

NEWS



U. S. DEPARTMENT OF LABOR BUREAU OF LABOR STATISTICS

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USDL 74-463
FOR RELEASE: 11:00 A.M.
Thursday, August 29, 1974

PRODUCTIVITY AND COSTS IN NONFINANCIAL CORPORATIONS, SECOND QUARTER 1974 (and Revised Figures for the Total Private Economy, Second Quarter 1974)

Productivity in nonfinancial corporations rose at a seasonally adjusted annual rate of 1.2 percent in the second quarter of 1974, up from a 5.5 percent decline in the first quarter, according to preliminary figures reported today by the Bureau of Labor Statistics of the U.S. Department of Labor. The increase in productivity resulted from a 0.3 percent increase in output and a 0.9 percent decrease in man-hours. The increase in output followed an 8.1 percent decline in the first quarter. The productivity increase followed two quarters of decline.

Revised measures for the second quarter of 1974 for the total private economy and its nonfarm and manufacturing sectors also were released today. Output per man-hour in the total private economy increased 1.4 percent, and in the nonfarm sector declined 2.5 percent, according to revised data. Previously, these measures had been reported as 0.8 percent and -2.9 percent respectively. In manufacturing, productivity was up 4.0 percent in the second quarter. This increase had been previously reported as 4.6 percent, based on preliminary data.

From the second quarter of 1973 to the second quarter of 1974, output per man-hour declined 1.6 percent in nonfinancial corporations, 1.9 percent in the total private sector, 2.1 percent in the nonfarm sector, and rose 1.1 percent in manufacturing. A summary of second quarter data appears in table A. Details are given in tables 1-4.

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

	2nd Quarter 1973 to 2nd Quarter 1974	1st Quarter 1974 to 2nd Quarter 1974
<u>Nonfinancial Corporations</u>		
(Preliminary)		
Output per man-hour	-1.6	1.2
Compensation per man-hour	8.6	11.3
Unit labor costs	10.3	10.0
Real compensation per man-hour	-1.9	-1.0
Output	-1.2	0.3
Man-hours	0.4	-0.9
<u>Total Private Economy</u>		
(Revised)		
Output per man-hour	-1.9	1.4
Compensation per man-hour	8.6	14.2
Unit labor costs	10.7	12.6
Real compensation per man-hour	-1.9	1.5
Output	-1.3	-1.1
Man-hours	0.6	-2.4
<u>Nonfarm Sector</u> (Revised)		
Output per man-hour	-2.1	-2.5
Compensation per man-hour	8.6	10.6
Unit labor costs	11.0	13.4
Real compensation per man-hour	-1.9	-1.7
Output	-1.6	-2.0
Man-hours	0.6	0.4
<u>Manufacturing</u> (Revised)		
Output per man-hour	1.1	4.0
Compensation per man-hour	9.3	14.2
Unit labor costs	8.1	9.8
Real compensation per man-hour	-1.3	1.6
Output	0.3	1.2
Man-hours	-0.8	-2.7

COMPENSATION AND LABOR COSTS

Compensation per man-hour (which includes both wages and supplemental payments) in the nonfinancial corporate sector rose at a seasonally adjusted annual rate of 11.3 percent in the second quarter, up from an 8.5 percent increase during the first quarter. The increase in compensation per man-hour reflected a 10.3 percent increase in compensation coupled with a 0.9 percent decline in man-hours.

Real compensation per man-hour (hourly compensation adjusted for changes in the Consumer Price Index) decreased 1.0 percent, compared with a 2.6 percent decline during the first quarter. This was the fifth consecutive quarterly decline in this measure, and as a result of these declines real hourly compensation is now lower than it has been since the second quarter of 1972.

Corporate unit labor costs, which reflect changes in productivity and compensation per man-hour, rose at an annual rate of 10.0 percent during the second quarter, compared with a 14.9 percent increase during the previous quarter.

Unit nonlabor costs -- which include depreciation, net interest, and indirect business taxes -- rose at an annual rate of 9.3 percent in the second quarter, compared with a 13.9 percent increase in the previous quarter. Total unit costs (labor and nonlabor costs combined) increased at an annual rate of 9.8 percent, compared with a 14.6 percent increase during the first quarter.

