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Productivity and Costs in Nonfinancial Corporations
(and Revised Figures for the Private Economy)
Third Quarter 1973

Productivity in nonfinancial corporations rose at an annual rate of 4.8 percent in the third quarter of 1973, up from a revised rate of 1.0 percent the preceding quarter, according to seasonally adjusted preliminary figures reported today by the Bureau of Labor Statistics, U.S. Department of Labor. The improved rate of productivity growth reflected a 6.6 percent rise in output and a 1.7 percent increase in man-hours. (See table 4.)

Revised measures for the third quarter of 1973 for the total private economy, the nonfarm sector, and manufacturing were also released today. As a result of a small downward revision of the increase in the output measure and an upward revision of the increase in man-hours in the third quarter, the rate of growth of output per man-hour for the total private economy was revised downward slightly -- from 1.6 percent to 1.4 percent.

The productivity gain in the nonfinancial corporate sector from the third quarter of 1972 to the third quarter of 1973 was 4.1 percent, compared with 2.5 percent for the total private economy, 2.6 percent for the nonfarm sector, and 4.7 percent for manufacturing.

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

	II Quarter 1973 to III Quarter 1973	III Quarter 1972 to III Quarter 1973
Nonfinancial Corporations (preliminary)		
Output per man-hour	4.8	4.1
Compensation per man-hour	8.7	8.0
Unit labor costs	3.7	3.8
Real compensation per man-hour	-0.4	1.1
Total Private (revised)		
Output per man-hour	1.4	2.5
Compensation per man-hour	8.6	8.1
Unit labor costs	7.2	5.5
Real compensation per man-hour	-0.5	1.2
Private Nonfarm (revised)		
Output per man-hour	1.7	2.6
Compensation per man-hour	8.1	7.7
Unit labor costs	6.4	5.0
Real compensation per man-hour	-1.0	0.8
Manufacturing (revised)		
Output per man-hour	5.5	4.7
Compensation per man-hour	9.0	8.7
Unit labor costs	3.3	3.8
Real compensation per man-hour	-0.1	1.7

Compensation per man-hour (which includes both wages and supplemental payments) in the nonfinancial corporate sector rose at an annual rate of 8.7 percent (seasonally adjusted) during the third quarter, compared with a rise of 6.6 percent in the preceding period. Real compensation per man-hour declined slightly during the third quarter, reflecting the fact that the rise in the consumer price index more than offset the rise in compensation. For the third quarter, the decline in real compensation per man-hour was 0.4 percent, compared with a decline of 2.1 percent during the second quarter.

Unit labor costs, which reflect both changes in productivity and hourly compensation, rose at an annual rate of 3.7 percent during the third quarter, compared with a 5.5 percent rise in the second quarter. This slowdown reflected a greater increase in the rate of growth of output per man-hour during the third quarter than in the second, which offset the rise in compensation.

Unit non-labor costs -- which include depreciation, net interest, and indirect business taxes -- rose at an annual rate of 0.2 percent in the third quarter of 1973, compared with a rise of 1.7 percent in the second quarter. Total unit costs (labor and non-labor costs combined) increased at an annual rate of 2.8 percent, down from the 4.6 percent rate of increase in the second quarter.

Profits per unit of output in nonfinancial corporations increased by 13.3 percent at a seasonally adjusted annual rate during this quarter, up from a 5.5 percent rate of increase in the previous quarter. Since the third quarter of 1972, profits per unit of output have risen by 12.6 percent.

The implicit price deflator for the nonfinancial corporate sector, which reflects changes in unit labor costs, unit non-labor costs, and unit profits, increased at an annual rate of 4.0 percent in the third quarter, down from the 4.7 percent annual rate of increase in the second quarter.

The 1.7 percent increase in man-hours in the third quarter reflected the continuing increase in employment in nonfinancial corporations, since average weekly hours fell slightly.

