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Productivity and Costs in Nonfinancial Corporations
(and Revised Figures for the Private Economy)

First Quarter 1973

Productivity in nonfinancial corporations rose at a seasonally adjusted annual rate of 5.5 percent in the first quarter of 1973, up from 4.6 percent in the preceding quarter, the U.S. Department of Labor's Bureau of Labor Statistics reported today. The strong rise in output per man-hour reflected an output gain of 10.3 percent and an increase in man-hours of 4.5 percent.

Revised measures for the first quarter of 1973 for the total private sector and the nonfarm sector were also released today. A small upward revision in the measure of gross national product had the effect of slightly raising the previously published gain in output per man-hour in the total private economy and the nonfarm sector. Revised figures for the manufacturing sector resulted in larger upward revisions in the increase in output per man-hour -- 4.5 percent (at an annual rate) rather than 3.9 percent as previously reported. Manufacturing output, which grew at an annual rate of 10.0 percent, had been previously estimated at 9.3 percent. (See table A.)

The productivity gain in the nonfinancial corporate sector from the first quarter of 1972 to the first quarter of 1973 was 5.0 percent, the same as the rate for the corresponding period for the entire private sector. Comparable four-quarter increases were 4.9 percent in the nonfarm sector and 4.7 percent in manufacturing.

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

	4th Quarter 1972 to 1st Quarter 1973	1st Quarter 1972 to 1st Quarter 1973
<u>Nonfinancial Corporations (preliminary)</u>		
Output per man-hour	5.5	5.0
Compensation per man-hour	10.8	6.8
Unit labor costs	5.1	1.6
Real compensation per man-hour	4.7	2.6
<u>Total Private (revised)</u>		
Output per man-hour	4.9	5.0
Compensation per man-hour	11.6	7.3
Unit labor costs	6.4	2.2
Real compensation per man-hour	5.5	3.2
<u>Private Nonfarm (revised)</u>		
Output per man-hour	4.4	4.9
Compensation per man-hour	10.5	7.2
Unit labor costs	5.9	2.2
Real compensation per man-hour	4.4	3.0
<u>Manufacturing (revised)</u>		
Output per man-hour	4.5	4.7
Compensation per man-hour	10.2	6.6
Unit labor costs	5.5	1.9
Real compensation per man-hour	4.2	2.5

Compensation per man-hour (which includes both wages and supplemental payments) in the nonfinancial corporate sector rose at an annual rate of 10.8 percent in the first quarter, up from a rate of 6.4 percent in the previous quarter. Part of the increase was due to changes in the Social Security tax law which came into effect in the first quarter. The new law increased both the tax rate paid by employers and the amount of taxable earnings. This was reflected in the increases reported in compensation per man-hour and real compensation per man-hour.

Real compensation per man-hour (hourly compensation adjusted for changes in the Consumer Price Index) rose 4.7 percent (at an annual rate) in the first quarter, up from a 2.7 percent rate in the fourth quarter of 1972.

Unit labor costs, which reflect both changes in productivity and hourly compensation, accelerated to 5.1 percent during the first quarter, after a 1.7 percent gain one quarter earlier. This resulted from the faster rise in compensation per man-hour than in output per man-hour.

Unit non-labor costs -- which include depreciation, net interest, and indirect business taxes -- declined at an annual rate of 2.4 percent in the first quarter. This represented a smaller rate of decline than had been observed in the previous quarter, when these costs fell 3.6 percent. Total unit costs (labor and nonlabor costs combined) increased at an annual rate of 3.1 percent in the first quarter, after rising at a 0.3 annual rate in the preceding quarter.

Profits per unit of output increased 15.9 percent, about the same as in the last quarter of 1972. Over the four quarters ending in the first quarter of 1973, unit profits rose 12.5 percent.

The implicit price deflator, which reflects changes in unit labor costs, unit nonlabor costs, and unit profits, moved up at an annual rate of 4.4 percent in the first quarter. In the fourth quarter of 1972, the deflator rose 1.9 percent.

The 4.5 percent rise in man-hours observed in the first quarter represented a further increase in employment (up 5.0 percent) and a shortening of the average workweek (down 0.4 percent) in the corporate sector.