PROFITS AND PRICES

Profits per unit of output in nonfinancial corporations increased by 39.0 percent in the second quarter, after declining 12.3 percent during the first quarter, the largest quarterly increase in unit profits since the first quarter of 1971. As a result of the increase, second quarter unit profits stood 3.2 percent above second quarter 1973 levels.

The implicit price deflator for the nonfinancial corporate sector, which reflects changes in unit labor costs, unit nonlabor costs, and profits, increased at an annual rate of 12.6 percent during the second quarter, compared with an 11.4 percent increase during the first quarter.

The 0.9 percent decline in man-hours reflected a 0.4 percent increase in employment and a 1.3 percent decline in average weekly hours.

Table B summarizes price, cost, and profit developments since 1969. 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)

	1969	1970	1971	1972	1973	1973			1974	
						II	III	IV	I	II
Implicit Price Deflator	105.3	110.0	113.9	116.1	120.0	119.1	120.5	122.6	126.0	129.8
Total Unit Costs.	108.5	116.8	120.1	121.4	125.2	124.1	125.9	128.5	133.0	136.1
Unit labor cost.	108.1	114.9	117.4	119.6	124.4	123.1	125.1	128.1	132.6	135.8
Unit nonlabor cost.....	109.8	122.9	128.6	126.9	127.7	127.1	128.3	129.9	134.2	137.3
Unit profits	86.9	71.3	79.1	86.7	90.8	91.3	90.2	89.7	86.8	94.2

TABLE 1. TOTAL PRIVATE ECONOMY: OUTPUT PER MAN-HOUR
HOURLY COMPENSATION, UNIT COST, AND PRICES, SEASONALLY ADJUSTED

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 COSTS	UNIT NON-LABOR PAY-MENTS (3)	IMPLICIT PRICE DEFLATOR (4)
INDEXES 1967=100								
1973								
I	117.0	124.9	106.7	149.9	116.5	128.1	119.5	124.8
II	116.6	125.6	107.7	152.1	115.7	130.5	121.8	127.1
III	116.1	126.1	108.6	154.2	114.7	132.8	125.0	129.8
IV	116.1	126.8	109.2	157.3	114.4	135.5	127.8	132.5
ANNUAL	116.5	125.8	108.0	153.5	115.3	131.8	123.5	128.6
1974								
I	114.0	124.2	109.0	159.8	113.0	140.2	130.9	136.6
II	114.4R	123.9R	108.3R	165.2R	113.5R	144.4R	132.8R	139.9R
PERCENT CHANGE OVER PREVIOUS QUARTER AT ANNUAL RATE (5)								
1973								
I	6.5	10.0	3.3	13.1	6.9	6.1	5.7	6.0
II	-1.6	2.1	3.8	5.9	-2.7	7.6	7.7	7.6
III	-1.5	1.6	3.2	5.6	-3.3	7.3	11.1	8.7
IV	0.0	2.3	2.3	8.5	-1.2	8.4	9.2	8.7
ANNUAL	2.9	6.2	3.2	8.0	1.7	5.0	7.0	5.7
1974								
I	-7.1	-7.8	-0.7	6.4	-4.5	14.6	10.0	12.9
II	1.4R	-1.1R	-2.4R	14.2R	1.5R	12.6R	6.0R	10.1R
PERCENT CHANGE OVER CORRESPONDING QUARTER OF PREVIOUS YEAR (6)								
1973								
I	5.3	8.6	3.1	7.9	3.7	2.4	5.5	3.6
II	3.5	6.8	3.2	7.8	2.2	4.2	6.4	5.0
III	2.1	5.5	3.3	8.0	1.0	5.7	7.7	6.4
IV	0.8	4.0	3.2	8.2	-0.2	7.4	8.4	7.7
ANNUAL	2.9	6.2	3.2	8.0	1.7	5.0	7.0	5.7
1974								
I	-2.6	-0.5	2.1	6.6	-3.0	9.4	9.5	9.5
II	-1.9R	-1.3R	0.6	8.6R	-1.9R	10.7R	9.1R	10.1R

