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SECOND QUARTER 1968 -  
CORPORATE PROFITS  
NATIONAL INCOME  
REVISED GNP

Before-tax book profits of corporations reached a new record in the second quarter of 1968, rising to a seasonally adjusted annual rate of \$91 billion according to preliminary estimates, the U.S. Department of Commerce announced today. This was \$2-1/4 billion above the preceding quarter's total and \$11 billion above the figure in the second quarter of 1967, when business activity was sluggish.

The earnings advance this spring centered in durable manufacturing industries and in financial institutions, the Department's Office of Business Economics noted. Automobile companies recorded further gains in the second quarter following a sharp advance in the first. Primary metals producers reported a substantial second quarter increase, and earnings of most other durables manufacturers were also higher.

Corporate profits taxes, which are computed on an accrual basis, were revised up considerably in the first quarter to reflect the recent enactment of the tax surcharge. After a \$4-3/4 billion rise from the fourth to the first quarter, taxes rose a further \$1 billion in the second quarter to reach an annual rate of \$40-3/4 billion.

After-tax profits, at \$50-1/4 billion in the April-June period, were up \$1-1/4 billion from a quarter earlier, and \$3 billion above earnings in the second quarter of 1967. This measure of profits was at a peak of \$51-1/2 billion in the third quarter of 1966.

Of the rise in after-tax income in the spring quarter, \$3/4 billion was paid out in dividends and the rest -- about \$1/2 billion -- went to undistributed profits. Dividends are at record rates, but undistributed profits are considerably below the highs reached in 1966. With capital consumption allowances continuing to rise, corporate cash flow (net of dividends) reached a record \$72-1/2 billion rate in the second quarter, up \$1-1/2 billion over the first.

[More]

*awful! There is no such thing as 'tables' - let plain what this is all about. //*

Corporate profits as measured for national income purposes (excluding gains or losses due to the difference between the replacement cost of goods taken out of inventory and their recorded acquisition cost) reached a seasonally adjusted annual rate of \$88-1/2 billion in the second quarter, \$4-1/2 billion above the previous quarter and well above the previous high of \$85-1/4 billion in the fourth quarter of 1966. Inventory valuation gains, which are excluded from book profits to derive the national income measure, are estimated at \$2-3/4 billion as compared with \$5 billion in the opening quarter of 1968; the decline reflected a slower price rise in wholesale markets in the second quarter.

#### Nonfinancial corporations

Data for nonfinancial corporations make possible a more intensive analysis of the changes in dollar profits and shed light on trends in profits, costs and prices per unit of output for a major part of the economy. The current dollar output of non-financial corporations rose 2-3/4 percent, an advance about equal to that in the first quarter. This represented an increase in physical volume of more than 1-3/4 percent and a price rise of almost 1 percent.

Despite substantial increases in wage rates, unit labor costs were unchanged from the first to the second quarter of 1968. Nonlabor costs per unit -- depreciation charges, indirect taxes, and net interest -- rose 1 percent. Since the rise in prices was much larger than the rise in total unit costs, profits per unit recorded their sharpest quarterly gain since early 1965 and approached the level they had reached in late 1965 and in 1966. The large rise in total profits in the second quarter thus reflected both an increase in the volume of production and a rise in unit profits.

When demand slowed down in early 1967, corporations passed on only part of their increased costs in the form of higher prices; lower profit margins absorbed the remainder of the cost rise. Over the next year, however, unit prices kept pace with increases in unit costs and unit profits were stable. The rise in pre-tax dollar profits that occurred during most of this period was a reflection of increased volume of output.

#### National Income

National income in the second quarter reached an annual rate of \$704-3/4 billion, \$16-1/2 billion above the first quarter, according to preliminary estimates. In addition to the increase in corporate earnings, employee compensation rose \$10-1/4 billion and the other major components of national income -- proprietors' income, rental income, and net interest -- recorded small gains.