Table B summarizes price, cost, and profits developments since 1967. This time span includes the economic slowdown of 1969-70 and the subsequent recovery.

Table B. Indexes of Prices, Costs, and Profits in the
Nonfinancial Corporate Sector
(1967 = 100)

	1967	1968	1969	1970	1971	1972				1973
						I	II	III	IV	I
Implicit Price Deflator	100.0	102.5	105.3	109.4	113.4	114.8	115.1	115.4	115.9	117.2
Total Unit Cost	100.0	103.0	108.5	116.2	120.0	121.3	121.4	121.4	121.5	122.4
Unit Labor Cost.....	100.0	102.8	108.1	114.8	117.7	119.1	119.0	119.1	119.6	121.1
Unit Non-labor Cost	100.0	103.9	109.8	120.6	126.9	127.9	128.9	128.6	127.4	126.6
Unit Profits	100.0	99.7	86.9	71.1	76.6	78.1	79.8	81.6	84.7	87.9

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.

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 ...	116.0r	123.8	106.7	149.0r	115.8	128.5r	118.2r	124.5r
<u>Percent Change Over Previous Quarter at Annual Rate <u>5/</u></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 ...	4.9r	8.4r	3.3	11.6r	5.5r	6.4r	6.1r	6.3r
<u>Percent Change Over Previous Year <u>7/</u></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 ...	5.0r	8.4r	3.2	7.3r	3.2	2.2r	5.0r	3.2r

See footnotes at end of table 4.

r = revised

Table 2. Private Nonfarm Sector: Output per Man-hour, 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 ...	115.3r	124.8r	108.2	147.3	114.4r	127.7r	116.1r	123.3r
<u>Percent Change Over Previous Quarter at Annual Rate 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. <u>6/</u>	4.7	7.5	2.7	6.5	3.1	1.7	2.9	2.1
1973								
1st ...	4.4r	8.4r	3.8r	10.5r	4.4r	5.9r	4.5r	5.4r
<u>Percent Change Over Previous Year 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	3.0r	2.2	3.4r	2.6r

See footnotes at end of table 4.

r = revised

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 ...	120.7	120.4	99.7	141.4	111.4	117.1
Annual Ave.	119.1	115.9	97.4	138.5	110.5	116.3
1973						
1st ...	122.1r	123.3r	101.0	144.9r	112.6r	118.7r
<u>Percent Change Over Previous Quarter at Annual Rate 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 ...	2.2	12.1	9.8	6.6	2.9	4.3
Annual Ave. <u>6/</u>	4.0	7.5	3.4	6.2	2.8	2.1
1973						
1st ...	4.5r	10.0r	5.3r	10.2r	4.2r	5.5r
<u>Percent Change Over Previous Year 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	10.8	5.5	6.9	3.4	1.9
1973						
1st ...	4.7r	11.0r	6.0	6.6r	2.5r	1.9r

See footnotes at end of table 4.

r = revised

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	Compensation per man-hour 1/	Real compensation per man-hour 2/	Unit labor cost	Unit non-labor costs 9/	Total unit cost 10/	Unit profits 11/	Implicit price deflator
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
1973										
1st. . .	121.6p	129.3p	106.4p	147.2p	114.4p	121.1p	126.6p	122.4p	87.9p	117.2p
<u>Percent Change Over Previous Quarter at Annual Rate 5/</u>										
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. 6/	4.8	8.4	3.4	6.2	2.8	1.3	0.9	1.2	5.9	1.7
1973										
1st. . .	5.5p	10.3p	4.5p	10.8p	4.7p	5.1p	-2.4p	3.1p	15.9p	4.4p
<u>Percent Change Over Previous Year 7/</u>										
1972										
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
1973										
1st. . .	5.0p	9.8p	4.5p	6.8p	2.6p	1.6p	-100p	0.9p	12.5p	2.1p

See footnotes at end of table 4.

