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Productivity and Costs in the Private Economy, First Quarter 1973
(and Data for Nonfinancial Corporations, Fourth Quarter 1972)

Productivity (output per man-hour) advanced at an annual rate of 4.7 percent in the total private economy in the first quarter of 1973, according to seasonally adjusted preliminary data released today by the U.S. Department of Labor's Bureau of Labor Statistics. The same gain occurred in the fourth quarter of 1972. Over the last two decades the long-term average annual rate has been 3 percent.

In the nonfarm sector, productivity rose at an annual rate of 4.1 percent in the first quarter, up from a 3.6 percent gain in the fourth quarter of last year.

In manufacturing, productivity also accelerated, rising 3.9 percent, compared with a 2.2 percent gain in the previous quarter.

Over the four-quarter period that ended in the first quarter of 1973, the rates of change in output per man-hour were 4.9 percent in both the private economy and the nonfarm sector, and 4.5 percent in manufacturing.

Recent changes in productivity, hourly compensation, and unit labor costs at annual rates are summarized below in table A. Additional details are given in tables 1-3.

The 4.7 percent productivity gain for the private sector resulted from continued strong gains in output (8.2 percent this quarter, following 8.4 percent in the 4th quarter of 1972) and steady man-hour gains.

In the nonfarm sector, the productivity gain also reflected a large increase in output (over 8 percent), accompanied by a man-hour gain of about 4 percent.

In manufacturing, the rise in productivity was attributable to a 9.3 percent gain in output and a 5.1 percent increase in man-hours. The acceleration in manufacturing output per man-hour this quarter resulted from a sharper decline in the increase for man-hours than for output.

Table A. Percent Change in Productivity and Costs at Annual Rate
(Preliminary and Seasonally Adjusted)

	4th Quarter 1972 to 1st Quarter 1973	1st Quarter 1972 to 1st Quarter 1973
<u>Total Private</u>		
Output per man-hour	4.7	4.9
Compensation per man-hour	11.7	7.4
Unit labor costs	6.7	2.3
Real compensation per man-hour	5.6	3.2
<u>Private Nonfarm</u>		
Output per man-hour	4.1	4.9
Compensation per man-hour	10.6	7.2
Unit labor costs	6.2	2.2
Real compensation per man-hour	4.5	3.1
<u>Manufacturing</u>		
Output per man-hour	3.9	4.5
Compensation per man-hour	11.0	6.8
Unit labor costs	6.8	2.2
Real compensation per man-hour	4.9	2.6

Changes in Compensation

During the first quarter, hourly compensation increased 11.7 percent in the private economy, up from the almost 8 percent rise in the fourth quarter. A significant portion of the greater increase this quarter is associated with changes in employers' contributions to social welfare programs (supplements to wages and salaries) as a result of increases in the social security tax rate and the level of taxable income which became effective in January.

In the nonfarm and manufacturing sectors, similar gains in hourly compensation were registered, 10.6 percent in nonfarm and 11.0 percent in manufacturing.

Real compensation per man-hour (hourly compensation adjusted for changes in the Consumer Price Index) in the private economy rose 5.6 percent during the quarter. Though the rate of increase in the CPI accelerated in the first quarter, the large gains in hourly compensation were substantially greater than the rise in prices, so that real hourly compensation rose more than it did during the previous quarter.

Changes in unit costs and man-hours

Since hourly compensation gains were larger than the productivity increases, unit labor costs rose during the quarter in all three sectors. In the private economy, the increase was 6.7 percent. Similarly, unit labor costs rose 6.2 percent in the nonfarm sector

and 6.8 percent in manufacturing. In all three sectors, unit labor cost increases during this quarter exceeded those of the previous quarter.

The increase of unit nonlabor payments (which include capital consumption allowances, net interest, indirect business taxes, and profits) in the private economy also accelerated somewhat -- 3.4 percent in the first quarter compared with 2.4 percent in the fourth quarter. In the nonfarm sector, unit nonlabor payments rose 1.6 percent after declining 0.4 percent in the fourth quarter.

The rise in prices as measured by the implicit price deflator (which reflects changes in unit labor cost, nonlabor costs, and profits) was 5.5 percent in the private economy and 4.6 percent in the nonfarm sector. These increases were higher than those posted in the fourth quarter.

