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SECOND QUARTER 1970
° CORPORATE PROFITS AND NATIONAL INCOME
° REVISED GNP

Before-tax book profits of corporations were $82-1/4 billion at a seasonally adjusted annual rate in the second quarter, according to preliminary estimates announced today by the Commerce Department's Office of Business Economics. This was fractionally lower than the first quarter rate, and $11 billion below the record high in the first two quarters of 1969.

Manufacturers' book profits were up somewhat in the second quarter, reflecting higher earnings in the automobile and electrical machinery industries. Profits in the latter industry were up substantially following the end of a prolonged strike. Earnings of most other manufacturing industries declined. Nonmanufacturing industries dropped in the aggregate with most industries showing lower earnings.

Corporate profits tax liability was unchanged from the first quarter rate of $38 billion, leaving after-tax earnings at $44-1/4 billion, down slightly from the preceding period. Since dividends were little changed, retained earnings were also down fractionally. Capital consumption allowances (mainly depreciation charges) continued to advance, bringing cash flow to $72-1/4 billion, $3/4 billion above the first quarter.

[More]

The book profits measure includes gains or losses due to the difference between the replacement cost of goods taken out of inventory and the cost at which they are charged to production. However, when OBE measures profits for national income purposes, such inventory profits or losses are excluded through an "inventory valuation adjustment" (IVA).

Inventory profits were $1-1/4 billion less than in the first quarter, as wholesale prices rose at a somewhat slower pace. As a result, there was an increase of about $1 billion in profits as measured on the national income basis. This measure of pre-tax corporate profits rose from $76-3/4 billion in the first quarter to $77-3/4 billion in the second.

Revised second quarter GNP

Gross national product for the second quarter has been revised to a seasonally adjusted annual rate of $971 billion, an increase of $11-1/2 billion, compared with a $7-3/4 billion rise in the first. Inventory investment was revised upward by $1/2 billion and other components were changed by smaller amounts.

Consumer spending accounted for most of the rise in GNP. It advanced $11-1/4 billion, somewhat more than in recent quarters. Business fixed investment was unchanged for the second consecutive quarter. Residential construction declined $3/4 billion and is now $5-1/2 billion below the second quarter of last year. Net exports rose $1/2 billion, somewhat less than the first quarter advance. Federal Government purchases dropped $2-1/2 billion with all of the decline in defense spending. State and local purchases increased $1-1/4 billion, less than in recent quarters. Inventory investment, which had dropped sharply in the last two quarters, increased $1-1/2 billion to an annual rate of $3 billion.

Real output--GNP in constant prices--increased fractionally, by about 1/2 of 1 percent at an annual rate, following a decline of about 3 percent in the first quarter. The GNP implicit price deflator rose about 4-1/4 percent at an annual rate, compared with an increase of almost 6-1/2 percent in the first quarter. About 1 percent of the first quarter rise was due to the Government pay raise. The implicit deflator is a price measure based on shifting weights that reflect the changes in the composition of the GNP. Most of the remaining difference between the first and second quarter increase in the GNP deflator, after allowing for the pay raise, was due to changes in weights rather than a deceleration in the price increases of the goods and services entering the GNP.

The accompanying tables show: (1) corporate profits and the other components of national income; (2) prices, costs, and profits per unit of output for nonfinancial corporations; and (3) gross national product and disposition of personal income. Additional data will appear in the August issue of the Survey of Current Business, the monthly magazine of the Office of Business Economics.

The Survey is available from the Field Offices of the Department of Commerce or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at an annual subscription price of $9, including weekly supplements; single copy, $1.

