised Figure for the Total Private Economy, Third Quarter 1974)

Productivity in nonfinancial corporations decreased at a seasonally adjusted annual rate of 1.1 percent in the third quarter of 1974, compared with a 0.4 percent decrease in the second quarter, according to preliminary figures reported today by the Bureau of Labor Statistics of the U.S. Department of Labor. The decrease in productivity resulted from a 1.0 percent decrease in output and a 0.1 percent increase in man-hours. This was the fourth consecutive quarter of productivity decline in this sector.

Revised figures for the third quarter of 1974 for the total private economy and its nonfarm and manufacturing sectors were also released today. Output per man-hour in the total private economy decreased 2.4 percent, and in the nonfarm sector 2.2 percent, according to revised data. Previously these measures had been reported as declines of 3.0 percent and 2.4 percent, respectively. In manufacturing, productivity was off 0.3 percent in the third quarter. This decrease had previously been reported as 0.2 percent, based on preliminary data.

From the third quarter of 1973 to the third quarter of 1974, output per man-hour declined 2.4 percent in nonfinancial corporations, 2.3 percent in the total private sector, 2.9 percent in the nonfarm sector, and showed no change in manufacturing. A summary of ~~second~~ ^{third} quarter data appears in table A. Details are given in tables 1-4.

Table A. Percent Change in Productivity and Costs at Annual Rate
(Seasonally Adjusted)

Sector and Item	3rd Quarter 1973 to 3rd Quarter 1974	2nd Quarter 1974 to 3rd Quarter 1974
<u>Nonfinancial corporations</u> (Preliminary)		
Output per man-hour	-2.4	-1.1
Compensation per man-hour	9.4	10.0
Unit labor costs	12.0	11.3
Real compensation per man-hour	-2.1	-2.7
Output	-2.3	-1.0
Man-hours	0.0	0.1
<u>Total private economy</u> (Revised)		
Output per man-hour	-2.3	-2.4
Compensation per man-hour	9.8	10.3
Unit labor costs	12.4	13.1
Real compensation per man-hour	-1.7	-2.5
Output	-2.6	-2.4
Man-hours	-0.2	0.0
<u>Nonfarm sector</u> (Revised)		
Output per man-hour	-2.9	-2.2
Compensation per man-hour	9.7	10.8
Unit labor costs	12.9	13.3
Real compensation per man-hour	-1.8	-2.0
Output	-3.0	-2.5
Man-hours	-0.1	-0.3
<u>Manufacturing</u> (Revised)		
Output per man-hour	0.0	-0.3
Compensation per man-hour	10.1	11.4
Unit labor costs	10.1	11.7
Real compensation per man-hour	-1.4	-1.4
Output	-0.8	-0.3
Man-hours	-0.8	0.0

Compensation and Labor Costs

Compensation per man-hour and unit labor cost in the nonfinancial corporate sector increased more slowly in the third quarter than in the second.

Compensation per man-hour (which includes both wages and supplemental payments) rose at a seasonally adjusted annual rate of 10.0 percent in the third quarter, down from an 11.5 percent increase during the second quarter. The increase in compensation per man-hour reflected a 10.2 percent increase in compensation coupled with a 0.1 percent increase in man-hours.

Real compensation per man-hour (hourly compensation adjusted for changes in the Consumer Price Index) decreased 2.7 percent, compared with a 0.9 percent decline during the second quarter, marking the sixth consecutive quarterly decline in this measure. As a result of these declines, real hourly compensation reached the lowest level since the fourth quarter of 1971.

Corporate unit labor costs, which reflect changes in productivity and compensation per man-hour, rose at an annual rate of 11.3 percent during the third quarter, compared with an 11.9 percent increase during the previous quarter.

Unit nonlabor costs --which include depreciation, net interest, and indirect business taxes-- rose at an annual rate of 12.5 percent in the third quarter, compared with an 11.4 percent increase in the previous quarter. Total unit costs (labor and nonlabor costs combined) increased at an annual rate of 11.6 percent, compared with an 11.8 percent increase during the second quarter.