Table B summarizes price, cost, and profits developments since 1968. 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)

	1968	1969	1970	1971	1972	1972 III	1972 IV	1973 I	1973 II	1973 III
Implicit price deflator	102.5	105.3	110.0	113.4	116.0	116.2	117.1	118.2	119.6	120.7
Total unit cost .	103.0	108.5	116.8	119.3	121.6	121.8	122.1	123.0	124.4	125.2
Unit labor cost.	102.8	108.1	114.9	116.7	119.9	120.2	120.7	122.0	123.7	124.8
Unit non-labor cost	103.9	109.8	122.9	127.2	126.7	126.5	126.6	125.9	126.5	126.5
Unit profits	99.7	86.9	71.3	80.2	84.8	84.9	89.0	91.4	92.7	95.6

Revised figures for the private economy in the third quarter show a lower rate of growth in output per man-hour -- 1.4 percent -- than was previously reported --1.6 percent (seasonally adjusted at annual rate). (See table 3.) This change reflected a small upward revision in man-hours associated with a small downward revision in output. (See table 1.) Similar revisions reduced the measured rate of growth of productivity in the nonfarm sector to 1.7 percent (from 1.9 percent). (See table 2.) In the manufacturing sector, output per man-hour was also revised downward, to 5.5 percent from 6.8 percent.

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 1/	Real Compensation per man-hour 2/	Unit labor cost	Unit nonlabor payments 3/	Implicit price deflator 4/
1972								
I	110.7	114.5	103.5	139.4	112.7	125.9	112.6	120.7
II	112.5	117.4	104.4	141.4	113.4	125.7	114.1	121.2
III	113.3	119.1	105.1	143.1	113.8	126.3	115.4	122.0
IV	114.8	121.5	105.9	145.7	114.8	126.9	117.0	123.1
Annual Avg.	112.8	118.1	104.7	142.4	113.7	126.2	114.8	121.8
1973								
I	115.9	124.2	107.1	149.0	115.8	128.5	118.9	124.8
II	115.8	125.0	108.0	151.5	115.3	130.9	121.1	127.1
III	116.1r	126.1r	108.6	154.7r	115.1r	133.2r	123.3	129.3r
				Percent Change Over Previous Quarter at Annual Rate 5/				
1972								
I	2.1	5.4	3.2	9.9	6.3	7.6	0.5	4.9
II	6.5	10.4	3.6	5.9	2.8	-0.5	5.4	1.5
III	3.1	5.8	2.6	4.9	1.2	1.7	4.6	2.8
IV	5.2	8.4	3.0	7.4	3.6	2.0	6.0	3.5
Annual Avg. 6/	3.8	6.5	2.7	6.8	3.5	2.9	2.8	2.9
1973								
I	4.1	9.3	5.0	9.5	3.5	5.2	6.6	5.7
II	-0.7	2.6	3.2	6.9	-1.7	7.6	7.4	7.5
III	1.4r	3.6r	2.2r	8.6r	-0.5r	7.2r	7.5r	7.3r
				Percent Change Over Previous Year 7/				
1972								
I	3.0	4.9	1.8	7.2	3.5	4.0	2.1	3.3
II	4.1	6.6	2.4	7.0	3.7	2.8	2.1	2.5
III	3.7	7.2	3.3	6.3	3.1	2.4	2.6	2.5
IV	4.2	7.5	3.1	7.0	3.5	2.6	4.1	3.2
1973								
I	4.7	8.5	3.6	6.9	2.8	2.1	5.6	3.4
II	2.9	6.5	3.5	7.2	1.6	4.1	6.1	4.9
III	2.5	5.9r	3.4r	8.1r	1.2r	5.5r	6.9r	6.0r

See footnotes at end of table 4.
r = revised

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 1/	Real Compensation per man-hour 2/	Unit labor cost	Unit nonlabor payments 3/	Implicit price deflator 4/
1972								
I	109.8	114.9	104.6	137.8	111.4	125.5	112.5	120.6
II	111.3	117.9	105.9	139.5	111.9	125.3	113.5	120.8
III	112.9	119.9	106.2	141.8	112.7	125.6	114.5	121.4
IV	114.2	122.3	107.1	144.2	113.6	126.2	115.8	122.3
Annual Avg.	112.1	118.7	106.0	140.9	112.4	125.7	114.0	121.3
1973								
I	115.6	125.1	108.2	147.9	114.9	127.9	116.4	123.6
II	115.4	126.3	109.5	149.8	113.9	129.8	118.0	125.4
III	115.8r	127.6r	110.2	152.7	113.7r	131.9r	118.5	126.8r
				Percent Change Over Previous Quarter at Annual Rate 5/				
1972								
I	2.5	5.6	3.0	9.9	6.3	7.2	-0.4	4.4
II	5.7	11.0	5.0	5.2	2.0	-0.5	3.7	1.0
III	5.6	7.0	1.3	6.7	2.9	1.0	3.6	1.9
IV	4.7	8.3	3.4	6.8	3.1	2.0	4.4	2.9
Annual Avg. 6/	4.2	7.0	2.7	6.9	3.5	2.6	1.8	2.3
1973								
I	5.0	9.2	4.0	10.7	4.6	5.4	2.4	4.3
II	-0.8	3.9	4.8	5.3	-3.2	6.2	5.4	5.9
III	1.7r	4.4r	2.7r	8.1r	-1.0r	6.4r	1.7	4.7r
				Percent Change Over Previous Year 7/				
1972								
I	3.5	5.2	1.7	7.3	3.7	3.7	1.4	2.9
II	4.1	7.0	2.8	6.6	3.3	2.4	1.4	2.1
III	4.4	7.8	3.2	6.6	3.4	2.0	1.4	1.8
IV	4.6	8.0	3.2	7.1	3.6	2.4	2.8	2.5
1973								
I	5.3	8.9	3.4	7.3	3.2	1.9	3.5	2.5
II	3.6	7.1	3.4	7.4	1.8	3.6	3.9	3.7
III	2.6r	6.4r	3.7	7.7	0.8	5.0r	3.5	4.4

