

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS

WASHINGTON, D.C. 20230

Social and Economic
Statistics Administration

BUREAU OF
ECONOMIC ANALYSIS

FOR RELEASE THURSDAY, MARCH 16, 1972

BEA 72-19

Jacquelin Bauman: 967-4950

Corporate Profits - Fourth Quarter 1971

Before-tax book profits of corporations reached a seasonally adjusted annual rate of \$86-1/4 billion in the fourth quarter of 1971, up \$1/2 billion from the third, according to preliminary estimates released today by the Bureau of Economic Analysis, an agency of the Commerce Department's Social and Economic Statistics Administration.

Manufacturers' book profits were little changed. Nonmanufacturing industries showed relatively small mixed changes. There was an increase in profits remitted from abroad in the form of dividends or branch profits.

The estimate of corporate profits tax liability, at \$36-1/2 billion, was \$1 billion below the third quarter rate, mostly because the effects of the Revenue Act of 1971 reduced taxes more in the fourth quarter than in the third. After-tax earnings rose \$1-1/2 billion to \$49-3/4 billion. As dividend payments declined almost \$1/2 billion, retained earnings increased \$2 billion above the third quarter rate. With corporate capital consumption allowances rising almost \$1-3/4 billion, corporate cash flow reached \$89 billion, \$3-3/4 billion more than in the third quarter.

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. When BEA measures profits for national income purposes, such inventory profits or losses are excluded through an "inventory valuation adjustment" (IVA).

Fourth quarter inventory profits were \$1-3/4 billion below the third quarter. As a result, the national income measure of pre-tax corporate profits rose \$2-1/4 billion to \$82-1/4 billion in the fourth quarter.

For the year 1971, before-tax corporate profits amounted to \$85-1/2 billion, \$10 billion above 1970. Tax liability for the year is estimated at \$37-3/4 billion, \$3-3/4 billion above 1970. Federal taxes in 1971 were lowered by two provisions of the Revenue Act of 1971: liberalization of depreciation and the restoration of the investment tax credit. The former cut tax liability by almost \$1/2 billion while the latter reduced taxes about \$1-1/4 billion. Net dividend payments rose \$1/2 billion in 1971, leaving undistributed profits \$6 billion above the 1970 level. With inventory profits in the year 1971 almost the same as in 1970, the national income measure of profits, at \$81 billion, rose \$10 billion from the previous year.

The accompanying tables show: (1) Corporate profits and the other components of national income; and (2) Prices, costs, and profits per unit of output for nonfinancial corporations. Additional data will appear in the March issue of the Survey of Current Business, the monthly magazine of the Bureau of Economic Analysis.

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.

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

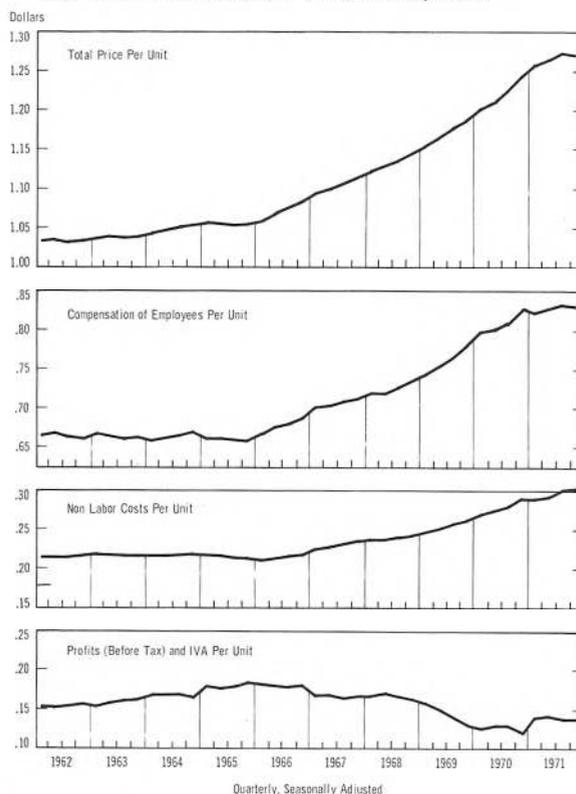


Table 1

U. S. Department of Commerce
Bureau of Economic AnalysisFORM BE-681
(3-7-66)NATIONAL INCOME BY TYPE OF INCOME
(Billions of dollars)