Profits and Prices

Profits and prices in the nonfinancial corporate sector also increased less in the third quarter than in the second.

Profits per unit of output increased by 9.1 percent in the third quarter, after increasing 20.2 percent during the second quarter. As a result, unit profits stood 2.9 percent above third quarter of 1973 levels.

The implicit price deflator for the nonfinancial corporate sector, which reflects changes in unit labor costs, unit nonlabor costs, and profits, increased at an annual rate of 11.3 percent during the third quarter, compared with a 12.6 percent increase during the second quarter.

The 0.1 percent increase in man-hours reflected a 0.2 percent increase in employment and a 0.1 percent decline in average weekly hours.

Table B summarizes price, cost, and profit developments since 1969. This time span includes the economic slowdown of 1969-70 and the subsequent recovery.

Table B. Indexes of Prices, Costs and Profits in the
Nonfinancial Corporate Sector
(1967 = 100)

	1969	1970	1971	1972	1973	1973		1974		
						III	IV	I	II	III
Implicit price deflator.....	105.3	110.0	113.9	116.1	120.0	120.5	122.6	126.0	129.8	133.3
Total unit cost.....	108.5	116.8	120.1	121.4	125.2	125.9	128.5	133.0	136.7	140.5
Unit labor cost.....	108.1	114.9	117.4	119.6	124.4	125.1	128.1	132.6	136.4	140.1
Unit non-labor cost	109.8	122.9	128.6	126.9	127.7	128.3	129.9	134.2	137.9	142.0
Unit profits...	86.9	71.3	79.1	86.7	90.8	90.2	89.7	86.8	90.9	92.9

TABLE 1. TOTAL PRIVATE ECONOMY: OUTPUT PER MAN-HOUR
HOURLY COMPENSATION, UNIT COST, AND PRICES, SEASONALLY ADJUSTED

YEAR AND QUARTER	OUTPUT PER MAN-HOUR	OUTPUT	MAN-HOURS	COMPENSA- TION PER MAN-HOUR (1)	REAL COMPENSA- TION PER MAN-HOUR (2)	UNIT LABOR COSTS	UNIT NON- LABOR PAY- MENTS (3)	IMPLICIT PRICE DEFLATOR (4)
INDEXES 1967=100								
1973								
I	117.0	124.9	106.7	149.9	116.5	128.1	119.5	124.8
II	116.6	125.6	107.7	152.1	115.7	130.5	121.8	127.1
III	116.1	126.1	108.6	154.2	114.7	132.8	125.0	129.8
IV	116.1	126.8	109.2	157.3	114.4	135.5	127.8	132.5
ANNUAL	116.5	125.8	108.0	153.5	115.3	131.8	123.5	128.6
1974								
I	114.0	124.2	109.0	159.8	113.0	140.2	130.9	136.6
II	114.1	123.6	108.3	165.2	113.5	144.8	132.1	139.8
III	113.4R	122.8R	108.3R	169.3R	112.8	149.3R	135.7R	144.0R
PERCENT CHANGE OVER PREVIOUS QUARTER AT ANNUAL RATE (5)								
1973								
I	6.5	10.0	3.3	13.1	6.9	6.1	5.7	6.0
II	-1.6	2.1	3.8	5.9	-2.7	7.6	7.7	7.6
III	-1.5	1.6	3.1	5.6	-3.2	7.3	11.1	8.7
IV	-0.1	2.3	2.4	8.4	-1.3	8.4	9.2	8.7
ANNUAL	2.9	6.2	3.2	8.0	1.7	5.0	7.0	5.7
1974								
I	-7.1	-7.8	-0.7	6.4	-4.5	14.6	10.0	12.9
II	0.6	-2.0	-2.5	14.2	1.6	13.6	3.7	9.9
III	-2.4R	-2.6R	0.0R	10.3R	-2.5R	13.1R	11.5R	12.5R
PERCENT CHANGE OVER CORRESPONDING QUARTER OF PREVIOUS YEAR (6)								
1973								
I	5.3	8.8	3.1	7.9	3.7	2.4	5.5	3.6
II	3.5	6.8	3.2	7.8	2.2	4.2	6.4	5.0
III	2.2	5.5	3.3	8.0	1.1	5.7	7.7	6.4
IV	0.8	4.0	3.2	8.2	-0.2	7.4	8.4	7.7
ANNUAL	2.9	6.2	3.2	8.0	1.7	5.0	7.0	5.7
1974								
I	-2.6	-0.5	2.1	6.6	-3.0	9.4	9.5	9.5
II	-2.1	-1.8	0.5	8.6	-1.9	10.9	8.5	10.0
III	-2.3R	-2.6R	-0.2R	9.8R	-1.7R	12.4R	8.6R	11.0R