SEE FOOTNOTES AT END OF TABLE 4.
R=REVISED

AUGUST 29, 1974
SOURCE: BUREAU OF LABOR STATISTICS

TABLE 2. PRIVATE NONFARM ECONOMY: OUTPUT PER MAN-HOUR
HOURLY COMPENSATION, UNIT COST, AND PRICES, SEASONALLY ADJUSTED

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 COSTS	UNIT NON- LABOR PAY- MENTS (3)	IMPLICIT PRICE DEFLATOR (4)
INDEXES 1967=100								
1973								
I	115.7	125.2	108.2	148.0	115.0	127.9	115.9	123.4
II	115.1	126.0	109.5	150.0	114.1	130.3	116.4	125.0
III	115.1	126.8	110.2	152.4	113.4	132.4	117.4	126.7
IV	114.9	127.1	110.7	155.7	113.2	135.5	119.6	129.5
ANNUAL	115.2	126.3	109.6	151.6	113.9	131.6	117.3	126.2
1974								
I	113.3	124.7	110.0	158.9	112.4	140.2	123.6	133.9
II	112.6R	124.0R	110.1R	162.9R	111.9R	144.6R	129.2R	138.8R
PERCENT CHANGE OVER PREVIOUS QUARTER AT ANNUAL RATE (5)								
1973								
I	5.2	9.4	4.0	11.7	5.5	6.2	-0.9	3.6
II	-2.2	2.5	4.8	5.4	-3.2	7.8	1.7	5.6
III	0.0	2.5	2.6	6.6	-2.4	6.6	3.7	5.6
IV	-0.7	1.1	1.9	8.9	-0.8	9.7	7.6	9.0
ANNUAL	2.7	6.2	3.4	7.8	1.4	5.0	2.5	4.1
1974								
I	-5.2	-7.5	-2.4	8.4	-2.7	14.4	14.0	14.2
II	-2.5R	-2.0R	0.4R	10.6R	-1.7R	13.4R	19.3R	15.4R
PERCENT CHANGE OVER CORRESPONDING QUARTER OF PREVIOUS YEAR (6)								
1973								
I	5.1	8.7	3.4	7.6	3.4	2.4	2.6	2.4
II	3.4	6.9	3.4	7.7	2.1	4.1	2.3	3.5
III	1.8	5.6	3.7	7.7	0.8	5.8	1.9	4.4
IV	0.5	3.8	3.3	8.1	-0.3	7.6	3.0	5.9
ANNUAL	2.7	6.2	3.4	7.8	1.4	5.0	2.5	4.1
1974								
I	-2.1	-0.4	1.7	7.3	-2.3	9.6	6.7	8.5
II	-2.1R	-1.6	0.6	8.6R	-1.9R	11.0	11.0R	11.0R

SEE FOOTNOTES AT END OF TABLE 4.
R=REVISED

AUGUST 29, 1974
SOURCE: BUREAU OF LABOR STATISTICS

Table 3. Manufacturing Sector: Output per Man-hour, Hourly Compensation, Unit Labor Costs, Seasonally Adjusted

Year and Quarter	Output per man-hour	Output (7)	Man-hours	Compensation per man-hour (1)	Real Compensation per man-hour (2)	Unit labor Cost
<u>Indexes 1967 = 100</u>						
1973						
I	128.5	129.9	101.1	144.7	112.5	112.6
II	129.7	132.3	102.0	147.4	112.1	113.7
III	131.2	133.9	102.0	150.3	111.8	114.5
IV	130.1	134.3	103.2	153.2	111.4	117.8
Annual Avg.	130.0	132.6	102.1	148.9	111.9	114.6
1974						
I	129.9	132.3	101.9	155.8	110.2	120.0
II	131.1r	132.7r	101.2r	161.1r	110.6	122.8r
<u>Percent Change Over Previous Quarter at Annual Rate (5)</u>						
1973						
I	9.1	15.9	6.2	8.9	2.9	-0.2
II	3.7	7.6	3.8	7.5	-1.4	3.7
III	4.9	4.9	0.0	8.1	-0.9	3.0
IV	-3.4	1.2	4.8	8.0	-1.7	11.9
Annual Avg.	5.9	11.0	4.8	7.4	1.1	1.4
1974						
I	-0.7	-5.8	-5.1	7.0	-4.1	7.8
II	4.0r	1.2r	-2.7r	14.2r	1.6r	9.8r
<u>Percent Change Over Previous Year (5)</u>						
1973						
I	7.7	14.2	6.1	6.4	2.3	-1.2
II	6.7	12.2	5.2	7.2	1.6	0.4
III	5.7	10.5	4.5	7.9	1.0	2.0
IV	3.5	7.3	3.7	8.1	-0.3	4.5
Annual Avg.	5.9	11.0	4.8	7.4	1.1	1.4
1974						
I	1.1	1.8	0.8	7.7	-2.0	6.5
II	1.1r	0.3r	-0.8r	9.3r	-1.3	8.1r

