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OBE 69-55

THIRD QUARTER 1969 -
. CORPORATE PROFITS AND NATIONAL INCOME
. REVISED GNP
. FEDERAL RECEIPTS AND EXPENDITURES

Before-tax book profits of corporations declined in the third quarter of 1969 to a seasonally adjusted annual rate of $92-1/2 billion, according to preliminary estimates announced today by the Commerce Department's Office of Business Economics. This was $3 billion below the record $95-1/2 billion reported for each of the two preceding quarters and was the first decline since the early 1967 slowdown in the economy.

Manufacturers' book profits fell despite an increase in automobile industry earnings. Auto profits had suffered a setback in the second quarter as the result of strikes, and recovered in the third quarter. On the basis of the fragmentary information now available, it appears that book profits of a number of nonmanufacturing industries were also lower than in the second quarter.

Corporate profits tax liability declined $1-1/4 billion to $42-1/2 billion at a seasonally adjusted annual rate, leaving after-tax earnings at $50 billion, down $1-3/4 billion from the preceding quarter. With dividend payments up $1/2 billion to almost $25 billion, retained earnings dropped more than $2-1/4 billion to $25 billion. However, capital consumption allowances (mainly depreciation charges) advanced $1 billion, bringing corporation cash flow to $74-3/4 billion, $1-1/2 billion below the April-June period.

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. However, when OBE measures corporate profits for national income purposes, it excludes such inventory profits or losses through an "inventory valuation adjustment" (IVA).

[More]

From the second to the third quarter, inventory profits were reduced by $2-1/2 billion, as wholesale prices rose at a slower pace. As a result, there was a smaller decline in national income profits than in book profits. The national income measure of pre-tax corporate profits declined $1/2 billion to $88-3/4 billion in the third quarter.

Revised Third Quarter GNP

Gross national product in the July-September quarter has been revised to a seasonally adjusted annual rate of $942-3/4 billion, an increase of $18 billion from the second quarter. This is slightly higher -- $1/2 billion -- than last month's preliminary estimate based on less complete source data. Inventory accumulation was revised upward $1-1/2 billion, and final sales were reduced $1 billion.

The third quarter GNP advance, according to the revised figures, consisted of annual rate increases of more than $14 billion in final sales of goods and services and $3-3/4 billion in inventory accumulation. The latter rose from $7 billion in the second quarter to $10-3/4 billion in the third. In the final sales group, consumer spending rose $7 billion, reflecting increased outlays of almost $5 billion for services and $3 billion for nondurable goods, and a decrease in expenditures of almost $1 billion for durable goods. Business fixed investment rose $3-1/4 billion, and residential construction declined for the second straight quarter -- in the last, by $1-1/4 billion. Net exports registered a $1 billion gain. Federal Government purchases increased $2-1/2 billion, and State and local government purchases, only $1-1/2 billion.

The third quarter GNP increase amounted to 7-3/4 percent at an annual rate. The bulk of this was attributable to prices, which rose by 5-1/2 percent at an annual rate. Real product -- GNP adjusted for price changes -- expanded by about 2-1/4 percent.

Federal Government Receipts and Expenditures

As measured in the national income and product accounts, the Federal Government recorded a surplus of $7-1/4 billion in the third quarter, considerably below the $13 billion surplus in the April-June period. Expenditures increased $4-1/4 billion to $193-1/2 billion, largely due to the pay raise for civilian and military personnel. However, there was a net decline of $1-1/2 billion in receipts as a result of lower corporate income tax accruals and a $2 billion drop in personal taxes. Personal taxes in the second quarter had been unusually high because of the large final settlements of 1968 income tax liabilities resulting from the surtax.

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; (3) Gross national product and disposition of personal income; and (4) Federal Government receipts and expenditures. 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.