SEE FOOTNOTES AT END OF TABLE 4.

R=REVISED

P=PRELIMINARY

NOVEMBER 22, 1974

SOURCE: BUREAU OF LABOR STATISTICS

TABLE 2. PRIVATE NONFARM ECONOMY: OUTPUT PER MAN-HOUR
HOURLY COMPENSATION, UNIT COST, AND PRICES, SEASONALLY ADJUSTED

YEAR AND QUARTER	OUTPUT PER MAN-HOUR	OUTPUT PER MAN-HOUR	MAN-HOURS	COMPENSA- TION PER MAN-HOUR (1)	REAL COMPENSA- TION PER MAN-HOUR (2)	UNIT LABOR COSTS	UNIT NON- LABOR PAY- MENTS (3)	IMPLICIT PRICE DEFLATOR (4)
INDEXES 1967=100								
1973								
I	115.7	125.2	108.2	148.0	115.0	127.9	115.9	123.4
II	115.1	126.0	109.5	150.0	114.1	130.3	116.4	125.0
III	115.1	126.8	110.1R	152.4	113.4	132.4	117.4	126.7
IV	114.9	127.1	110.7	155.7	113.2	135.5	119.6	129.5
ANNUAL	115.2	126.3	109.6	151.6	113.9	131.6	117.3	126.2
1974								
I	113.3	124.7	110.0	158.9	112.4	140.2	123.6	133.9
II	112.4	123.7	110.1	162.9	111.9	145.0	128.3	138.7
III	111.0R	122.9R	110.0R	167.2R	111.3R	149.6R	132.1R	143.0R
PERCENT CHANGE OVER PREVIOUS QUARTER AT ANNUAL RATE (5)								
1973								
I	5.2	9.4	4.0	11.7	5.5	6.2	-0.9	3.6
II	-2.2	2.5	4.8	5.4	-3.2	7.8	1.7	5.6
III	0.0	2.5	2.5	6.6	-2.3	6.6	3.7	5.6
IV	-0.8	1.1	1.9	8.8	-0.9	9.7	7.6	9.0
ANNUAL	2.7	6.2	3.4	7.8	1.4	5.0	2.5	4.1
1974								
I	-5.2	-7.5	-2.4	8.4	-2.7	14.4	14.0	14.2
II	-3.3	-2.9	0.4	10.7	-1.6	14.4	16.3	15.1
III	-2.2R	-2.5R	-0.3R	10.8R	-2.0R	13.3R	12.4R	13.0R
PERCENT CHANGE OVER CORRESPONDING QUARTER OF PREVIOUS YEAR (6)								
1973								
I	5.1	8.7	3.4	7.6	3.4	2.4	2.6	2.4
II	3.4	6.9	3.4	7.7	2.1	4.1	2.3	3.5
III	1.8	5.6	3.7	7.7	0.8	5.8	1.9	4.4
IV	0.5	3.8	3.3	8.1	-0.3	7.6	3.0	5.9
ANNUAL	2.7	6.2	3.4	7.8	1.4	5.0	2.5	4.1
1974								
I	-2.1	-0.4	1.7	7.3	-2.3	9.6	6.7	8.5
II	-2.3	-1.8	0.6	8.6	-1.9	11.2	10.3	10.9
III	-2.9	-3.0R	-0.1R	9.7R	-1.8R	12.9R	12.5R	12.8R

SEE FOOTNOTES AT END OF TABLE 4.