See footnotes following table 4.
r = revised

SOURCE: Bureau of Labor Statistics
August 29, 1974

Table 4. Nonfinancial Corporations: Output per Man-hour, Hourly Compensation
Unit Labor Costs, Unit Profits and Prices, Seasonally Adjusted

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 Costs (8)	Total Unit Costs (9)	Unit Profits (10)	Implicit Price Deflator
<u>Indexes 1967 = 100</u>										
1973										
I	123.1	130.7	106.2	149.4	116.1	121.4	125.7	122.5	91.9	117.8
II	123.3	132.3	107.3	151.8	115.4	123.1	127.1	124.1	91.3	119.1
III	123.5	132.9	107.7	154.4	114.9	125.1	128.3	125.9	90.2	120.5
IV	122.7	133.4	108.7	157.2	114.2	128.1	129.9	128.5	89.7	122.6
Annual Avg.	123.1	132.3	107.5	153.1	115.0	124.4	127.7	125.2	90.8	120.0
1974										
I	121.0	130.6	107.9	160.4	113.5	132.6	134.2	133.0	86.8	126.0
II	121.4p	130.7p	107.7p	164.8p	113.2p	135.8p	137.3p	136.1p	94.2p	129.8p
<u>Percent Change Over Previous Quarter at Annual Rate (5)</u>										
1973										
I	8.2	12.5	4.0	13.4	7.2	4.8	-3.2	2.7	3.4	2.8
II	0.7	4.8	4.0	6.5	-2.2	5.7	4.3	5.3	-2.6	4.4
III	0.6	2.0	1.5	7.2	-1.9	6.6	3.8	5.9	-4.5	4.6
IV	-2.3	1.5	3.9	7.3	-2.2	9.9	5.2	8.7	-2.5	7.4
Annual Avg.	3.7	7.8	4.0	7.9	1.5	4.1	0.7	3.2	4.7	3.4
1974										
I	-5.5	-8.1	-2.8	8.5	-2.6	14.9	13.9	14.6	-12.3	11.4
II	1.2p	0.3p	-0.9p	11.3p	-1.0p	10.0p	9.3p	9.8p	39.0p	12.6p
<u>Percent Change Over Previous Year</u>										
1973										
I	5.3	10.0	4.5	7.2	3.0	1.8	-1.2	1.0	9.3	2.0
II	4.4	8.7	4.0	7.7	2.2	3.2	-0.5	2.2	7.5	2.8
III	3.4	7.6	4.0	8.0	1.1	4.5	0.7	3.5	4.3	3.6
IV	1.7	5.1	3.3	8.6	0.2	6.7	2.5	5.6	-1.6	4.8
Annual Avg.	3.7	7.8	4.0	7.9	1.5	4.1	0.7	3.2	4.7	3.4
1974										
I	-1.7	-0.1	1.6	7.4	-2.2	9.2	6.8	8.6	-5.6	6.9
II	-1.6p	-1.2p	0.4p	8.6p	-1.9p	10.3p	8.0p	9.7p	3.2p	9.0p

See footnotes at end of table 4.
p = preliminary

SOURCE: Bureau of Labor Statistics
August 29, 1974

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) Current quarter divided by comparable quarter a year ago.

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

(8) Unit nonlabor costs include depreciation, interest and indirect taxes.

(9) Total unit costs is the sum of labor and non-labor costs.