FORM BE-681
(3-7-66)

Table 1

U.S. DEPARTMENT OF COMMERCE
OFFICE OF BUSINESS ECONOMICS

NATIONAL INCOME BY TYPE OF INCOME
(Billions of dollars)

	1967	1968	1969	1969			1970	
				II	III	IV	I	II 1/
				Seasonally adjusted at annual rates				
National income	653.6	712.7	769.5	764.0	779.5	785.2	791.5	797.7
Compensation of employees	467.2	514.1	564.2	557.5	572.2	582.1	592.2	596.4
Wages and salaries	423.1	464.8	509.0	502.9	516.4	525.3	534.4	537.4
Private	337.3	369.1	404.9	401.2	409.9	417.2	422.6	424.0
Military	16.2	17.9	19.0	18.4	19.9	19.6	20.1	19.5
Government civilian	69.5	77.8	85.1	83.4	86.6	88.5	91.7	93.9
Supplements to wages and salaries	44.2	49.3	55.1	54.6	55.8	56.8	57.9	59.0
Employer contributions for social insurance	21.9	24.3	27.5	27.3	27.9	28.3	28.6	29.0
Other labor income	22.3	24.9	27.6	27.3	27.9	28.5	29.3	30.0
Proprietors' income	62.1	64.1	66.8	66.7	67.5	67.2	67.6	67.8
Business and professional	47.3	49.1	50.5	50.5	50.9	50.6	50.6	51.2
Farm	14.8	15.0	16.4	16.2	16.6	16.6	17.0	16.5
Rental income of persons	21.1	21.3	22.0	22.0	22.1	22.3	22.5	22.6
Corporate profits and inventory valuation adjustment	78.7	85.4	85.8	87.4	86.8	82.0	76.7	77.8
Profits before tax	79.8	88.7	91.2	93.4	89.9	88.5	82.6	82.3
Profits tax liability	33.2	40.6	42.7	43.8	42.1	41.4	38.0	38.0
Profits after tax	46.6	48.2	48.5	49.7	47.9	47.1	44.6	44.3
Dividends	21.4	23.3	24.7	24.4	25.0	25.2	25.2	25.1
Undistributed profits	25.3	24.9	23.9	25.2	22.9	21.9	19.4	19.2
Inventory valuation adjustment	-1.1	-3.3	-5.4	-6.0	-3.2	-6.5	-5.8	-4.5
Net interest	24.4	27.8	30.7	30.4	31.0	31.7	32.4	33.1

1/ Second quarter 1970 corporate profits and related totals are preliminary and subject to revision next month.

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Source: U.S. Department of Commerce, Office of Business Economics.

FORM BE-729
(11-68)

Table 2

U.S. DEPARTMENT OF COMMERCE
OFFICE OF BUSINESS ECONOMICS

NONFINANCIAL CORPORATIONS: GROSS PRODUCT AND UNIT COSTS 1/

	1967	1968	1969	1969 II	1969 III	1969 IV	1970 I	1970 II 2/
				Seasonally adjusted at annual rates				
				Billions of dollars				
Gross product originating in nonfinancial corporations	430.8	470.2	506.5	504.3	512.8	514.6	514.4	518.2
Capital consumption allowances	41.7	45.1	48.3	47.9	48.6	49.5	50.4	51.4
Indirect business taxes plus transfer payments less subsidies	39.2	42.9	46.5	46.0	47.2	47.7	48.4	49.4
Compensation of employees	275.8	301.2	329.9	326.9	334.1	339.1	342.3	342.9
Wages and salaries	246.6	268.6	293.5	290.9	297.3	301.8	304.4	304.6
Supplements to wages and salaries	29.2	32.6	36.3	36.0	36.8	37.3	37.9	38.3
Net interest	9.0	10.5	12.6	12.4	12.9	13.3	13.6	13.9
Corporate profits and inventory valuation adjustment	65.1	70.4	69.4	71.1	70.0	65.1	59.6	60.5
Profits before tax	66.2	73.7	74.8	77.2	73.2	71.6	65.4	65.0
Profits tax liability	28.4	34.7	36.1	37.2	35.3	34.6	31.1	30.9
Profits after tax	37.8	39.0	38.7	40.0	37.8	37.0	34.3	34.1
Dividends	18.9	20.6	21.6	21.5	21.9	22.0	21.8	21.8
Undistributed profits	19.0	18.4	17.1	18.4	15.9	15.1	12.5	12.3
Inventory valuation adjustment	-1.1	-3.3	-5.4	-6.0	-3.2	-6.5	-5.8	-4.5
				Billions of 1958 dollars				
Gross product originating in nonfinancial corporations	390.2	415.1	432.5	432.9	435.6	433.0	428.4	427.3
				Dollars				
Current dollar cost per unit of 1958 dollar gross product originating in nonfinancial corporations 3/	1.104	1.133	1.171	1.165	1.177	1.188	1.201	1.212
Capital consumption allowances	.107	.109	.112	.111	.112	.114	.118	.120
Indirect business taxes plus transfer payments less subsidies	.100	.103	.107	.106	.108	.110	.113	.116
Compensation of employees	.707	.726	.763	.755	.767	.783	.799	.802
Net interest	.023	.025	.029	.029	.030	.031	.032	.033
Corporate profits and inventory valuation adjustment	.167	.170	.160	.164	.161	.150	.139	.141
Profits tax liability	.073	.084	.083	.086	.081	.080	.073	.072
Profits after tax plus inventory valuation adjustment	.094	.086	.077	.078	.080	.070	.067	.069

