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THIRD QUARTER 1968 -
CORPORATE PROFITS
REVISED GNP

*N.B. - p. 2 - list tables in the
order in which they are
attached*

Before-tax book profits of corporations rose slightly in the third quarter of 1968, to reach a seasonally adjusted annual rate of \$92-1/4 billion, according to preliminary estimates announced today by the Commerce Department's Office of Business Economics. Although it set a record, the total was only \$1/2 billion above that for the preceding quarter and represented the smallest quarterly increase in the past year.

The third quarter earnings advance centered in nonmanufacturing industries, especially financial institutions. Manufacturers' book profits were depressed by the substantial reduction in third quarter earnings of primary metals producers. Within that group, steel producers experienced a sharp drop in profits compared with the second quarter, as steel consumers cut back their buying following the stockpiling that occurred earlier in the year.

Corporate profits taxes rose \$1/4 billion to \$41-1/4 billion, and after-tax profits advanced by a similar amount to reach \$51 billion in the July-September period. Since dividend payments were up about \$3/4 billion from the second quarter, retained earnings fell \$1/2 billion. Corporate cash flow increased \$1/2 billion, however, as corporate capital consumption allowances (chiefly, depreciation charges) rose \$1 billion.

Book profits include 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. Because the most prevalent methods of inventory accounting base these charges on past acquisition costs, inventory profits tend to be positive when prices are rising. Inventory profits or losses are excluded from corporate profits as measured for the national income accounts through an "inventory valuation adjustment" (IVA).

The national income version of corporate profits (before taxes) showed a rise of \$2 billion in the third quarter, to a seasonally adjusted rate of \$91-1/4 billion. The much larger gain in national income profits than in book profits was due to the inventory valuation adjustment. With wholesale prices increasing at a slower rate in the summer than during the spring, inventory profits were lower, and the IVA moderated to a minus \$1 billion in the third quarter from a minus \$2-3/4 billion in the second.

Revised third quarter GNP

The revised third quarter GNP, based on more complete data, is about the same as the preliminary estimate released a month ago. Gross national product rose \$18 billion in the third quarter to a seasonally adjusted annual rate of \$871 billion. The advance of about 2 percent was attributable to increases of 1-1/4 percent (5 percent at an annual rate) in the physical volume of production and 9/10 of 1 percent (3-1/2 percent at an annual rate) in prices.

One of the factors contributing to the rise in prices in the third quarter was the Federal Government pay raise for civilian and military personnel. Exclusion of the pay raise would reduce the rise in overall prices in the third quarter considerably from the increase of approximately 4 percent (annual rate) reported in the second quarter. A less rapid increase in food prices was the main factor responsible for the slower overall price rise.

The major change from preliminary GNP figures published last month was an upward revision in net exports of goods and services, which was largely offset by small downward changes in some of the other GNP components.

The accompanying tables show: (1) GNP in current and constant dollars; (2) Corporate profits and the other components of national income; and (3) Prices, costs and profits per unit of output for nonfinancial corporations. Additional data will appear in the November 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 \$9, including weekly supplements; single copy, \$1.

NATIONAL INCOME BY TYPE OF INCOME
(Billions of dollars)

	1965	1966	1967	1967		1968		
				III	IV	I	II	III ^{1/}
				Seasonally adjusted at annual rates				
National income	564.3	620.8	652.9	656.9	670.9	688.1	705.4	722.0
Compensation of employees	393.8	435.6	468.2	471.5	482.7	496.8	507.1	519.7
Wages and salaries	358.9	394.6	423.4	426.3	436.4	448.3	457.6	469.0
Private	289.6	316.9	337.1	339.4	346.0	355.7	362.8	370.9
Military	12.1	14.6	16.3	16.1	17.1	17.5	17.8	18.9
Government civilian	57.1	63.1	70.0	70.8	73.3	75.2	77.0	79.1
Supplements to wages and salaries	35.0	41.1	44.8	45.2	46.2	48.4	49.4	50.7
Employer contributions for social insurance	16.2	20.2	21.5	21.6	22.1	23.5	23.7	24.2
Other labor income	18.7	20.8	23.3	23.7	24.2	25.0	25.7	26.5
Proprietors' income	57.3	60.7	60.7	61.2	61.1	61.8	62.6	63.4
Business and professional	42.4	44.8	46.3	46.6	46.8	47.2	47.8	48.0
Farm	14.8	15.9	14.4	14.6	14.3	14.6	14.8	15.4
Rental income of persons	19.0	19.8	20.3	20.4	20.5	20.7	20.9	21.0
Corporate profits and inventory valuation adjustment	76.1	83.9	80.4	80.2	82.3	83.8	89.2	91.2
Profits before tax	77.8	85.6	81.6	80.8	85.4	88.9	91.8	92.2
Profits tax liability	31.3	34.6	33.5	33.2	35.1	39.8	41.1	41.3
Profits after tax	46.5	51.0	48.1	47.6	50.3	49.1	50.7	51.0
Dividends	19.8	21.7	22.9	23.5	22.5	23.6	24.4	25.2
Undistributed profits	26.7	29.3	25.2	24.1	27.9	25.5	26.3	25.8
Inventory valuation adjustment	-1.7	-1.7	-1.2	-.6	-3.1	-5.1	-2.7	-1.0
Net interest	18.2	20.8	23.3	23.6	24.3	25.0	25.8	26.7