(10) 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)

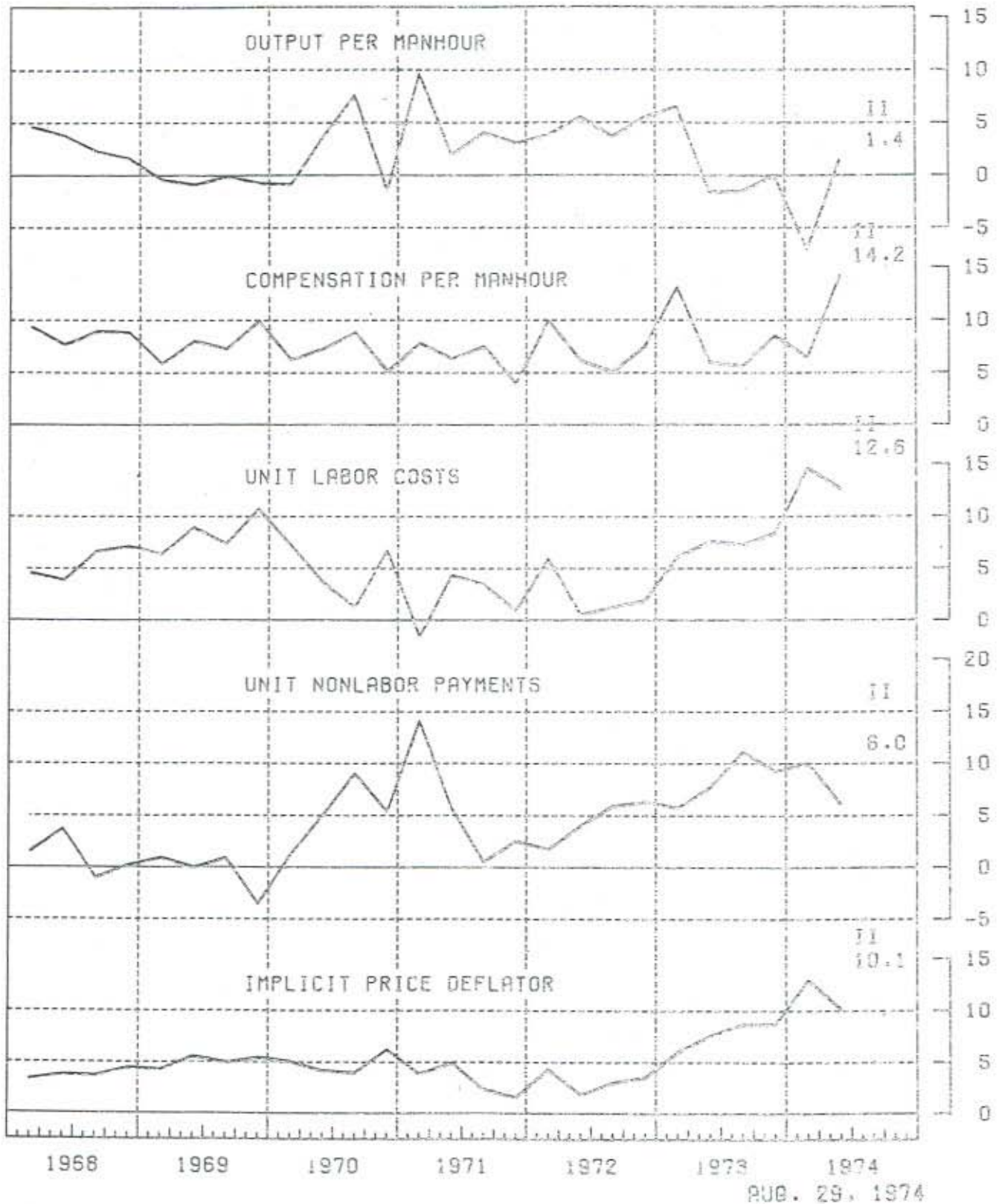


CHART 2. PRODUCTIVITY, HOURLY
 COMPENSATION, UNIT COSTS AND PRICES
 PRIVATE NONFARM SECTOR
 (PERCENT CHANGE FROM PRECEDING
 QUARTER AT ANNUAL RATE)