R=REVISED

P=PRELIMINARY

NOVEMBER 22, 1974

SOURCE: BUREAU OF LABOR STATISTICS

Table 3. Manufacturing Sector; Output per Man-hour, Hourly Compensation, Unit Labor Costs, Seasonally Adjusted

Year and Quarter	Output per man-hour	Output (7)	Man-hours	Compensation per man-hour (1)	Real Compensation per man-hour (2)	Unit Labor Cost
<u>Indexes 1967 = 100</u>						
1973						
I	128.3	129.9	101.2	144.7	112.5	112.8
II	129.5	132.3	102.2	147.4	112.1	113.8
III	131.1	133.9	102.2	150.3	111.8	114.7
IV	129.9	134.3	103.4	153.2	111.4	117.9
Annual	129.8	132.6	102.2	148.9	111.9	114.8
1974						
I	129.7	132.3	102.0	155.8	110.2	120.1
II	131.1	132.9	101.3	161.1	110.6	122.8
III	131.1	132.8r	101.3r	165.5r	110.2r	126.2r
<u>Percent Change from Previous Quarter at Annual Rate (5)</u>						
1973						
I	9.0	15.9	6.3	8.9	2.9	-0.1
II	3.7	7.6	3.8	7.5	-1.4	3.7
III	4.9	4.9	0.0	8.1	-0.9	3.0
IV	-3.4	1.2	4.8	8.0	-1.7	11.9
Annual	5.9	11.0	4.8	7.4	+1.1	1.4
1974						
I	-0.7	-5.8	-5.1	7.0	-4.1	7.7
II	4.5	1.8	-2.6	14.1	1.5	9.1
III	-0.3r	-0.3r	0.0r	11.4r	-1.4r	11.7r
<u>Percent Change from Previous Year (5)</u>						
1973						
I	7.7	14.2	6.1	6.4	2.3	-1.2
II	6.7	12.2	5.2	7.2	1.6	0.5
III	5.7	10.5	4.5	7.9	1.0	2.1
IV	3.4	7.3	3.7	8.1	-0.3	4.5
Annual	5.9	11.0	4.8	7.4	1.1	1.4
1974						
I	1.1	1.8	0.8	7.7	-2.0	6.5
II	1.3	0.5	-0.8	9.3	-1.3	7.9
III	0.0	-0.8r	-0.8r	10.1r	-1.4r	10.1r

See footnotes following table 4.
r = revised

SOURCE: Bureau of Labor Statistics
November 22, 1974

Table 4. Nonfinancial Corporations: Output per Man-hour, Hourly Compensation
Unit Labor Costs, Unit Profits and Prices, Seasonally Adjusted