	1969	1970	1971 ^{1/}	1970	1971 ^{1/}			
				IV	I	II	III	IV ^{1/}
				Seasonally adjusted at annual rates				
National income	763.7	795.9	851.1	802.1	831.7	847.3	855.2	870.3
Compensation of employees	565.5	601.9	641.9	609.3	627.3	638.0	645.6	656.6
Wages and salaries	509.6	541.4	574.2	547.2	561.4	571.0	577.3	587.0
Private	405.5	426.6	450.4	429.9	440.3	448.4	452.3	460.3
Military	19.0	19.4	18.6	18.6	19.2	18.6	18.0	18.6
Government civilian	85.1	95.5	105.2	98.6	101.8	104.0	106.9	108.1
Supplements to wages and salaries	56.0	60.5	67.7	62.1	65.9	67.0	68.3	69.6
Employer contributions for								
social insurance	27.8	29.6	34.0	30.1	33.3	33.6	34.2	35.0
Other labor income	28.2	30.8	33.7	32.0	32.6	33.4	34.1	34.6
Proprietors' income	67.0	66.9	68.3	65.9	66.4	67.2	69.2	70.5
Business and professional	50.3	51.0	52.1	51.5	51.6	51.9	52.3	52.5
Farm	16.8	15.8	16.3	14.4	14.8	15.2	17.0	18.1
Rental income of persons	22.6	23.3	24.3	23.7	23.8	24.2	24.5	24.6
Corporate profits and inventory								
valuation adjustment	78.6	70.8	81.0	69.0	79.5	82.5	80.0	82.2
Profits before tax	84.2	75.4	85.5	71.6	83.0	86.9	85.8	86.2
Profits tax liability	39.7	34.1	37.8	32.3	38.3	39.1	37.5	36.4
Profits after tax	44.5	41.2	47.6	39.2	44.8	47.8	48.2	49.8
Dividends	24.4	25.0	25.5	25.0	25.6	25.4	25.7	25.3
Undistributed profits	20.0	16.2	22.1	14.3	19.2	22.4	22.5	24.5
Inventory valuation adjustment	-5.5	-4.5	-4.4	-2.6	-3.5	-4.4	-5.8	-4.0
Net interest	29.9	33.0	35.6	34.2	34.8	35.4	35.9	36.4

^{1/} Fourth quarter 1971 corporate profits and related totals are preliminary and subject to revision next month. 29319-P66
Source: U. S. Department of Commerce, Bureau of Economic Analysis.

Table 2

FORM BE-729
(11-68)U.S. Department of Commerce
Bureau of Economic AnalysisNONFINANCIAL CORPORATIONS: GROSS PRODUCT AND UNIT COSTS^{1/}

	1969	1970	1971 ^{2/}	1970	1971			
				IV	I	II	III	IV ^{2/}
				Seasonally adjusted at annual rates				
				Billions of dollars				
Gross product originating in nonfinancial corporations.....	502.0	516.2	553.0	517.4	540.3	550.5	554.7	566.7
Capital consumption allowances.....	49.5	54.1	59.3	55.7	57.0	58.5	60.1	61.8
Indirect business taxes plus transfer payments less subsidies.....	47.1	49.9	54.2	50.9	52.8	53.2	54.6	56.4
Compensation of employees.....	330.5	344.2	362.0	345.4	354.7	360.6	363.1	369.8
Wages and salaries.....	293.7	305.2	319.2	305.6	313.0	318.1	319.9	325.7
Supplements to wages and salaries.....	36.9	39.0	42.9	39.8	41.7	42.5	43.2	44.1
Net interest.....	12.9	14.8	16.2	15.4	15.7	16.0	16.4	16.8
Corporate profits and inventory valuation adjustment.....	62.1	53.3	61.2	50.0	60.1	62.3	60.5	61.9
Profits before tax.....	67.6	57.8	65.6	52.6	63.6	66.7	66.3	65.9
Profits tax liability.....	33.4	27.1	30.6	24.8	30.9	32.1	30.2	29.3
Profits after tax.....	34.2	30.7	35.0	27.8	32.7	34.6	36.0	36.7
Dividends.....	20.9	21.1	20.9	20.9	21.3	20.4	21.3	20.5
Undistributed profits.....	13.3	9.6	14.1	6.9	11.4	14.1	14.7	16.2
Inventory valuation adjustment.....	-5.5	-4.5	-4.4	-2.6	-3.5	-4.4	-5.8	-4.0
				Billions of 1958 dollars				
Gross product originating in nonfinancial corporations.....	430.5	425.0	437.4	416.7	431.3	435.6	436.5	446.1
				Dollars				
Current dollar cost per unit of 1958 dollar gross product originating in nonfinancial corporations ^{3/}	1.166	1.215	1.264	1.242	1.253	1.264	1.271	1.270
Capital consumption allowances.....	.115	.127	.136	.134	.132	.134	.138	.138
Indirect business taxes plus transfer payments less subsidies.....	.109	.117	.124	.122	.122	.122	.125	.126
Compensation of employees.....	.768	.810	.828	.829	.822	.828	.832	.829
Net interest.....	.030	.035	.037	.037	.036	.037	.038	.038
Corporate profits and inventory valuation adjustment.....	.144	.125	.140	.120	.139	.143	.139	.139
Profits tax liability.....	.078	.064	.070	.059	.072	.074	.069	.066
Profits after tax plus inventory valuation adjustment.....	.067	.062	.070	.060	.068	.069	.069	.073

^{1/} Excludes gross product originating in the rest of the world.^{2/} Fourth quarter 1971 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.