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Revised Second Quarter GNP

Revised estimates based on more complete data indicate gross national product (GNP) rose \$20-1/2 billion in the second quarter to reach a seasonally adjusted annual rate of \$851-1/2 billion. The increase of 2-1/2 percent reflected advances of 1-1/2 percent in the physical volume of production and 1 percent in overall prices.

The revised second quarter GNP is slightly higher than the preliminary estimate released a month ago. Moderate upward revisions occurred in personal consumption expenditures, business fixed investment, and inventory investment. Residential structures and net exports of goods and services were revised downward.

The accompanying tables contain the figures for the second quarter of 1968 together with comparable data for recent periods. Additional data will appear in the August issue of the Survey of Current Business, 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 \$6, including weekly supplements; single copy 45 cents.

NONFINANCIAL CORPORATIONS: GROSS PRODUCT AND UNIT COSTS <sup>1/</sup>

	1965	1966	1967	1967			1968	
				II	III	IV	I	II <sup>2/</sup>
				Seasonally adjusted at annual rates				
				Billions of dollars				
Gross product originating in nonfinancial corporations -----	377.6	413.8	433.0	428.5	435.3	443.7	455.9	468.4
Capital consumption allowances-----	35.4	38.6	42.2	41.7	42.9	43.7	44.4	45.4
Indirect business taxes plus transfer payments less subsidies-----	35.7	36.5	38.8	38.5	39.2	39.7	40.7	41.6
Compensation of employees-----	236.3	261.1	277.0	273.6	278.7	283.9	292.5	298.3
Wages and salaries-----	212.7	233.3	246.8	243.8	248.1	252.8	259.8	264.9
Supplements to wages and salaries-----	23.6	27.7	30.2	29.8	30.6	31.1	32.7	33.4
Net interest-----	6.0	7.2	8.5	8.3	8.6	8.9	9.0	9.1
Corporate profits and inventory valuation adjustment-----	64.1	70.4	66.4	66.3	65.9	67.5	69.3	73.9
Profits before tax-----	65.8	72.2	67.6	67.0	66.5	70.6	74.4	76.6
Profits tax liability-----	27.6	30.4	28.8	28.3	28.4	30.2	34.5	35.3
Profits after tax-----	38.2	41.8	38.8	38.7	38.1	40.4	39.9	41.3
Dividends-----	16.9	19.1	20.1	20.5	20.5	19.4	20.7	21.8
Undistributed profits-----	21.3	22.7	18.8	18.1	17.6	21.0	19.2	19.5
Inventory valuation adjustment-----	-1.7	-1.7	-1.2	-.7	-.6	-3.1	-5.1	-2.7
				Billions of 1958 dollars				
Gross product originating in nonfinancial corporations -----	357.8	385.5	392.3	390.1	393.4	397.2	405.9	413.5
				Dollars				
Current dollar cost per unit of 1958 dollar gross product originating in nonfinancial corporations <sup>3/</sup>	1.055	1.074	1.104	1.098	1.107	1.117	1.123	1.133
Capital consumption allowances-----	.099	.100	.108	.107	.109	.110	.109	.110
Indirect business taxes plus transfer payments less subsidies-----	.100	.095	.099	.099	.100	.100	.100	.101
Compensation of employees-----	.660	.677	.706	.701	.708	.715	.721	.721
Net interest-----	.017	.019	.022	.021	.022	.022	.022	.022
Corporate profits and inventory valuation adjustment-----	.179	.183	.169	.170	.168	.170	.171	.179
Profits tax liability-----	.077	.079	.073	.073	.072	.076	.085	.085
Profits after tax plus inventory valuation adjustment--	.102	.104	.096	.097	.095	.094	.086	.093

<sup>1/</sup> Excludes gross product originating in the rest of the world.

<sup>2/</sup> Second quarter 1968 corporate profits and related totals are preliminary and subject to revision next month.