Year and Quarter	Output per man-hour	Output	Man-hours	Compensa- tion per man-hour (1)	Real Compensa- tion per man-hour (2)	Unit Labor Costs	Unit Nonlabor Costs (8)	Total Unit Costs (9)	Unit Profits (10)	Implicit Price Deflator
Indexes 1967 = 100										
1973										
I	123.1	130.7	106.2	149.4	116.1	121.4	125.7	122.5	91.9	117.8
II	123.3	132.3	107.3	151.8	115.4	123.1	127.1	124.1	91.3	119.1
III	123.5	132.9	107.7	154.4	114.9	125.1	128.3	125.9	90.2	120.5
IV	122.7	133.4	108.7	157.2	114.2	128.1	129.9	128.5	89.7	122.6
Annual	123.1	132.3	107.5	153.1	115.0	124.4	127.7	125.2	90.8	120.0
1974										
I	121.0	130.6	107.9	160.4	113.5	132.6	134.2	133.0	86.8	126.0
II	120.9	130.2	107.7	164.9	113.2	136.4	137.9	136.7	90.9	129.8
III	120.6p	129.8p	107.7p	168.8p	112.5p	140.1p	142.0p	140.5p	92.9p	133.3p
Percent Change from Previous Quarter at Annual Rate (5)										
1973										
I	8.2	12.5	4.0	13.4	7.2	4.8	-3.2	2.7	3.4	2.8
II	0.7	4.8	4.0	6.5	-2.2	5.7	4.3	5.3	-2.6	4.4
III	0.6	2.0	1.5	7.2	-1.9	6.6	3.8	5.9	-4.5	4.6
IV	-2.3	1.5	3.9	7.3	-2.2	9.9	5.2	8.7	-2.5	7.4
Annual	3.7	7.8	4.0	7.9	1.5	4.1	0.7	3.2	4.7	3.4
1974										
I	-5.5	-8.1	-2.8	8.5	-2.6	14.9	13.9	14.6	-12.3	11.4
II	-0.4	-1.4	-1.0	11.5	-0.9	11.9	11.4	11.8	20.2	12.6
III	-1.1p	-1.0p	0.1p	10.0p	-2.7p	11.3p	12.5p	11.6p	9.1p	11.3p
Percent Change from Previous Year										
1973										
I	5.3	10.0	4.5	7.2	3.0	1.8	-1.2	1.0	9.3	2.0
II	4.4	8.7	4.0	7.7	2.2	3.2	-0.5	2.2	7.5	2.8
III	3.4	7.6	4.0	8.0	1.1	4.5	0.7	3.5	4.3	3.6
IV	1.7	5.1	3.3	8.6	0.2	6.7	2.5	5.6	-1.6	4.8
Annual	3.7	7.8	4.0	7.9	1.5	4.1	0.7	3.2	4.7	3.4
1974										
I	-1.7	-0.1	1.6	7.4	-2.2	9.2	6.8	8.6	-5.6	6.9
II	-1.9	-1.6	0.4	8.6	-1.9	10.8	8.5	10.2	-0.5	9.0
III	-2.4p	-2.3p	0.0p	9.4p	-2.1p	12.0p	10.7p	11.7p	2.9p	10.7p

See footnotes following table 4.
p = preliminary

SOURCE: Bureau of Labor Statistics
November 22, 1974

FOOTNOTES, TABLES 1 TO 4

Source: Output data from the Bureau of Economic Analysis, U.S. Department of Commerce and the Federal Reserve Board. Compensation and Man-hours data from the Bureau of Labor Statistics, U.S. Department of Labor and the Bureau of Economic Analysis.

(1) Wages and salaries of employees plus employers' contributions for social insurance and private benefit plans. Except for nonfinancial corporations, where there are no self-employed, data also includes an estimate of wages, salaries and supplemental payments for the self-employed.

(2) Compensation per man-hour adjusted for changes in the Consumer Price Index.

(3) Nonlabor payments include profits, depreciation, interest, rental income and indirect taxes.

(4) Current dollar gross product divided by constant dollar gross product.

(5) Percent change compounded at annual rate from original data rather than index numbers.

(6) Current quarter divided by comparable quarter a year ago.

(7) Quarterly measures adjusted to annual estimates of output (gross product originating) from the Bureau of Economic Analysis, U.S. Department of Commerce.

(8) Unit nonlabor costs include depreciation, interest and indirect taxes.

(9) Total unit costs is the sum of labor and non-labor costs.

(10) Unit profits include corporate profits and inventory valuation adjustment.