The continuing strong demand for labor, as expressed by the almost 4 percent increase in man-hours in the nonfarm sector, was felt in most industries with the exception of mining. Slower gains in manufacturing, transportation, and finance, insurance and real estate were offset by increased gains in services, construction, and the "other" category. (See table B.)

Table B. Percent Change in Man-hours
(Preliminary; percent change over previous quarter at annual rate)

<u>Industry</u> ^{1/}	<u>4th Quarter</u> <u>1972</u>	<u>1st Quarter</u> <u>1973</u>
Private nonfarm	4.1	3.9
Mining	2.7	-3.2
Construction	-4.1	0.6
Manufacturing	9.9	5.4
Transportation	6.5	3.7
Finance, Insurance and Real Estate	3.7	2.5
Service	2.0	5.9
Other	-1.9	1.2

1/ Private nonfarm includes all persons engaged in production. Other industry categories are paid employees only, except for the "other" category which includes government enterprises, private households, proprietors, and unpaid family workers.

Nonfinancial corporations

Figures on productivity and costs in the nonfinancial corporate sector for the fourth quarter of 1972 were not available when the 1972 annual figures for this sector were released on February 27. These figures are summarized below in table C and presented in full in table 4.

TRADE

Table C. Percent Change in Productivity and Costs at Annual Rates
in Nonfinancial Corporations

(Seasonally Adjusted)

	3rd Quarter 1972 to 4th Quarter 1972	4th Quarter 1971 to 4th Quarter 1972
Output per man-hour	4.6	5.3
Compensation per man-hour	6.4	6.5
Unit labor costs	1.7	1.1
Real compensation per man-hour	2.7	3.0

Table 1. Total Private Economy: Output per Man-hour, Hourly Compensation Unit Cost, and Prices, Seasonally Adjusted, (Indexes 1967 = 100)

Year and quarter	Output per man-hour	Output	Man-hours	Compensation per man-hour <u>1/</u>	Real compensation per man-hour <u>2/</u>	Unit labor cost	Unit non-labor payments <u>3/</u>	Implicit price deflator <u>4/</u>
1972								
1st...	110.5	114.3	103.4	138.8	112.2	125.7	112.6	120.6
2nd...	112.2	117.1	104.4	140.7	112.9	125.5	114.3	121.1
3rd...	113.3	118.9	105.0	142.2	113.1	125.5	115.8	121.8
4th...	114.6	121.4	105.9	145.0	114.2	126.5	116.5	122.6
Annual Ave.	112.7	117.9	104.7	141.7	113.1	125.8	114.8	121.5
1973								
1st...	115.9	123.8	106.7	149.1	115.8	128.6	117.5	124.3
Percent Change Over Previous Quarter at Annual Rate <u>5/</u>								
1972								
1st...	3.9	7.0	3.1	8.7	5.1	4.6	3.6	4.2
2nd...	6.2	10.2	3.8	5.6	2.4	-0.6	6.0	1.7
3rd...	4.1	6.5	2.3	4.4	0.8	0.3	5.6	2.2
4th...	4.7	8.4	3.5	7.9	4.2	3.0	2.4	2.8
Annual Ave. <u>6/</u>	4.2	6.9	2.6	6.2	2.9	2.0	3.8	2.6
1973								
1st...	4.7	8.2	3.3	11.7	5.6	6.7	3.4	5.5
Percent Change Over Previous Year <u>7/</u>								
1972								
1st...	3.2	5.1	1.8	6.3	2.7	3.0	3.2	3.1
2nd...	4.2	6.7	2.4	6.2	2.9	1.9	3.5	2.4
3rd...	4.5	7.7	3.1	5.8	2.6	1.3	4.1	2.3
4th...	4.7	8.0	3.1	6.6	3.1	1.8	4.4	2.7
1973								
1st...	4.9	8.3	3.2	7.4	3.2	2.3	4.4	3.1

r = revised

p = preliminary

See footnotes at end of table 4.