<sup>3/</sup> This is equal to the deflator for gross product of nonfinancial corporations, with the decimal point shifted two places to the left.

NATIONAL INCOME BY TYPE OF INCOME  
(Billions of dollars)

	1965	1966	1967	1967			1968 <sup>1/</sup>	
				II	III	IV	I	II
				Seasonally adjusted at annual rates				
National income .....	564.3	620.8	652.9	645.1	656.9	670.9	688.1	704.7
Compensation of employees .....	393.8	435.6	468.2	461.8	471.5	482.7	496.8	507.1
Wages and salaries .....	358.9	394.6	423.4	417.6	426.3	436.4	448.3	457.6
Private .....	289.6	316.9	337.1	332.8	339.4	346.0	355.7	362.8
Military .....	12.1	14.6	16.3	15.9	16.1	17.1	17.5	17.8
Government civilian .....	57.1	63.1	70.0	68.8	70.8	73.3	75.2	77.0
Supplements to wages and salaries .....	35.0	41.1	44.8	44.2	45.2	46.2	48.4	49.4
Employer contributions for social insurance .....	16.2	20.2	21.5	21.3	21.6	22.1	23.5	23.7
Other labor income .....	18.7	20.8	23.3	22.9	23.7	24.2	25.0	25.7
Proprietors' income .....	57.3	60.7	60.7	60.5	61.2	61.1	61.8	62.6
Business and professional .....	42.4	44.8	46.3	46.1	46.6	46.8	47.2	47.8
Farm .....	14.8	15.9	14.4	14.4	14.6	14.3	14.6	14.8
Rental income of persons .....	19.0	19.8	20.3	20.2	20.4	20.5	20.7	20.9
Corporate profits and inventory valuation adjustment .....	76.1	83.9	80.4	79.6	80.2	82.3	83.8	88.4
Profits before tax .....	77.8	85.6	81.6	80.3	80.8	85.4	88.9	91.1
Profits tax liability .....	31.3	34.6	33.5	33.0	33.2	35.1	39.8	40.8
Profits after tax .....	46.5	51.0	48.1	47.3	47.6	50.3	49.1	50.3
Dividends .....	19.8	21.7	22.9	23.2	23.5	22.5	23.6	24.4
Undistributed profits .....	26.7	29.3	25.2	24.1	24.1	27.9	25.5	25.9
Inventory valuation adjustment .....	-1.7	-1.7	-1.2	- .7	-.6	-3.1	-5.1	-2.7
Net interest .....	18.2	20.8	23.3	22.9	23.6	24.3	25.0	25.8

<sup>1/</sup> Second quarter 1968 corporate profits and related totals are preliminary and subject to revision next month.