See footnotes at end of table 4.
r = revised

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

Year and Quarter	Output per man-hour	Output 8/	Man-hours	Compensation per man-hour 1/	Real Compensation per man-hour 2/	Unit Labor Cost
1972						
I	118.6	113.0	95.3	136.4	110.3	115.1
II	120.7	117.1	97.0	138.1	110.7	114.4
III	123.2	120.3	97.6	139.6	110.9	113.3
IV	124.9	124.4	99.6	141.9	111.8	113.6
Annual Avg.	121.8	118.6	97.4	139.0	110.9	114.1
1973						
I	126.1	127.5	101.1	145.6	113.1	115.4
II	127.3	129.9	102.0	148.5	112.9	116.6
III	129.0r	131.7r	102.1	151.7r	112.9	117.6r
			Percent Change Over Previous Quarter at Annual Rate 5/			
1972						
I	7.8	12.2	4.1	11.1	7.6	3.1
II	7.4	15.3	7.4	4.9	1.6	-2.3
III	8.6	11.4	2.6	4.4	0.8	-3.8
IV	5.7	14.3	8.2	6.8	3.2	1.1
Annual Avg. 6/	5.4	8.9	3.4	6.3	2.9	0.9
1973						
I	3.9	10.3	6.2	10.8	4.7	6.6
II	3.8	7.7	3.8	8.2	-0.7	4.2
III	5.5r	5.7r	0.1	9.0r	-0.1r	3.3r
			Percent Change Over Previous Year 7/			
1972						
I	4.3	5.2	0.9	6.3	2.7	2.0
II	4.1	7.1	2.9	6.2	2.9	2.0
III	5.8	10.4	4.3	5.9	2.7	0.1
IV	7.4	13.3	5.5	6.8	3.2	-0.5
1973						
I	6.4	12.8	6.1	6.7	2.6	0.3
II	5.5	10.9	5.2	7.5	2.0	1.9
III	4.7r	9.5r	4.5	8.7	1.7r	3.8r

See footnotes at end of table 4.
r = revised

NOTE: Data have been revised beginning in the 1st quarter of 1972 to reflect revisions in the Federal Reserve Board Index of Industrial Production.