Table 2. Private Nonfarm Sector; Output per Man-hour, Hourly Compensation, Unit Cost, and Prices, Seasonally Adjusted, (Indexes 1967 = 100)

Year and quarter	Output per man-hour	Output	Man-hours	Compensation per man-hour <u>1/</u>	Real compensation per man-hour <u>2/</u>	Unit labor cost	Unit non-labor payments <u>3/</u>	Implicit price deflator <u>4/</u>
1972								
1st...	109.9	114.9	104.5	137.4	111.1	125.0	112.2	120.2
2nd...	111.3	117.8	105.9	139.0	111.5	124.9	113.7	120.6
3rd...	113.1	120.0	106.1	141.1	112.1	124.8	115.0	121.1
4th...	114.1	122.3	107.2	143.7	113.2	125.9	114.8	121.7
Annual Ave.	112.1	118.7	105.9	140.4	112.0	125.2	113.9	120.9
1973								
1st...	115.2	124.7	108.2	147.3	114.5	127.9	115.3	123.1
Percent Change Over Previous Quarter at Annual Rate <u>5/</u>								
1972								
1st...	5.2	8.1	2.8	9.1	5.5	3.8	3.5	3.7
2nd...	5.1	10.6	5.2	4.6	1.5	-0.5	5.2	1.5
3rd...	6.6	7.5	0.9	6.1	2.4	-0.4	4.7	1.4
4th...	3.6	7.9	4.1	7.6	3.9	3.8	-0.4	2.3
Annual Ave ^{6/}	4.7	7.5	2.7	6.5	3.1	1.7	2.9	2.1
1973								
1st...	4.1	8.2	3.9	10.6	4.5	6.2	1.6	4.6
Percent Change Over Previous Year <u>7/</u>								
1972								
1st...	3.9	5.6	1.7	6.7	3.0	2.7	2.5	2.6
2nd...	4.4	7.3	2.8	5.9	2.7	1.5	2.9	2.0
3rd...	5.4	8.6	3.0	6.2	3.0	0.8	3.3	1.7
4th...	5.1	8.5	3.2	6.9	3.3	1.6	3.2	2.2
1973								
1st...	4.9	8.6	3.5	7.2	3.1	2.2	2.7	2.4

See footnotes at end of table 4.

r = revised
p = preliminary

Table 3. Manufacturing Sector: Output per Man-hour, Hourly Compensation, and Unit Labor Costs, Seasonally Adjusted, (Indexes 1967 = 100)

Year and quarter	Output per man-hour	Output <u>8/</u>	Man-hours	Compensation per man-hour <u>1/</u>	Real Compensation per man-hour <u>2/</u>	Unit labor costs
1972						
1st...	116.6	111.1	95.3	135.9	109.9	116.5
2nd...	118.5	115.0	97.0	137.5	110.3	116.0
3rd...	120.1	117.0	97.4	139.1	110.6	115.9
4th...	120.7r	120.4r	99.7	141.4	111.4	117.1r
Annual Ave.	119.1	115.9	97.4	138.5	110.5	116.2
1973						
1st...	121.9	123.1	101.0	145.1	112.7	119.0
Percent Change Over Previous Quarter at Annual Rate <u>5/</u>						
1972						
1st...	5.6	9.1	3.3	11.5	8.0	5.6
2nd...	6.6	14.8	7.7	4.8	1.5	-1.6
3rd...	5.5	7.1	1.6	4.9	1.3	-0.6
4th...	2.2r	12.1r	9.8	6.6	2.9	4.3r
Annual Ave. ^{6/}	4.0	7.5	3.4	6.2	2.8	2.1
1973						
1st...	3.9	9.3	5.1	11.0	4.9	6.8
Percent Change Over Previous Year <u>7/</u>						
1972						
1st...	3.6	4.5	0.9	6.0	2.4	2.3
2nd...	3.3	6.3	2.9	5.8	2.4	2.4
3rd...	4.1	8.4	4.2	6.0	2.8	1.9
4th...	4.9	10.8r	5.5	6.9	3.4	1.9r
1973						
1st...	4.5	10.8	6.0	6.8	2.6	2.2

See footnotes at end of table 4.

r = revised
p = preliminary

Table 4. Nonfinancial Corporations: Output per Man-hour, Hourly Compensation, Unit Labor Costs, Unit Profits and Prices, Seasonally Adjusted
(Indexes 1967 = 100)