p = preliminary

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

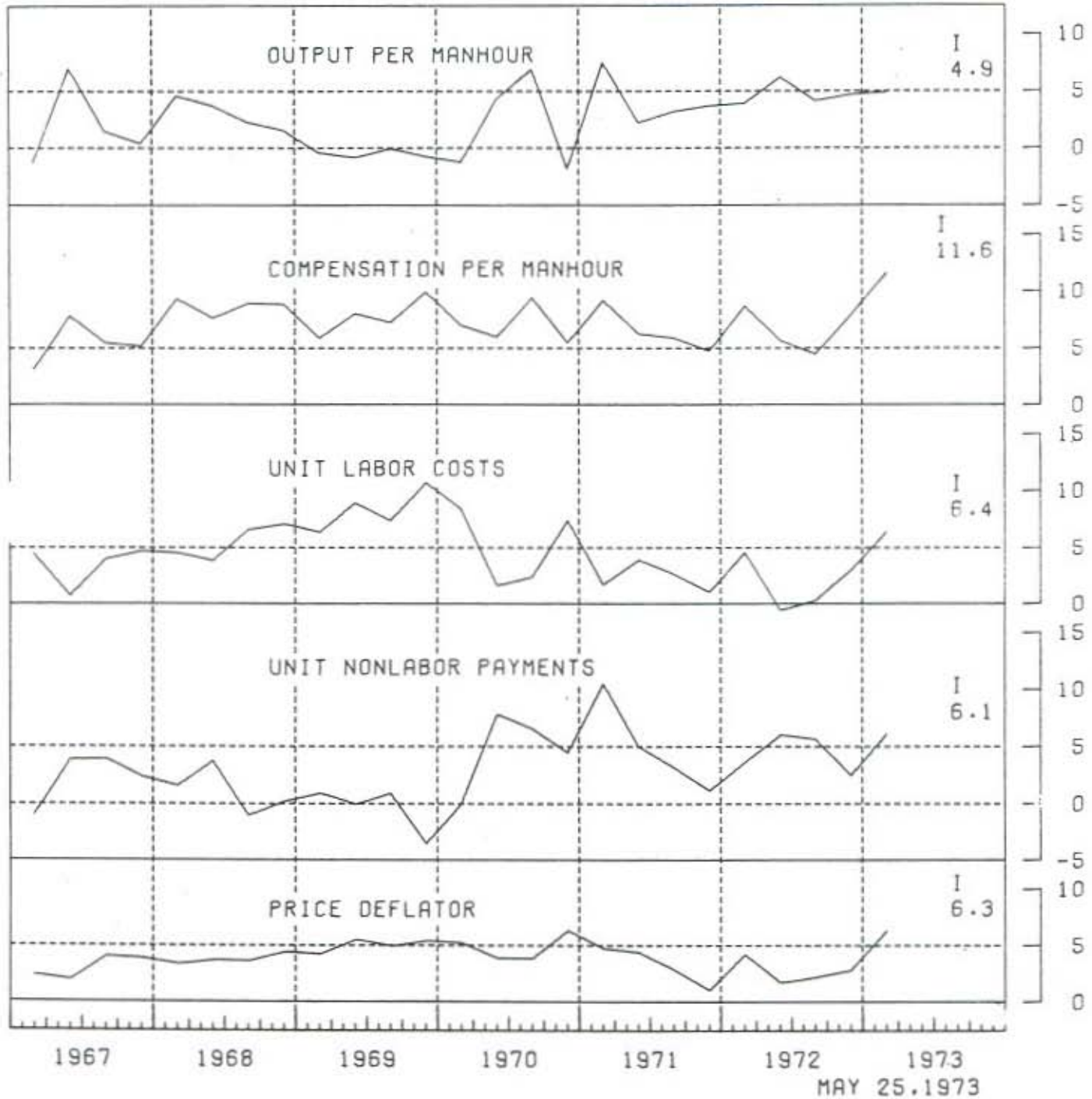


CHART 2. PRODUCTIVITY, HOURLY COMPENSATION, UNIT COSTS AND PRICES--PRIVATE NONFARM SECTOR (PERCENT CHANGE FROM PRECEDING QUARTER AT ANNUAL RATE)