1/ Third quarter 1968 corporate profits and related totals are preliminary and subject to revision next month

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NONFINANCIAL CORPORATIONS: GROSS PRODUCT AND UNIT COSTS ^{1/}

	1965	1966	1967	1967		1968		
				III	IV	I	II	III ^{2/}
				Seasonally adjusted at annual rates				
Gross product originating in nonfinancial corporations -----	377.6	413.8	433.0	435.3	443.7	455.9	468.6	478.8
Capital consumption allowances-----	35.4	38.6	42.2	42.9	43.7	44.4	45.4	46.3
Indirect business taxes plus transfer payments less subsidies-----	35.7	36.5	38.8	39.2	39.7	40.7	41.8	43.0
Compensation of employees-----	236.3	261.1	277.0	278.7	283.9	292.5	298.3	304.9
Wages and salaries-----	212.7	233.3	246.8	248.1	252.8	259.8	264.9	270.7
Supplements to wages and salaries-----	23.6	27.7	30.2	30.6	31.1	32.7	33.4	34.2
Net interest-----	6.0	7.2	8.5	8.6	8.9	9.0	9.1	9.3
Corporate profits and inventory valuation adjustment-----	64.1	70.4	66.4	65.9	67.5	69.3	74.0	75.4
Profits before tax-----	65.8	72.2	67.6	66.5	70.6	74.4	76.6	76.4
Profits tax liability-----	27.6	30.4	28.8	28.4	30.2	34.5	35.6	35.6
Profits after tax-----	38.2	41.8	38.8	38.1	40.4	39.9	41.0	40.9
Dividends-----	16.9	19.1	20.1	20.5	19.4	20.7	21.4	22.1
Undistributed profits-----	21.3	22.7	18.8	17.6	21.0	19.2	19.6	18.8
Inventory valuation adjustment-----	-1.7	-1.7	-1.2	-.6	-3.1	-5.1	-2.7	-1.0
Gross product originating in nonfinancial corporations -----	357.8	385.5	392.3	393.4	397.2	405.9	413.5	420.5
Current dollar cost per unit of 1958 dollar gross product originating in nonfinancial corporations ^{3/}	1.055	1.074	1.104	1.107	1.117	1.123	1.133	1.138
Capital consumption allowances-----	.099	.100	.108	.109	.110	.109	.110	.110
Indirect business taxes plus transfer payments less subsidies-----	.100	.095	.099	.100	.100	.100	.101	.102
Compensation of employees-----	.660	.677	.706	.708	.715	.721	.721	.725
Net interest-----	.017	.019	.022	.022	.022	.022	.022	.022
Corporate profits and inventory valuation adjustment-----	.179	.183	.169	.168	.170	.171	.179	.179
Profits tax liability-----	.077	.079	.073	.072	.076	.085	.086	.085
Profits after tax plus inventory valuation adjustment-----	.102	.104	.096	.095	.094	.086	.093	.095

^{1/} Excludes gross product originating in the rest of the world.

^{2/} Third quarter 1968 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.