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										
I	116.6	118.5	101.6	138.8	112.2	119.1	126.3	120.8	83.0	115.1
II	117.3	120.9	103.1	140.2	112.5	119.6	127.3	121.5	82.6	115.6
III	118.3	122.4	103.5	142.3	113.1	120.2	126.5	121.8	84.9	116.2
IV	119.3	125.5	105.2	144.0	113.5	120.7	126.6	122.1	89.0	117.1
Annual Avg.	117.9	121.9	103.4	141.3	112.8	119.9	126.7	121.6	84.8	116.0
1973										
I	121.4	129.0	106.2	148.2	115.1	122.0	125.9	123.0	91.4	118.2
II	121.7r	130.6r	107.3r	150.5r	114.5r	123.7	126.5	124.4	92.7	119.6
III	123.2p	132.7p	107.7p	153.7p	114.4p	124.8p	126.5p	125.2p	95.6p	120.7p
			Percent Change Over Previous Quarter at Annual Rate 5/							
1972										
I	4.7	9.0	4.1	11.5	7.9	6.5	-4.2	3.6	15.6	4.9
II	2.5	8.6	6.0	4.1r	1.0	1.6	3.1	2.0	-2.0	1.6
III	3.6	5.1	1.5	5.9	2.2	2.3	-2.4	1.1	12.0	2.2
IV	3.4	10.4	6.8	4.9	1.3	1.4	0.3	1.1	20.4	3.2
Annual Avg. 6/	4.0	7.4	3.3	6.8	3.4	2.7	-0.4	1.9	5.8	2.3
1973										
I	7.3	11.6	4.0	12.1	5.9	4.4	-2.0	2.8	11.6	3.8
II	1.0r	5.0	4.0r	6.6r	-2.1r	5.5	1.7	4.6	5.5	4.7
III	4.8p	6.6p	1.7p	8.7p	-0.4p	3.7p	0.2p	2.8p	13.3p	4.0p
				Percent Change Over Previous Year 7/						
1972										
I	4.7	6.4	1.6	7.4	3.8	2.6	-0.6	1.8	5.7	2.2
II	4.3	7.2	2.9	6.9	3.5	2.5	0.6	2.0	1.9	2.0
III	3.6	7.7	4.0	6.3	3.1	2.7	-0.9	1.7	4.9	2.1
IV	3.5	8.3	4.6	6.6	3.1	3.0	-0.8	2.0	11.2	2.9
1973										
I	4.2	8.9	4.5	6.7	2.6	2.5	-0.3	1.8	10.2	2.7
II	3.8r	8.0	4.0r	7.3r	1.8r	3.4	-0.6	2.4	12.3	3.4
III	4.1p	8.4p	4.1p	8.0p	1.1p	3.8p	0.0p	2.8p	12.6p	3.9p

See footnotes at end of table 4.
r = revised p = preliminary

FOOTNOTES, TABLES 1 TO 4

Source: Output data form 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)

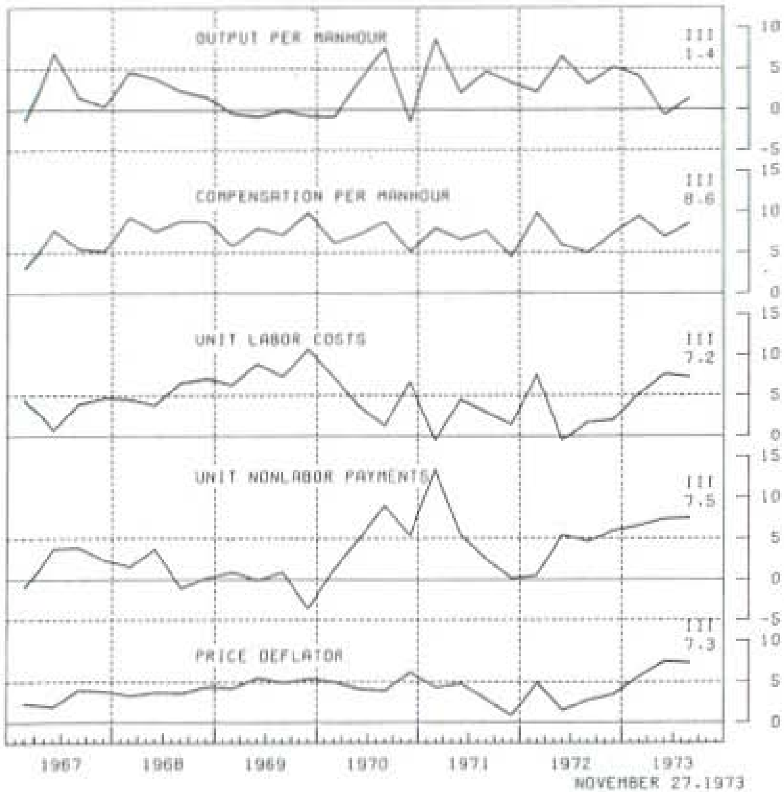

CHART 2. PRODUCTIVITY, HOURLY COMPENSATION, UNIT COSTS AND PRICES
PRIVATE NONFARM SECTOR
(PERCENT CHANGE FROM PRECEDING QUARTER AT ANNUAL RATE)