CHART 1. PRODUCTIVITY, HOURLY
COMPENSATION, UNIT COSTS AND PRICES
TOTAL PRIVATE ECONOMY
(PERCENT CHANGE FROM PRECEDING
QUARTER AT ANNUAL RATE)

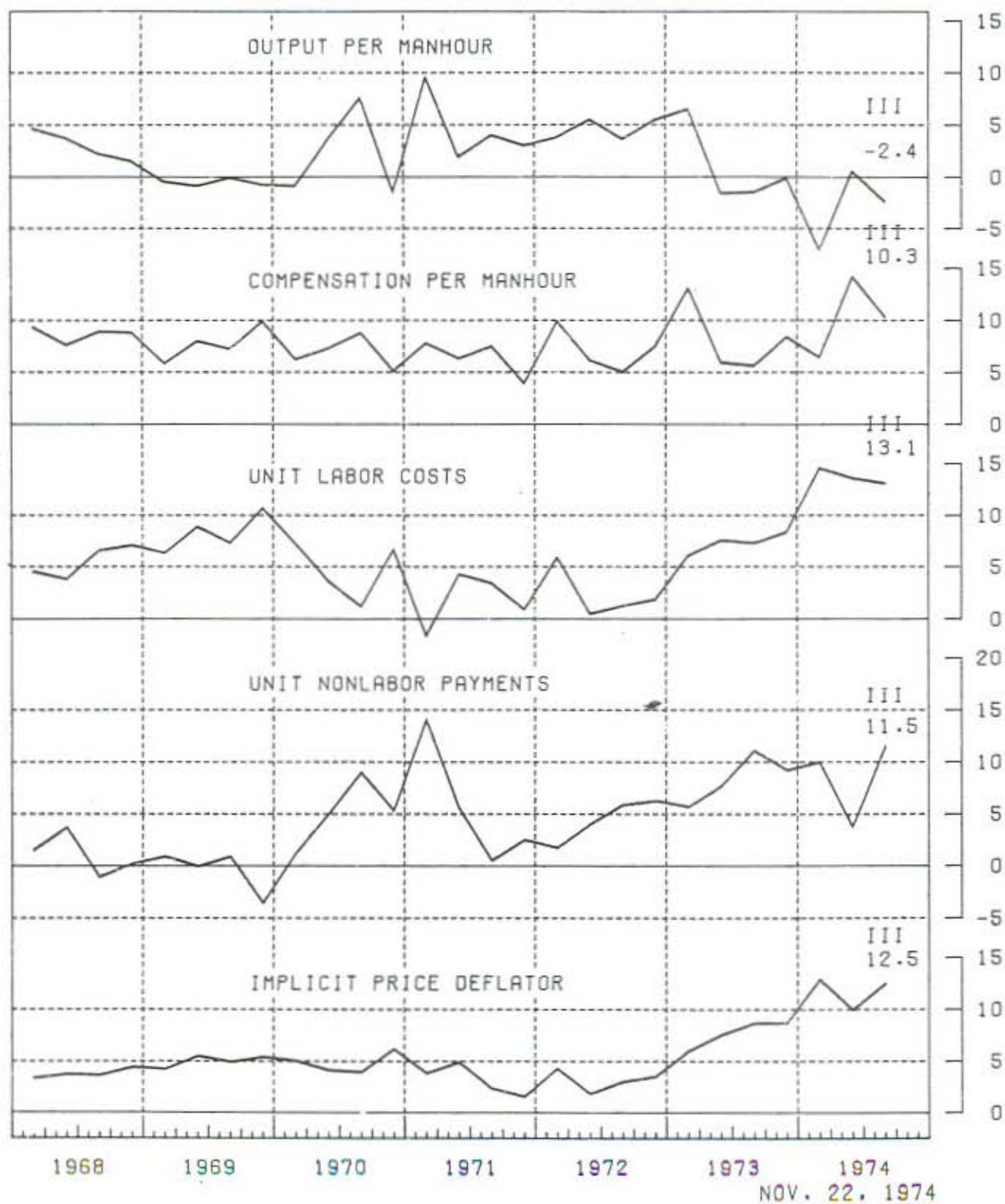


CHART 2. PRODUCTIVITY, HOURLY
COMPENSATION, UNIT COSTS AND PRICES
PRIVATE NONFARM SECTOR
(PERCENT CHANGE FROM PRECEDING
QUARTER AT ANNUAL RATE)