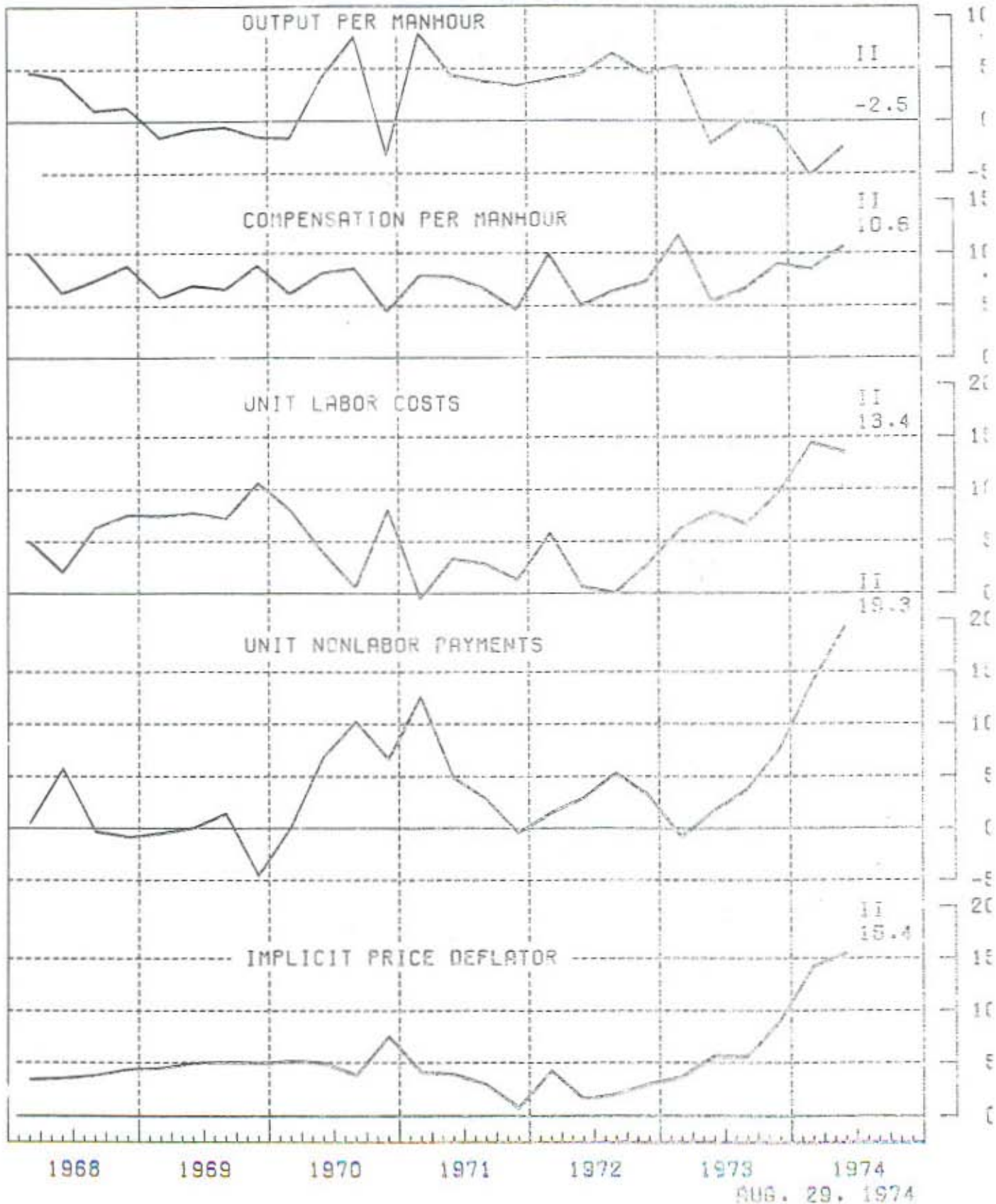


CHART 3. PRODUCTIVITY, HOURLY
 COMPENSATION, UNIT COSTS AND PRICES
 NONFINANCIAL CORPORATIONS
 (PERCENT CHANGE FROM SAME
 QUARTER A YEAR AGO)