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)

	1966	1967	1968	1968 III	1968 IV	1969 I	1969 II	1969 III 1/
				Seasonally adjusted at annual rates				
National income	620.6	654.0	714.4	724.1	737.3	751.3	765.7	780.5
Compensation of employees	435.5	467.4	513.6	519.8	532.3	546.0	558.2	571.9
Wages and salaries	394.5	423.5	465.0	470.7	482.1	493.3	504.3	516.9
Private	316.8	337.3	369.0	372.7	382.8	392.5	402.0	410.2
Military	14.6	16.2	18.0	18.7	18.3	18.2	18.4	20.1
Government civilian	63.1	70.0	78.0	79.3	80.9	82.5	84.0	86.6
Supplements to wages and salaries	41.0	43.9	48.6	49.1	50.2	52.7	53.8	55.0
Employer contributions for social insurance	20.3	21.8	24.4	24.7	25.3	27.3	27.9	28.6
Other labor income	20.7	22.1	24.2	24.5	25.0	25.5	26.0	26.4
Proprietors' income	61.3	61.9	63.8	64.1	64.1	64.6	66.5	67.3
Business and professional	45.2	47.2	49.2	49.3	49.7	49.7	50.1	50.5
Farm	16.1	14.7	14.6	14.8	14.4	14.9	16.4	16.8
Rental income of persons	20.0	20.8	21.2	21.2	21.4	21.5	21.6	21.7
Corporate profits and inventory valuation adjustment	82.4	79.2	87.9	90.6	90.3	89.5	89.2	88.7
Profits before tax	84.2	80.3	91.1	91.5	94.5	95.5	95.4	92.4
Profits tax liability	34.3	33.0	41.3	41.4	42.9	43.4	43.6	42.4
Profits after tax	49.9	47.3	49.8	50.0	51.6	52.2	51.8	50.0
Dividends	20.8	21.5	23.1	23.6	23.8	23.8	24.3	24.9
Undistributed profits	29.1	25.9	26.7	26.5	27.8	28.4	27.5	25.1
Inventory valuation adjustment	-1.8	-1.1	-3.2	-.9	-4.2	-6.1	-6.2	-3.7
Net interest	21.4	24.7	28.0	28.4	29.3	29.8	30.3	30.9

1/ Third quarter 1969 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/

	1966	1967	1968	1968 III	1968 IV	1969 I	1969 II	1969 III 2/
				Seasonally adjusted at annual rates				
				Billions of dollars				
Gross product originating in nonfinancial corporations	413.0	430.6	471.4	478.0	486.8	495.0	504.5	513.3
Capital consumption allowances	38.4	41.4	44.6	44.9	45.4	46.4	47.3	48.2
Indirect business taxes plus transfer payments less subsidies	36.8	39.1	43.0	43.9	44.7	45.3	46.5	47.8
Compensation of employees	261.0	275.8	300.6	303.7	311.0	318.7	326.2	333.2
Wages and salaries	233.3	246.6	268.6	271.5	278.2	284.2	291.1	297.3
Supplements to wages and salaries	27.7	29.2	31.9	32.2	32.8	34.5	35.1	35.8
Net interest	7.3	9.1	10.9	11.1	11.4	11.7	11.9	12.2
Corporate profits and inventory valuation adjustment	69.4	65.2	72.4	74.3	74.3	72.9	72.6	72.0
Profits before tax	71.2	66.3	75.6	75.2	78.5	79.0	78.8	75.7
Profits tax liability	30.1	28.2	35.6	35.5	37.0	37.2	37.2	35.8
Profits after tax	41.2	38.1	40.0	39.7	41.5	41.8	41.6	39.9
Dividends	18.2	19.1	20.4	20.7	20.9	20.9	21.5	22.1
Undistributed profits	23.0	19.0	19.6	19.0	20.6	20.9	20.1	17.8
Inventory valuation adjustment	-1.8	-1.1	-3.2	-.9	-4.2	-6.1	-6.2	-3.7
				Billions of 1958 dollars				
Gross product originating in nonfinancial corporations	385.0	390.5	415.9	420.8	425.1	427.7	431.9	434.7
				Dollars				
Current dollar cost per unit of 1958 dollar gross product originating in nonfinancial corporations 3/	1.073	1.103	1.133	1.136	1.145	1.157	1.168	1.181
Capital consumption allowances	.100	.106	.107	.107	.107	.108	.109	.111
Indirect business taxes plus transfer payments less subsidies	.096	.100	.103	.104	.105	.106	.108	.110
Compensation of employees	.678	.706	.723	.722	.732	.745	.755	.766
Net interest	.019	.023	.026	.026	.027	.027	.028	.028
Corporate profits and inventory valuation adjustment	.180	.167	.174	.177	.175	.170	.168	.166
Profits tax liability	.078	.072	.086	.084	.087	.087	.086	.082
Profits after tax plus inventory valuation adjustment	.102	.095	.088	.092	.088	.083	.082	.083