Year and quarter	Output per man-hour	Output	Man-hours	Compensa- tion per man-hour 1/	Real compensa- tion per man-hour 2/	Unit labor cost	Unit non-labor costs 9/	Total unit cost 10/	Unit profits 11/	Implicit price deflator
1971										
1st...	110.6	110.7	100.1	129.2	108.1	116.9	124.7	118.8	76.6	112.4
2nd...	111.7	111.9	100.2	131.4	108.8	117.6	125.7	119.6	78.8	113.4
3rd...	113.1	112.5	99.4	133.5	108.4	118.0	128.2	120.5	76.9	113.9
4th...	114.0	114.6	100.6	134.7	109.8	118.2	129.4	121.0	74.5	113.9
Annual Ave.	112.5	112.5	100.0	132.4	109.1	117.7	126.9	120.0	76.6	113.4
1972										
1st...	115.8	117.8	101.7	137.9	111.5	119.1	127.9	121.3	78.1	114.8
2nd...	117.3	120.9	103.1	139.6	111.9	119.0	128.9	121.4	79.8	115.1
3rd...	118.7	122.7	103.4	141.3	112.3	119.1	128.6	121.4	81.6	115.4
4th...	120.0	126.2	105.2	143.5	113.1	119.6	127.4	121.5	84.7	115.9
Annual Ave.	117.9	121.9	103.4	140.5	112.2	119.2	128.1	121.4	81.1	115.3
1971				Percent Change Over Previous Quarter At Annual Rate 5/						
1st...	10.7	12.8	1.9	8.2	4.9	-2.2	-1.5	-2.1	82.3	4.0
2nd...	4.3	4.5	0.2	6.9	2.7	2.5	3.2	2.7	11.9	3.6
3rd...	5.0	1.9	-2.9	6.7	2.2	1.6	8.3	3.3	-9.2	1.9
4th...	3.0	7.9	4.7	3.7	1.4	0.6	3.6	1.4	-11.8	0.0
Annual Ave.	4.7	2.7	-1.9	7.3	2.8	2.5	5.3	3.2	7.8	3.6
1972										
1st...	6.6	11.5	4.6	9.8	6.2	3.1	-4.5	1.1	20.9	2.9
2nd...	5.3	11.0	5.3	4.8	1.7	-0.5	3.1	0.4	8.9	1.3
3rd...	4.7	6.2	1.5	5.1	1.4	0.3	-1.0	-0.0	9.4	0.9
4th...	4.6	11.9	6.9	6.4	2.7	1.7	-3.6	0.3	16.1	1.9
Annual Ave.	4.8	8.4	3.4	6.2	2.8	1.3	0.9	1.2	5.9	1.7
1972				Percent Change Over Previous Year 7/						
1st...	4.7	6.4	1.6	6.7	3.1	2.0	2.6	2.1	2.0	2.1
2nd...	5.0	8.0	2.9	6.2	2.9	1.2	2.5	1.5	1.3	1.5
3rd...	4.9	9.1	4.0	5.8	2.6	0.9	0.3	0.7	6.1	1.3
4th...	5.3	10.1	4.6	6.5	3.0	1.1	-1.5	0.4	13.7	1.7

See footnotes at end of table

r= revised

n.a. = not available

p = preliminary

FOOTNOTES, TABLES 1 TO 4

Source: Output data from the Bureau of Economic Analysis, U.S. Department of Commerce and the Federal Reserve Board. Compensation and Man-hours data from the Bureau of Labor Statistics, U.S. Department of Labor and the Bureau of Economic Analysis.

1/ Wages and salaries of employees plus employers' contributions for social insurance and private benefit plans. Except for nonfinancial corporations, where there are no self-employed, data also includes an estimate of wages, salaries and supplemental payments for the self-employed.

2/ Compensation per man-hour adjusted for changes in the Consumer Price Index.

3/ Nonlabor payments include profits, depreciation, interest, rental income and indirect taxes.

4/ Current dollar gross product divided by constant dollar gross product.

5/ Percent change compounded at annual rate from original data rather than index numbers.

6/ Percentage change of annual average.

7/ Current quarter divided by comparable quarter a year ago.

8/ Quarterly measures adjusted to annual estimates of output (gross product originating) from the Bureau of Economic Analysis, U.S. Department of Commerce.

9/ Unit nonlabor costs include depreciation, interest and indirect taxes.