1/ Excludes gross product originating in the rest of the world.
2/ Second quarter 1970 corporate profits and related totals are preliminary and subject to revision next month.
3/ This is equal to the deflator for gross product of nonfinancial corporations, with the decimal point shifted two places to the left.

Source: U.S. Department of Commerce, Office of Business Economics.

Table 3

FORM BE-679
(8-10-70)

U.S. DEPARTMENT OF COMMERCE
OFFICE OF BUSINESS ECONOMICS

GROSS NATIONAL PRODUCT AND DISPOSITION OF PERSONAL INCOME

GROSS NATIONAL PRODUCT	1967	1968	1969	1969 II	1969 III	1969 IV	1970 I	1970 II	1967	1968	1969	1969 II	1969 III	1969 IV	1970 I	1970 II
				Seasonally adjusted at annual rates								Seasonally adjusted at annual rates				
	Billions of current dollars								Billions of 1958 dollars							
Gross national product (GNP)	793.9	865.0	931.4	923.7	942.6	951.7	959.5	971.1	675.2	707.2	727.1	726.1	730.9	729.2	723.8	724.9
Personal consumption expenditures	492.1	535.8	577.5	573.3	582.1	592.6	603.1	614.4	430.1	452.3	467.7	467.1	468.7	471.7	474.0	478.1
Durable goods	73.1	84.0	90.0	90.6	89.5	90.8	89.1	91.9	72.9	81.4	84.9	85.7	84.1	84.9	82.7	84.9
Nondurable goods	215.0	230.2	245.8	244.0	248.1	252.0	258.8	262.6	190.2	196.5	201.2	200.9	201.9	202.4	205.6	206.6
Services	204.0	221.6	241.6	238.7	244.5	249.8	255.2	259.9	167.0	174.4	181.6	180.5	182.7	184.4	185.8	186.6
Gross private domestic investment	116.6	126.5	139.8	139.3	143.8	140.2	133.2	134.3	101.2	105.7	111.3	111.5	114.1	110.0	102.9	103.1
Fixed investment	108.4	118.9	131.4	131.4	132.4	133.0	131.6	131.2	93.5	98.8	104.1	104.8	104.2	103.9	101.5	100.1
Nonresidential	83.3	88.7	99.3	97.5	101.5	102.6	102.6	102.8	73.2	75.5	80.8	80.2	81.9	82.1	80.9	80.2
Structures	28.0	29.6	33.8	32.3	35.2	35.1	35.7	35.3	22.6	22.7	24.0	23.1	24.6	24.3	24.4	23.5
Producers' durable equipment	55.3	59.1	65.5	65.2	66.3	67.5	66.9	67.5	50.6	52.7	56.9	57.0	57.3	57.8	56.5	56.7
Residential structures	25.1	30.3	32.0	33.9	31.0	30.4	29.1	28.4	20.4	23.3	23.3	24.7	22.3	21.8	20.7	20.0
Nonfarm	24.5	29.7	31.5	33.3	30.4	29.8	28.4	27.8	19.9	22.9	22.8	24.2	21.8	21.4	20.2	19.5
Farm	.6	.5	.6	.6	.6	.6	.6	.6	.5	.4	.4	.4	.4	.4	.4	.4
Change in business inventories	8.2	7.6	8.5	7.9	11.3	7.2	1.6	3.1	7.7	6.9	7.2	6.6	9.9	6.1	1.3	2.9
Nonfarm	7.5	7.5	8.0	7.6	10.8	6.5	.9	2.6	7.0	6.8	6.8	6.3	9.3	5.4	.8	2.5
Farm	.7	.1	.4	.3	.5	.7	.7	.5	.7	.1	.4	.3	.6	.8	.6	.4
Net exports of goods and services	5.2	2.5	1.9	1.3	2.6	2.6	3.5	4.1	3.6	.9	.2	-.3	.8	.9	1.9	2.4
Exports	46.2	50.6	55.5	57.2	58.3	58.8	61.1	62.8	42.1	45.7	48.5	50.7	50.8	50.0	52.0	52.9