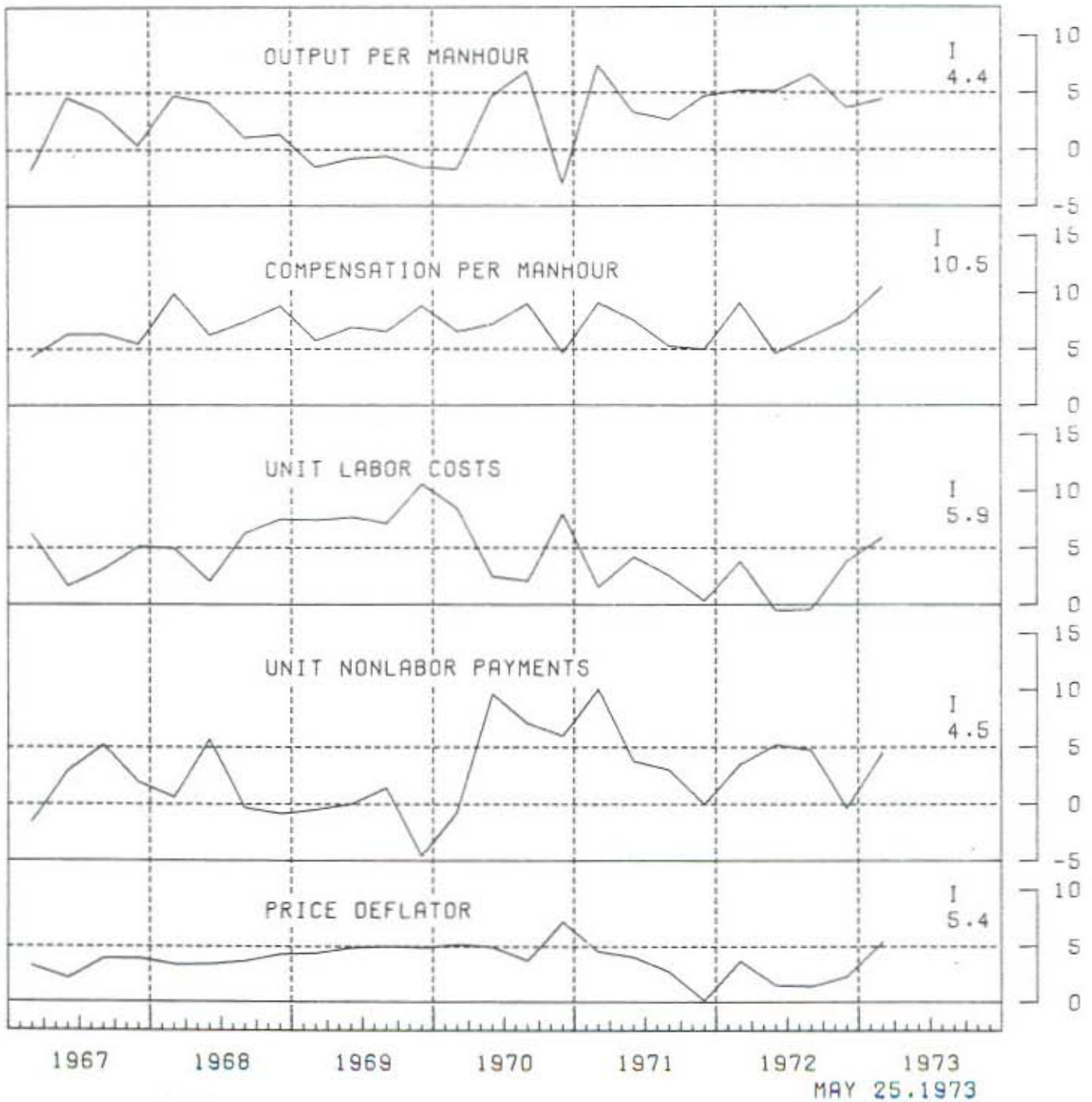


CHART 3. PRODUCTIVITY, HOURLY
 COMPENSATION, UNIT COSTS AND
 PRICES--NONFINANCIAL CORPORATIONS
 (PERCENT CHANGE FROM SAME
 QUARTER A YEAR AGO)