10/ Total unit costs is the sum of labor and non-labor costs.

11/ Unit profits include corporate profits and inventory valuation adjustment.

CHART 1. PRODUCTIVITY, HOURLY
COMPENSATION, UNIT COSTS AND
PRICES--TOTAL PRIVATE ECONOMY
(PERCENT CHANGE FROM PRECEDING
QUARTER AT ANNUAL RATE)

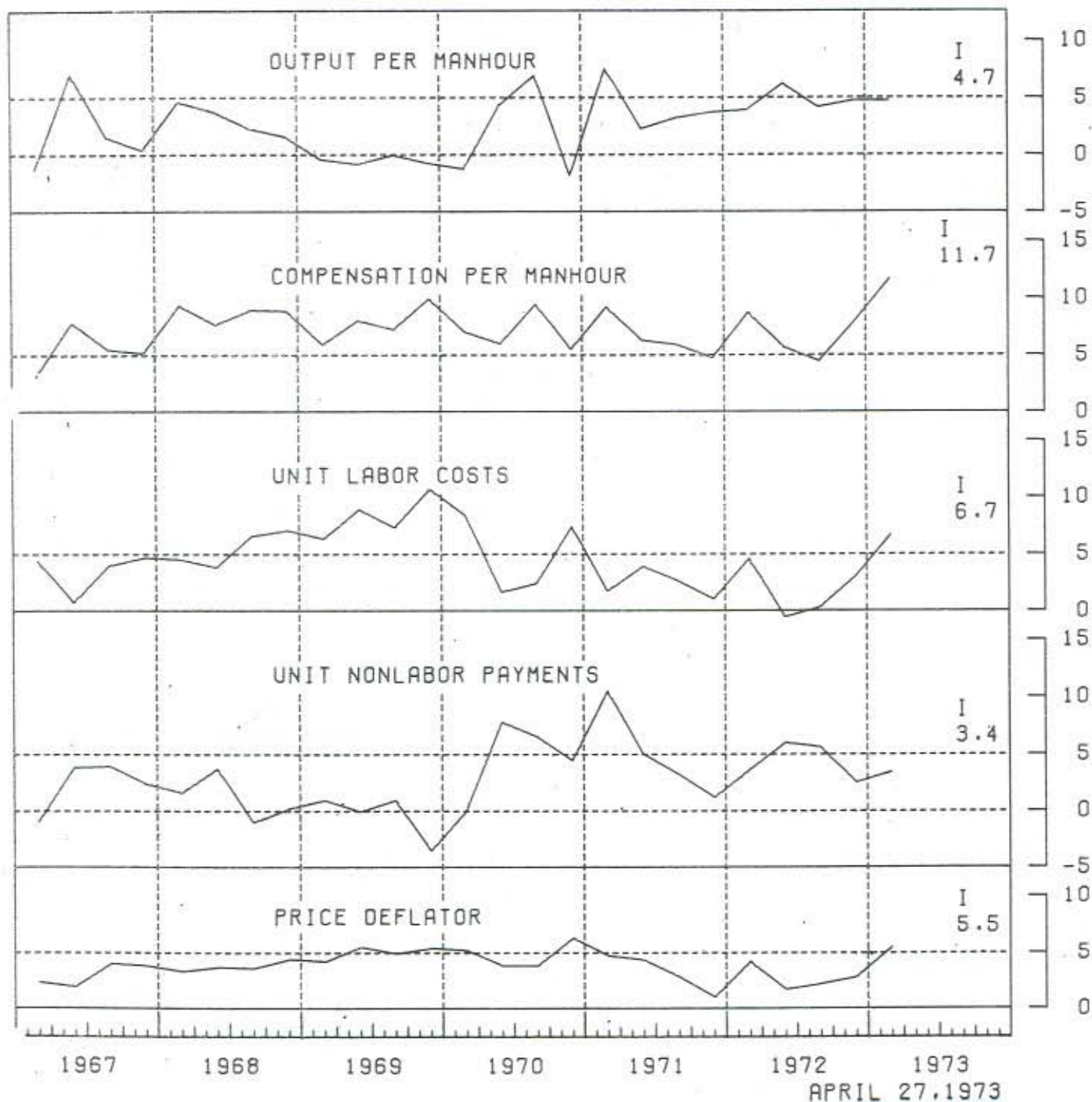


CHART 2. PRODUCTIVITY, HOURLY
COMPENSATION, UNIT COSTS AND
PRICES--PRIVATE NONFARM SECTOR
(PERCENT CHANGE FROM PRECEDING
QUARTER AT ANNUAL RATE)