Imports	41.0	48.1	53.6	55.9	55.6	56.2	57.6	58.7	38.5	44.8	48.2	51.1	50.0	49.1	50.1	50.5
Government purchases of goods and services	180.1	200.2	212.2	209.9	214.1	216.3	219.6	218.4	140.2	148.3	147.8	147.9	147.3	146.6	145.0	141.3
Federal	90.7	99.5	101.3	99.8	102.5	102.1	102.3	99.7	74.7	78.7	75.7	75.8	75.2	73.8	71.1	67.8
National defense	72.4	78.0	78.8	77.9	79.8	78.8	79.3	76.8	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Other	18.4	21.5	22.6	21.9	22.7	23.3	23.0	22.9	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
State and local	89.4	100.7	110.8	110.1	111.6	114.2	117.4	118.7	65.5	69.6	72.1	72.1	72.1	72.9	73.8	73.5
Addenda:																
Final sales (GNP less change in business inventories)	785.7	857.4	922.9	915.9	931.2	944.5	957.9	968.1	667.5	700.3	719.9	719.4	720.9	723.0	722.4	721.9
Implicit price deflator, index numbers, 1958 = 100:																
GNP	117.59	122.31	128.11	127.22	128.97	130.52	132.57	133.98	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Private GNP (GNP less general government employee comp.)	114.79	118.92	124.22	123.55	124.90	126.32	127.96	129.24	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Change from preceding period, percent at annual rate:																
GNP	5.9	9.0	7.7	7.3	8.4	3.9	3.3	4.9	2.6	4.8	2.8	2.2	2.7	-.9	-2.9	.6
GNP implicit price deflator	3.2	4.0	4.7	5.0	5.6	4.9	6.4	4.3	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Private GNP implicit price deflator	2.9	3.6	4.5	4.9	4.4	4.6	5.3	4.1	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
DISPOSITION OF PERSONAL INCOME																
Personal income	629.3	688.7	748.9	741.1	758.1	770.5	782.3	801.3	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Less: Personal tax and nontax payments	83.0	97.5	117.3	118.1	117.5	119.9	117.0	117.7	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Equals: Disposable personal income	546.3	591.2	631.6	623.0	640.6	650.6	665.3	683.6	477.5	499.0	511.5	507.5	515.9	517.8	522.9	532.0
Less: Personal outlays	506.0	550.8	593.9	589.7	598.7	609.6	620.5	632.1	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Equals: Personal saving	40.4	40.4	37.6	33.3	42.0	41.1	44.8	51.5	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Personal saving as a percentage of disposable personal income	7.4	6.8	6.0	5.3	6.5	6.3	6.7	7.5	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx	xxxxxx
Per capita disposable personal income, dollars	2,744	2,939	3,108	3,070	3,148	3,188	3,252	3,333	2,398	2,480	2,517	2,501	2,535	2,537	2,556	2,594

Source: U.S. Department of Commerce, Office of Business Economics.

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