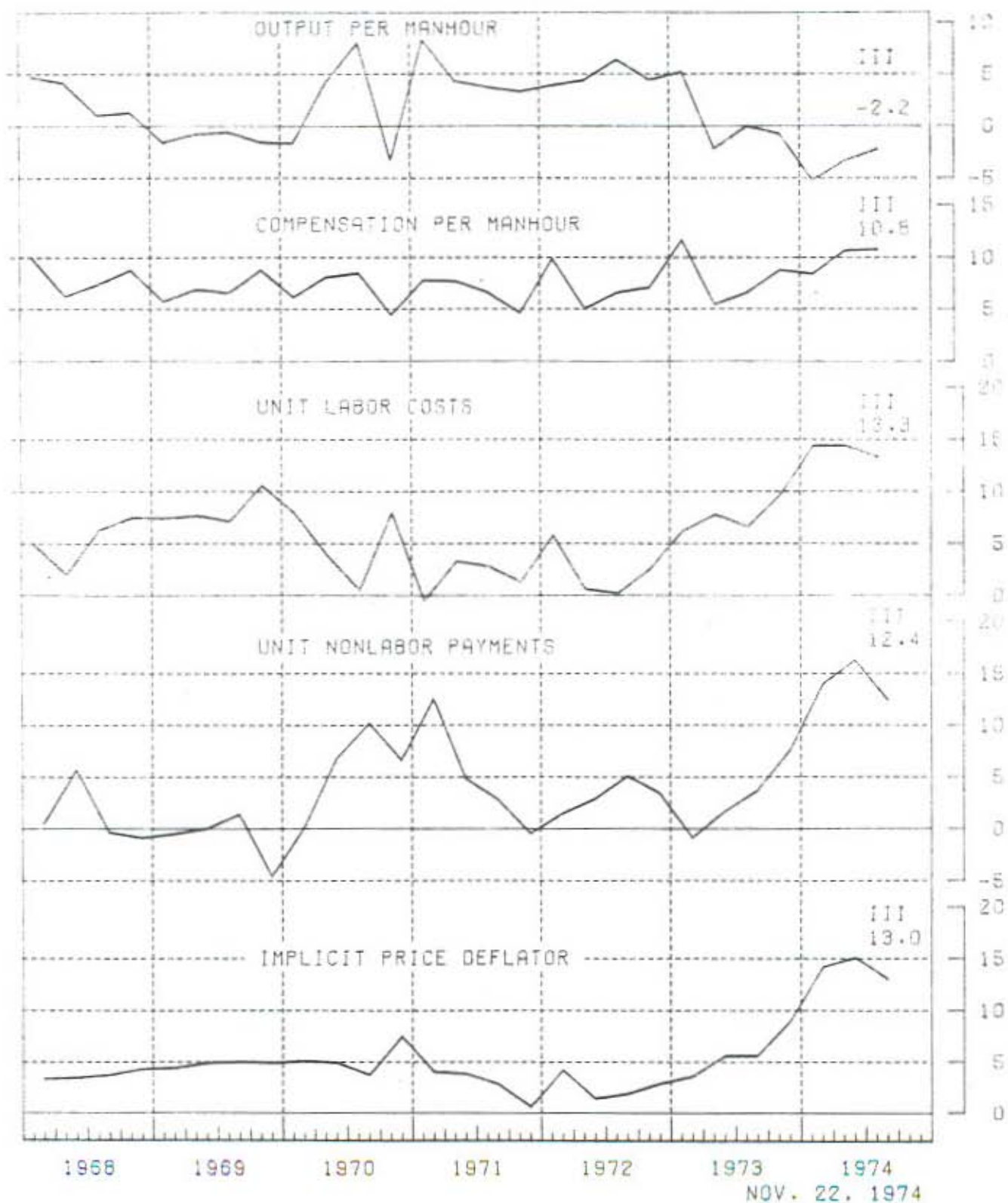


CHART 3. PRODUCTIVITY, HOURLY
COMPENSATION, UNIT COSTS AND PRICES
NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME
QUARTER A YEAR AGO)