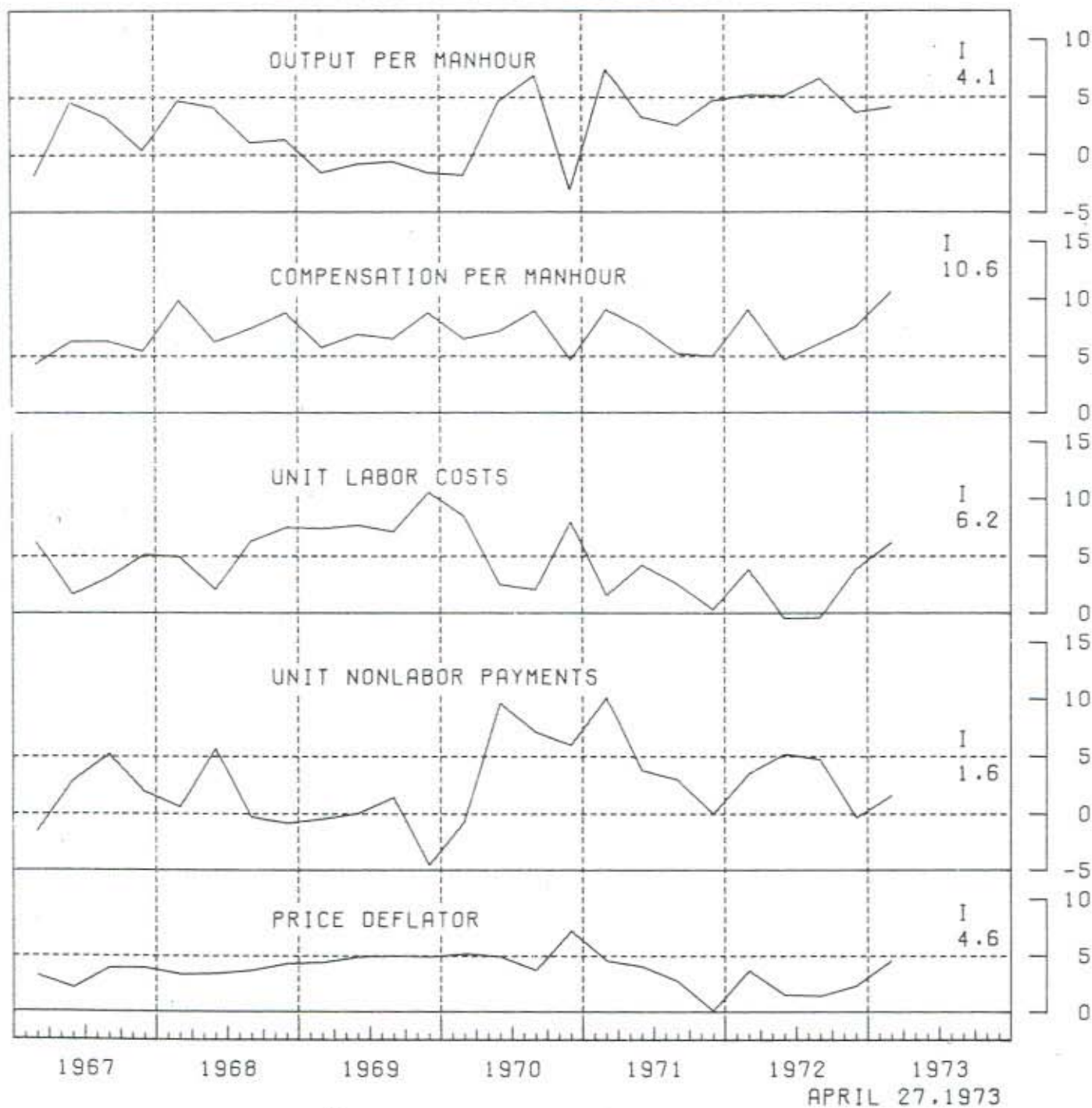


CHART 3. PRODUCTIVITY, HOURLY
COMPENSATION, UNIT COSTS AND
PRICES--NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME
QUARTER A YEAR AGO)