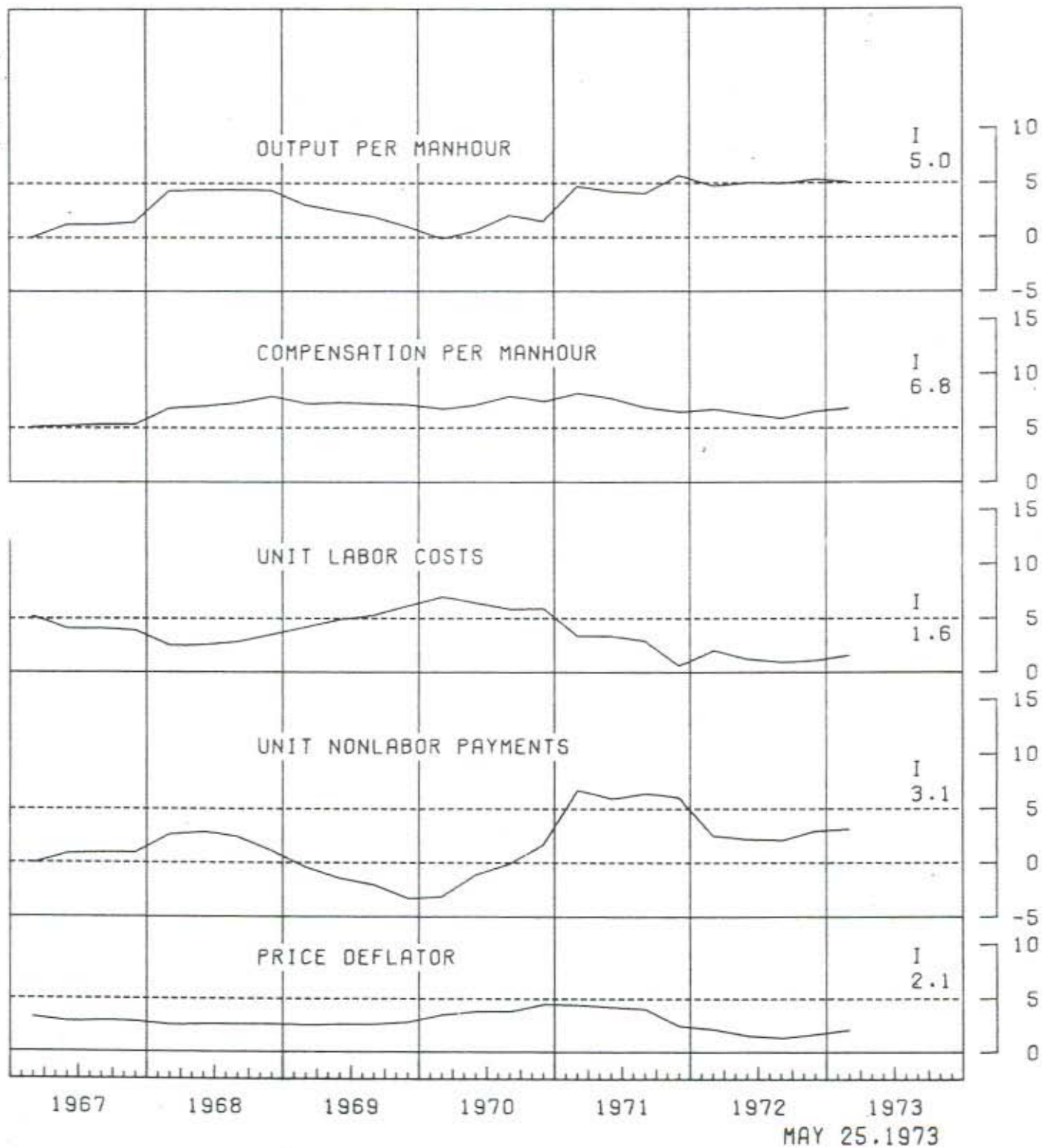


CHART 4. UNIT COSTS, UNIT PROFITS AND PRICES--NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME QUARTER A YEAR AGO)