## GROSS NATIONAL PRODUCT IN CURRENT AND CONSTANT DOLLARS

	1965	1966	1967	1967			1968		1965	1966	1967	1967			1968						
				II	III	IV	I	II				II	III	IV	I	II					
				Seasonally adjusted at annual rates										Seasonally adjusted at annual rates							
				Billions of current dollars								Billions of 1958 dollars									
<b>Gross national product</b> .....	684.9	747.6	789.7	780.2	795.3	811.0	831.2	851.6	617.8	657.1	673.1	669.2	675.6	681.8	692.7	702.3					
<b>Personal consumption expenditures</b> .....	432.8	465.5	492.2	490.3	495.5	502.2	519.4	527.6	397.7	417.8	430.5	431.2	431.8	434.1	444.9	447.5					
Durable goods .....	66.3	70.5	72.6	73.4	73.1	74.2	79.0	80.9	66.6	71.3	72.4	73.7	72.6	73.0	77.3	78.9					
Nondurable goods.....	191.1	206.7	215.8	215.3	216.4	218.4	226.5	228.2	178.6	186.9	191.1	191.6	191.1	191.6	196.5	196.2					
Services .....	175.5	188.3	203.8	201.6	205.9	209.6	213.9	218.4	152.5	159.5	167.0	165.9	168.1	169.5	171.0	172.5					
<b>Gross private domestic investment</b> .....	108.1	120.8	114.3	107.6	114.7	121.8	119.7	127.4	99.2	108.8	99.5	94.2	99.3	104.7	101.5	107.8					
<b>Fixed investment</b> .....	98.5	106.1	108.2	105.4	109.3	113.5	117.6	117.4	90.1	94.9	93.6	92.0	94.0	96.7	99.5	98.4					
Nonresidential.....	71.3	81.3	83.6	82.7	83.3	85.0	88.6	87.9	66.3	73.8	73.7	73.3	73.2	74.0	76.5	75.4					
Structures.....	25.5	28.5	27.9	27.2	27.7	27.7	29.6	28.2	22.3	23.9	22.6	22.1	22.2	22.1	23.4	21.9					
Producers' durable equipment.....	45.8	52.8	55.7	55.5	55.6	57.3	59.0	59.8	44.0	49.9	51.1	51.1	51.0	52.0	53.0	53.5					
Residential structures.....	27.2	24.8	24.6	22.7	26.0	28.5	29.1	29.5	23.8	21.1	19.9	18.7	20.8	22.7	23.0	23.0					
Nonfarm.....	26.7	24.3	24.0	22.1	25.4	27.9	28.5	28.9	23.4	20.7	19.5	18.2	20.3	22.2	22.6	22.5					
Farm.....	.5	.5	.6	.6	.6	.6	.6	.6	.5	.5	.5	.5	.5	.5	.5	.5					
Change in business inventories.....	9.6	14.7	6.1	2.3	5.3	8.3	2.1	10.0	9.0	13.9	5.9	2.3	5.2	8.0	2.0	9.4					
Nonfarm.....	8.6	14.9	5.6	2.2	4.8	7.1	1.6	9.7	8.1	14.1	5.3	2.1	4.5	6.7	1.6	9.1					
Farm.....	1.0	-.2	.5	.1	.6	1.2	.4	.3	.9	-.2	.6	.2	.7	1.3	.4	.3					
<b>Net exports of goods and services</b> .....	6.9	5.1	4.8	5.1	5.4	3.4	1.5	.9	6.2	4.0	2.4	2.8	3.1	1.0	-.1	-2.2					
Exports.....	39.2	43.1	45.8	45.5	46.1	46.0	47.5	49.0	37.4	40.1	41.8	41.7	42.1	41.9	44.0	44.1					
Imports.....	32.3	38.1	41.0	40.4	40.6	42.6	46.0	48.1	31.2	36.1	39.3	38.9	39.1	40.9	44.1	46.2					
<b>Government purchases of goods and services</b> .....	137.0	156.2	178.4	177.3	179.6	183.5	190.5	195.6	114.7	126.5	140.7	141.0	141.4	142.0	146.5	149.2					
Federal.....	66.9	77.4	90.6	90.0	91.3	93.5	97.1	100.0	57.9	65.2	74.8	75.1	75.6	75.6	78.1	80.1					
National defense.....	50.1	60.6	72.4	72.1	72.9	74.6	76.8	79.0	-----	-----	-----	-----	-----	-----	-----	-----					
Other.....	16.8	16.8	18.2	17.9	18.4	19.0	20.3	21.0	-----	-----	-----	-----	-----	-----	-----	-----					
State and local.....	70.1	78.8	87.8	87.2	88.4	90.0	93.4	95.6	56.8	61.3	65.9	66.0	65.8	66.4	68.4	69.1					
<b>Addendum:</b>																					
Implicit price deflator for seasonally adjusted GNP, 1958=100.....	110.9	113.8	117.3	116.6	117.7	118.9	120.0	121.2	-----	-----	-----	-----	-----	-----	-----	-----					

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

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Personal Income

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Ref Thurs, Aug 15 AMs