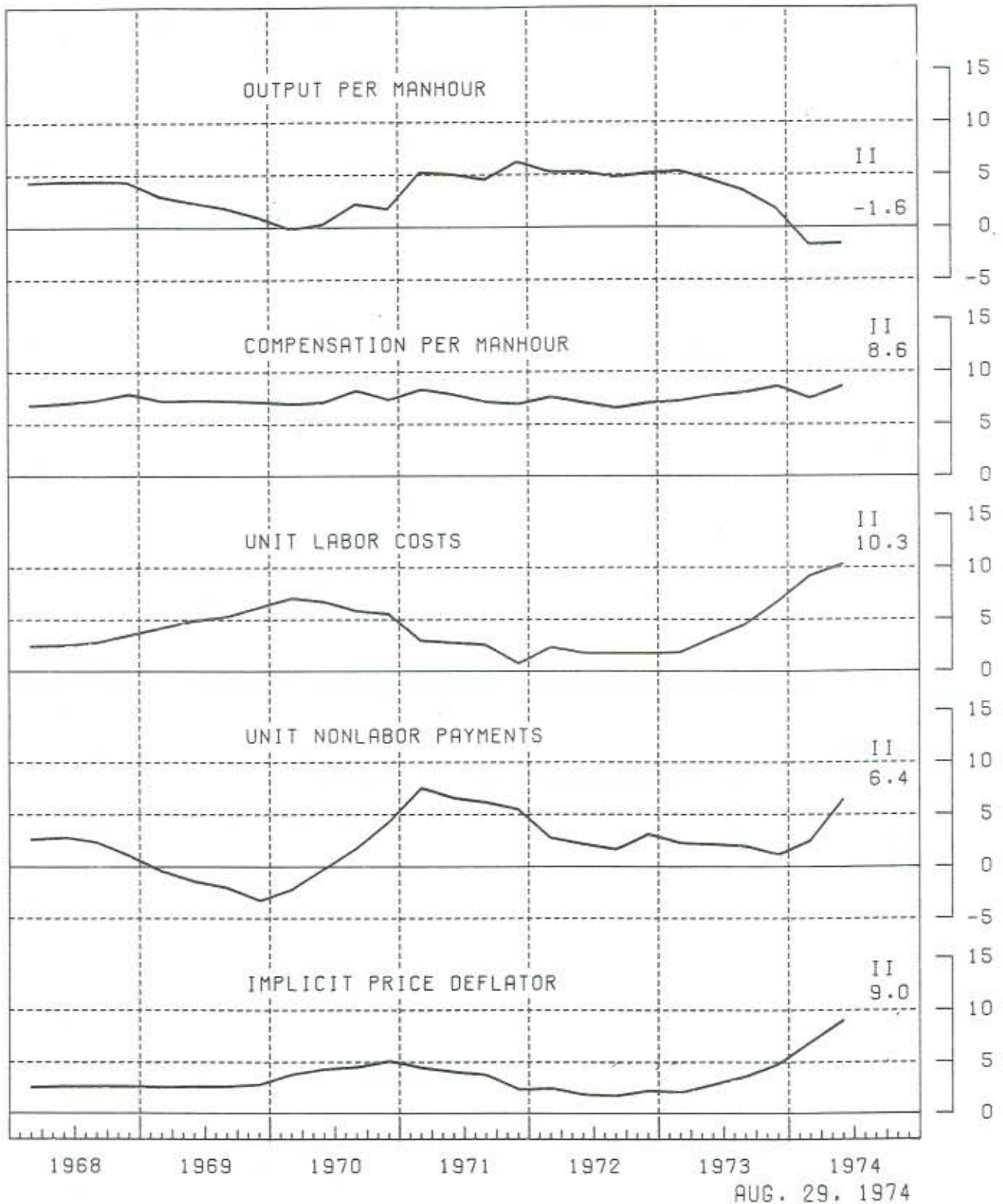


CHART 4.
 UNIT COSTS, UNIT PROFITS, AND PRICES
 NONFINANCIAL CORPORATIONS
 (PERCENT CHANGE FROM SAME
 QUARTER A YEAR AGO)