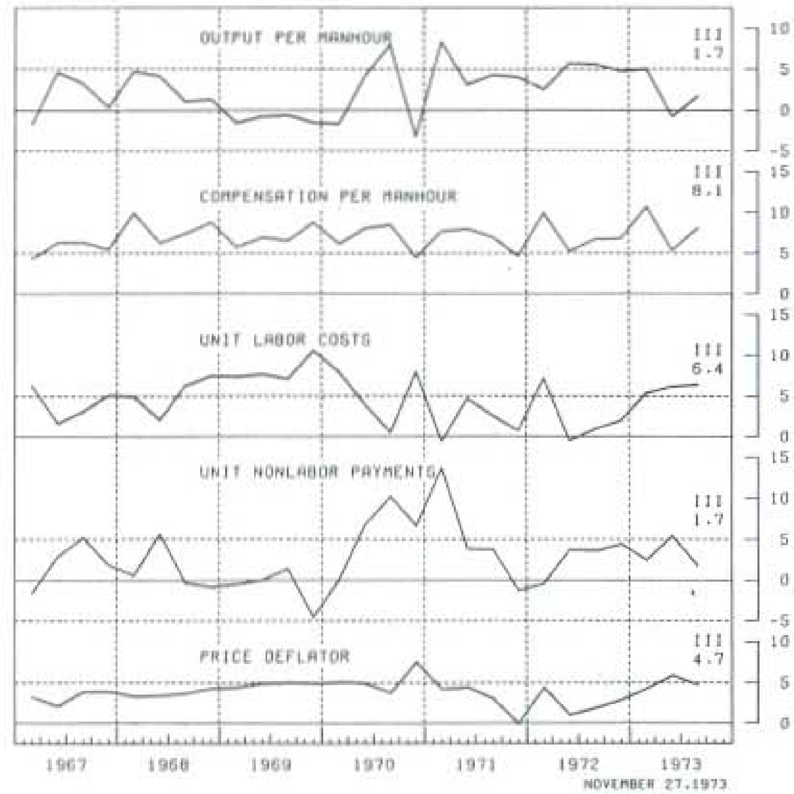

CHART 3. PRODUCTIVITY, HOURLY
COMPENSATION, UNIT COSTS AND PRICES
NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME
QUARTER A YEAR AGO)

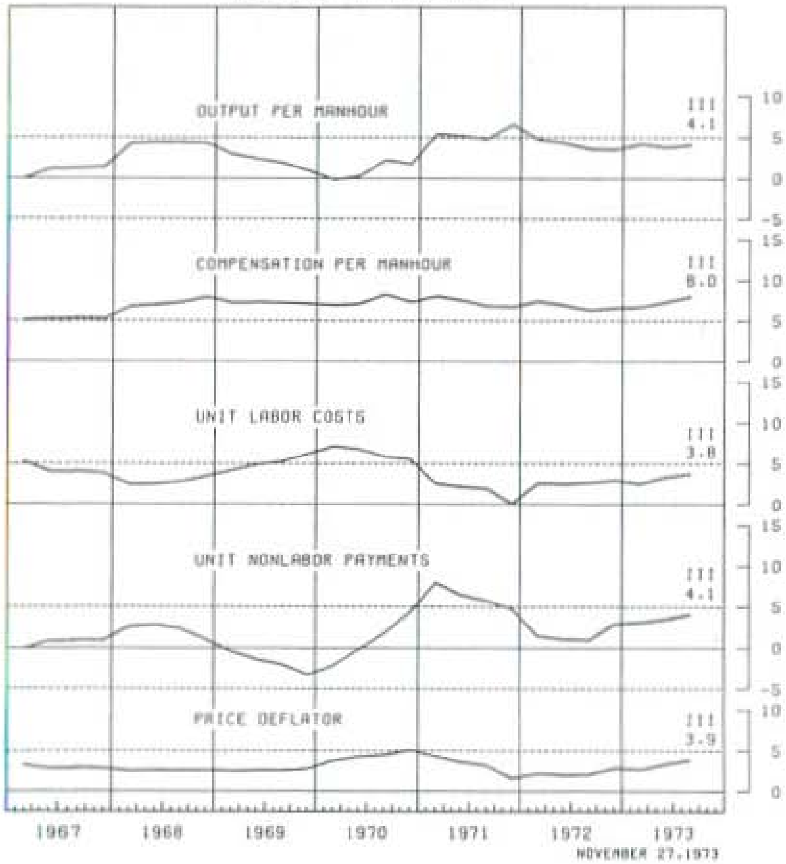

CHART 4.
UNIT COSTS, UNIT PROFITS, AND PRICES
NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME
QUARTER A YEAR AGO)