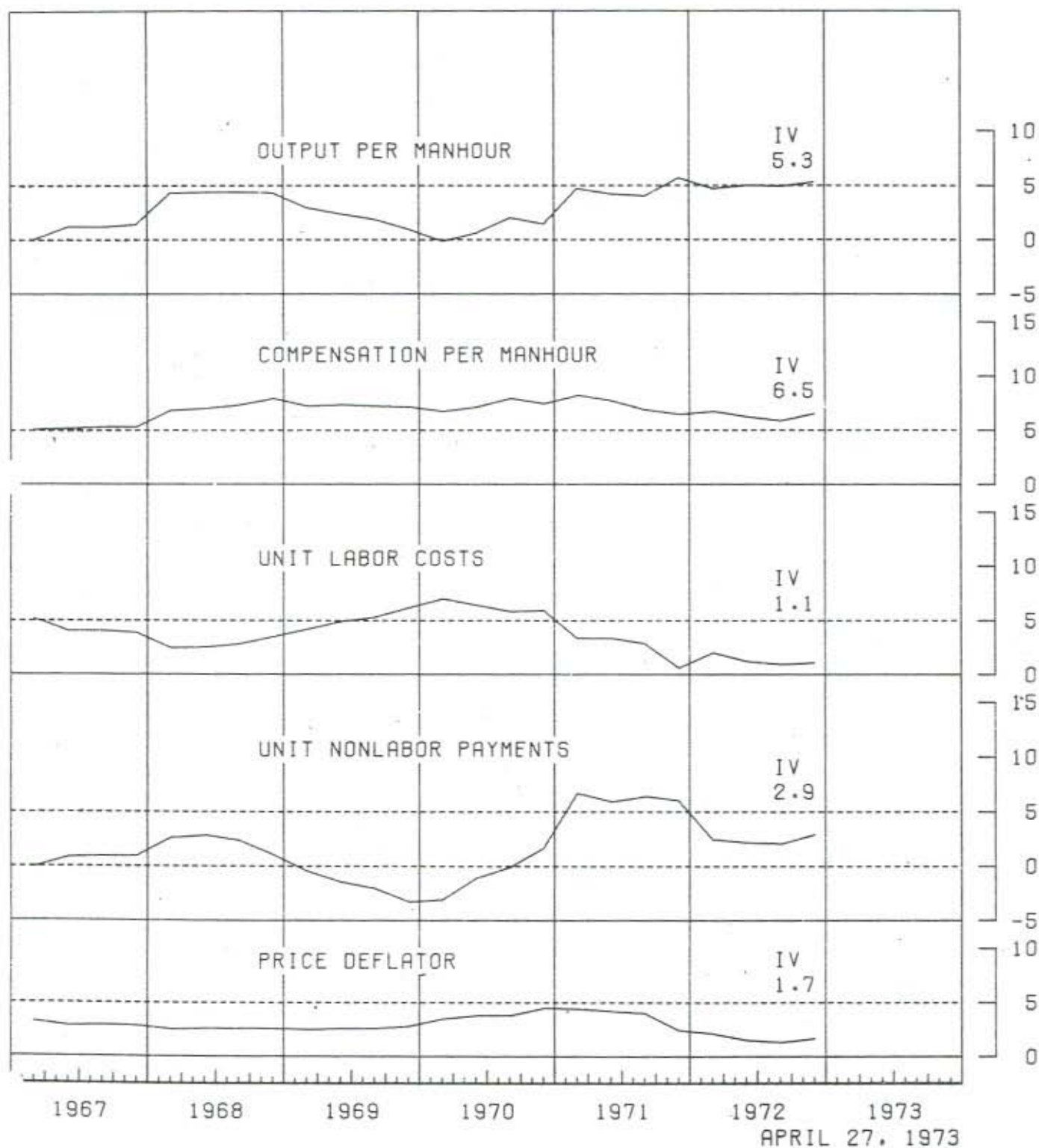


CHART 4. UNIT COSTS, UNIT PROFITS AND
PRICES--NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME
QUARTER A YEAR AGO)