1/ Excludes gross product originating in the rest of the world.
2/ Third quarter 1969 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 (2-5-69)

GROSS NATIONAL PRODUCT AND DISPOSITION OF PERSONAL INCOME

U.S. DEPARTMENT OF COMMERCE
OFFICE OF BUSINESS ECONOMICS

GROSS NATIONAL PRODUCT	1966	1967	1968	1968 III	1968 IV	1969 I	1969 II	1969 III	1966	1967	1968	1968 III	1968 IV	1969 I	1969 II	1969 III
				Seasonally adjusted at annual rates								Seasonally adjusted at annual rates				
	Billions of current dollars								Billions of 1958 dollars							
Gross national product	749.9	793.5	865.7	876.4	892.5	908.7	924.8	942.8	658.1	674.6	707.6	712.8	718.5	723.1	726.7	730.6
Personal consumption expenditures	466.3	492.3	536.6	544.9	550.7	562.0	572.8	579.8	418.1	430.3	452.6	458.2	457.6	462.9	466.2	466.5
Durable goods	70.8	73.0	83.3	85.8	86.3	88.4	90.6	89.8	71.7	72.8	80.7	83.0	82.7	84.3	85.9	84.7
Nondurable goods	206.9	215.1	230.6	233.3	234.3	238.6	242.1	245.1	187.0	190.3	196.9	198.7	197.2	199.3	199.3	199.3
Services	188.6	204.2	222.8	225.8	230.1	235.0	240.1	244.9	159.4	167.2	175.0	176.5	177.7	179.3	181.0	182.5
Gross private domestic investment	121.4	116.0	126.3	125.2	133.9	135.2	137.4	143.3	109.3	100.8	105.7	104.1	110.9	109.9	110.8	114.3
Fixed investment	106.6	108.6	119.0	118.0	123.4	128.6	130.5	132.5	95.4	93.9	99.1	97.7	101.4	104.0	104.8	105.0
Nonresidential	81.6	83.7	88.8	88.1	91.5	95.3	97.8	101.1	74.1	73.6	75.8	75.0	77.3	79.4	81.0	82.4
Structures	28.5	27.9	29.3	29.0	30.1	32.3	32.1	34.7	24.0	22.6	22.7	22.2	22.9	23.9	23.3	24.6
Producers' durable equipment	53.1	55.7	59.5	59.1	61.4	63.0	65.7	66.4	50.1	51.0	53.2	52.7	54.4	55.5	57.7	57.8
Residential structures	25.0	25.0	30.2	29.9	31.9	33.3	32.7	31.4	21.3	20.3	23.3	22.7	24.1	24.6	23.8	22.6
Nonfarm	24.5	24.4	29.6	29.4	31.4	32.8	32.2	30.9	20.9	19.8	22.8	22.3	23.7	24.2	23.4	22.2
Farm	.5	.6	.5	.5	.5	.5	.5	.5	.5	.5	.4	.4	.4	.4	.4	.4
Change in business inventories	14.8	7.4	7.3	7.2	10.5	6.6	6.9	10.7	13.9	6.9	6.6	6.4	9.6	5.9	6.0	9.3
Nonfarm	15.0	6.8	7.4	7.5	10.7	6.6	6.7	10.3	14.1	6.3	6.7	6.7	9.8	5.9	5.8	8.9
Farm	-.2	.6	-.1	-.3	-.2	.0	.2	.4	-.2	.6	-.1	-.3	-.2	.0	.2	.4
Net exports of goods and services	5.3	5.2	2.5	3.6	1.2	1.5	1.6	2.7	4.2	3.6	.9	1.7	-.2	-.3	-.5	.4
Exports	43.4	46.2	50.6	53.4	50.6	47.6	57.1	57.8	40.2	42.1	45.6	48.0	45.5	41.9	50.4	50.2
Imports	38.1	41.0	48.1	49.7	49.4	46.1	55.5	55.2	36.1	38.5	44.7	46.3	45.7	42.2	50.8	49.8
Government purchases of goods and services	156.8	180.1	200.3	202.5	206.7	210.0	212.9	217.0	126.5	140.0	148.4	148.8	150.2	150.6	150.2	149.4
Federal	77.8	90.7	99.5	100.9	101.9	101.6	100.6	103.2	65.4	74.8	78.9	79.2	79.4	78.3	76.3	75.5
National defense	60.7	72.4	78.0	78.8	79.3	79.0	78.5	80.3	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
Other	17.1	18.4	21.5	22.1	22.5	22.6	22.1	22.9	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
State and local	79.0	89.3	100.7	101.7	104.8	108.5	112.3	113.8	61.1	65.2	69.5	69.6	70.8	72.3	73.9	73.9
Addendum:																
Implicit price deflator for GNP, index numbers, 1958 = 100	113.9	117.6	122.3	122.9	124.2	125.7	127.3	129.0	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
DISPOSITION OF PERSONAL INCOME																
Personal income	587.2	629.4	687.9	696.1	711.2	724.4	740.5	756.5	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
Less: Personal tax and nontax payments	75.4	82.9	97.9	102.6	107.0	114.2	118.5	117.5	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
Equals: Disposable personal income	511.9	546.5	590.0	593.4	604.3	610.2	622.0	639.0	458.9	477.7	497.6	498.9	502.1	502.6	506.2	514.1
Less: Personal outlays	479.3	506.2	551.6	560.2	566.2	577.7	588.8	596.0	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
Equals: Personal saving	32.5	40.4	38.4	33.2	38.0	32.5	33.3	43.1	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX
Personal saving as a percentage of disposable personal income	6.4 %	7.4%	6.5%	5.6 %	6.3 %	5.3 %	5.3 %	6.7%	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX

Source: U.S. Department of Commerce, Office of Business Economics.
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FORM BE-737
(2-6-69)

U.S. DEPARTMENT OF COMMERCE
OFFICE OF BUSINESS ECONOMICS

Table 4

FEDERAL GOVERNMENT RECEIPTS AND EXPENDITURES

(Billions of dollars)

	1966	1967	1968	1968 III	1968 IV	1969 I	1969 II	1969 III[1/]
				Seasonally adjusted at annual rates				
Federal Government receipts	142.5	151.1	176.3	181.4	187.3	198.1	202.3	200.9
Personal tax and nontax receipts	61.7	67.5	79.5	83.7	87.4	93.8	96.9	95.0
Corporate profits tax accruals	32.1	30.6	38.3	38.4	39.8	40.2	40.5	39.4
Indirect business tax and nontax accruals	15.7	16.3	18.0	18.3	18.5	18.5	18.6	19.1
Contributions for social insurance	33.0	36.7	40.5	40.9	41.7	45.6	46.4	47.5
Federal Government expenditures	142.8	163.8	181.5	184.2	187.4	188.5	189.3	193.6
Purchases of goods and services	77.8	90.7	99.5	100.9	101.9	101.6	100.6	103.2
National defense	60.7	72.4	78.0	78.8	79.3	79.0	78.5	80.3
Other	17.1	18.4	21.5	22.1	22.5	22.6	22.1	22.9
Transfer payments	35.7	42.2	47.8	48.7	50.0	50.8	52.1	52.7
To persons	33.4	40.0	45.7	46.5	47.6	49.1	50.0	50.9
To foreigners (net)	2.3	2.2	2.1	2.3	2.4	1.7	2.1	1.8
Grants-in-aid to State and local governments	14.4	15.9	18.3	18.4	19.0	19.0	19.3	19.8
Net interest paid	9.5	10.3	11.6	11.7	12.2	12.5	12.9	13.1
Subsidies less current surplus of government enterprises	5.4	4.7	4.3	4.6	4.4	4.6	4.4	4.6
Surplus or deficit (–), national income and product accounts	–.2	–12.7	–5.2	–2.8	–.1	9.6	13.0	7.3

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

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1/ Thir[illegible]arter 1969 corporate profits tax accruals and rela[illegible] totals are preliminary and subject to revision n[illegible]nth.