GROSS NATIONAL PRODUCT IN CURRENT AND CONSTANT DOLLARS

	1965	1966	1967	1967					1968					1965	1966	1967	1967					1968				
				III	IV	I	II	III	III	IV	I	II	III				III	IV	I	II	III	III	IV	I	II	III
				Seasonally adjusted at annual rates													Seasonally adjusted at annual rates									
				Billions of current dollars													Billions of 1958 dollars									
Gross national product	684.9	747.6	789.7	795.3	811.0	831.2	852.9	871.0	617.8	657.1	673.1	675.6	681.8	692.7	703.4	712.3										
Personal consumption expenditures	432.8	465.5	492.2	495.5	502.2	519.4	527.9	541.1	397.7	417.8	430.5	431.8	434.1	444.9	447.5	455.7										
Durable goods	66.3	70.5	72.6	73.1	74.2	79.0	81.0	85.1	66.6	71.3	72.4	72.6	73.0	77.3	78.9	82.5										
Nondurable goods	191.1	206.7	215.8	216.4	218.4	226.5	228.2	232.7	178.6	186.9	191.1	191.1	191.6	196.5	196.1	198.5										
Services	175.5	188.3	203.8	205.9	209.6	213.9	218.7	223.4	152.5	159.5	167.0	168.1	169.5	171.0	172.6	174.8										
Gross private domestic investment	108.1	120.8	114.3	114.7	121.8	119.7	127.3	127.1	99.2	108.8	99.5	99.3	104.7	101.5	107.3	105.8										
Fixed investment	98.5	106.1	108.2	109.3	113.5	117.6	116.5	119.6	90.1	94.9	93.6	94.0	96.7	99.5	97.4	99.0										
Nonresidential	71.3	81.3	83.6	83.3	85.0	88.6	87.0	90.1	66.3	73.8	73.7	73.2	74.0	76.5	74.5	76.6										
Structures	25.5	28.5	27.9	27.7	27.7	29.6	28.5	28.8	22.3	23.9	22.6	22.2	22.1	23.4	22.1	21.9										
Producers' durable equipment	45.8	52.8	55.7	55.6	57.3	59.0	58.5	61.3	44.0	49.9	51.1	51.0	52.0	53.0	52.4	54.7										
Residential structures	27.2	24.8	24.6	26.0	28.5	29.1	29.5	29.5	23.8	21.1	19.9	20.8	22.7	23.0	22.9	22.4										
Nonfarm	26.7	24.3	24.0	25.4	27.9	28.5	28.9	28.9	23.4	20.7	19.5	20.3	22.2	22.6	22.5	21.9										
Farm5	.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	5.3	8.3	2.1	10.8	7.5	9.0	13.9	5.9	5.2	8.0	2.0	9.9	6.8										
Nonfarm	8.6	14.9	5.6	4.8	7.1	1.6	10.4	7.3	8.1	14.1	5.3	4.5	6.7	1.6	9.6	6.6										
Farm	1.0	-.2	.5	.6	1.2	.4	.4	.1	.9	-.2	.6	.7	1.3	.4	.4	.1										
Net exports of goods and services	6.9	5.1	4.8	5.4	3.4	1.5	2.0	3.3	6.2	4.0	2.4	3.1	1.0	-.1	-.6	.7										
Exports	39.2	43.1	45.8	46.1	46.0	47.5	49.9	52.6	37.4	40.1	41.8	42.1	41.9	44.0	44.7	47.6										
Imports	32.3	38.1	41.0	40.6	42.6	46.0	47.9	49.4	31.2	36.1	39.3	39.1	40.9	44.1	45.4	46.9										
Government purchases of goods and services	137.0	156.2	178.4	179.6	183.5	190.5	195.7	199.6	114.7	126.5	140.7	141.4	142.0	146.5	149.2	150.1										
Federal	66.9	77.4	90.6	91.3	93.5	97.1	100.0	101.2	57.9	65.2	74.8	75.6	75.6	78.1	80.1	79.5										
National defense	50.1	60.6	72.4	72.9	74.6	76.8	79.0	79.6	-----	-----	-----	-----	-----	-----	-----	-----										
Other	16.8	16.8	18.2	18.4	19.0	20.3	21.0	21.5	-----	-----	-----	-----	-----	-----	-----	-----										
State and local	70.1	78.8	87.8	88.4	90.0	93.4	95.6	98.4	56.8	61.3	65.9	65.8	66.4	68.4	69.1	70.6										
Addendum:																										
Implicit price deflator for seasonally adjusted GNP, 1958=100	110.9	113.8	117.3	117.7	118.9	120.0	121.2	122.3	-----	-----	-----	-----	-----	-----	-----	-----										

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

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Current Dollar Prices, Costs, and Profits Per Unit of 1958 Dollar Gross Product Originating in Nonfinancial Corporations