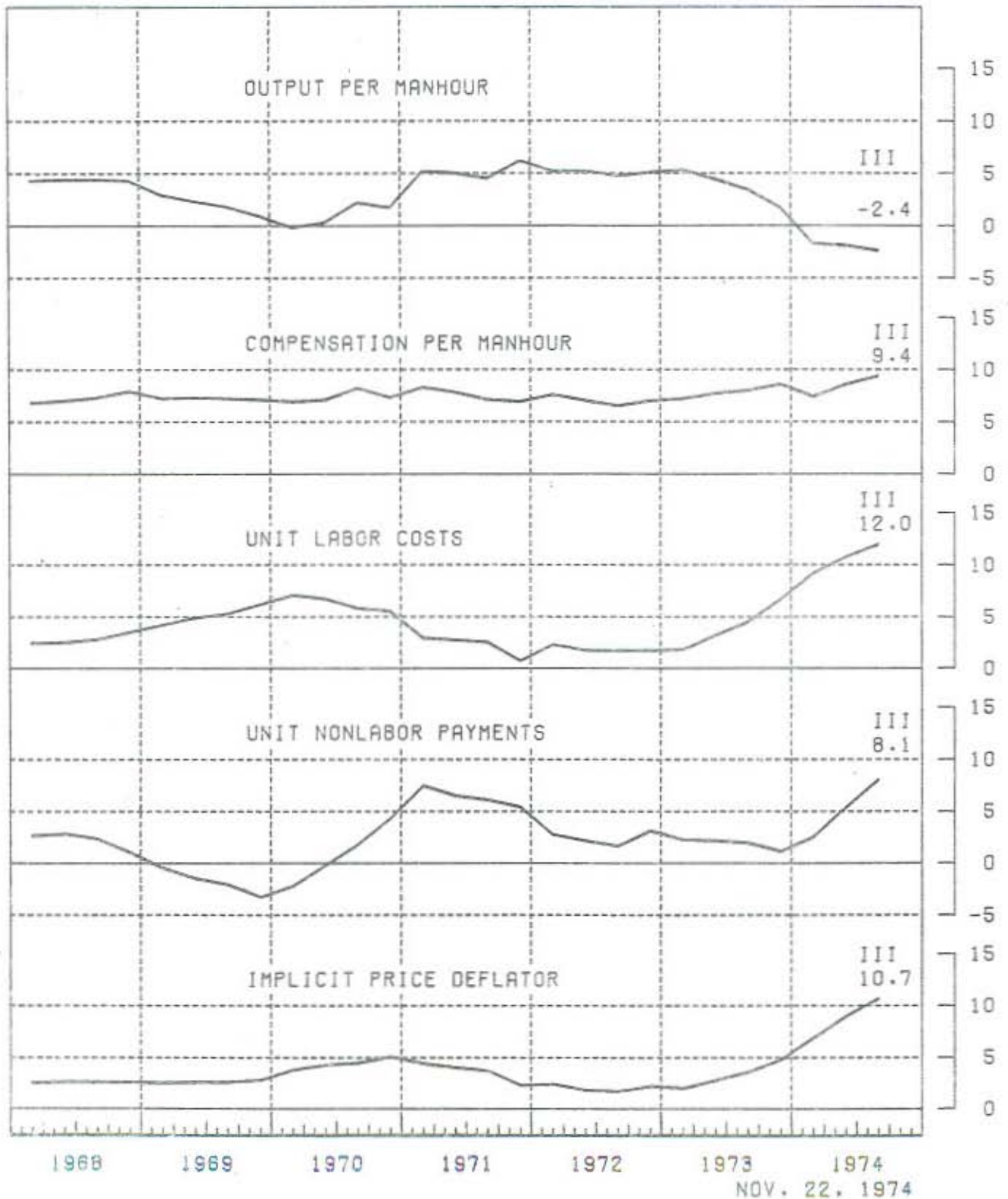


CHART 4.
UNIT COSTS, UNIT PROFITS, AND PRICES
NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME
QUARTER A YEAR AGO)

