

NEWS



U. S. DEPARTMENT OF LABOR BUREAU OF LABOR STATISTICS

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PRODUCTIVITY AND COSTS IN NONFINANCIAL CORPORATIONS, SECOND QUARTER 1975 (and Revised Figures for the Total Private Economy, Second Quarter 1975)

Productivity in nonfinancial corporations increased by 9.5 percent, at a seasonally adjusted annual rate, in the second quarter of 1975, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The increase reflected a 4.5 percent increase in output and a 4.5 percent decline in hours. In the preceding quarter, productivity increased 3.9 percent in this sector which includes all corporations doing business in the United States except banks, credit agencies, stock and commodity brokers, and insurance companies. The productivity increase in the second quarter was the largest increase since the first quarter of 1971. From the second quarter of 1974 to the second quarter of 1975, productivity increased 2.1 percent, while output declined 5.7 percent, and hours declined 7.6 percent.

Revised measures for the total private economy and for the nonfarm and manufacturing sectors also were released today. The revised data showed that -- at annual rates -- productivity increased 4.3 percent in the private economy, 5.8 percent in the nonfarm sector, and was unchanged from the first quarter in manufacturing. Second quarter figures for nonfinancial corporations, and the total private, nonfarm, and manufacturing sectors are summarized in table A; details are in tables 1-4.

Hourly compensation (which includes both wages and supplements) in the nonfinancial corporate sector increased 7.8 percent in the second quarter, compared with an increase of 12.2 percent in the preceding quarter. The increase in hourly compensation coupled with the larger increase in productivity resulted in a 1.5 percent decline in unit labor costs, following an increase of 7.9 percent in the preceding quarter. This was

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

	1st Quarter 1975 to <u>2nd Quarter 1975</u>	2nd Quarter 1974 to <u>2nd Quarter 1975</u>
<u>Nonfinancial Corporations</u> (Preliminary)		
Output per all-employee hour	9.5	2.1
Compensation per hour	7.8	10.0
Unit labor costs	- 1.5	7.8
Real Compensation per hour	1.7	0.3
Output	4.5	- 5.7
Hours	- 4.5	- 7.6
<u>Total Private Economy</u> (Revised)		
Output per hour of all persons	4.3	- 0.7
Compensation per hour	7.8	9.5
Unit labor costs	3.3	10.2
Real Compensation per hour	1.7	- 0.2
Output	1.5	- 5.9
Hours	- 2.8	- 5.3
<u>Nonfarm Sector</u> (Revised)		
Output per hour of all persons	5.8	- 0.6
Compensation per hour	7.8	9.1
Unit labor costs	1.9	9.7
Real Compensation per hour	1.7	- 0.5
Output	2.1	- 5.9
Hours	- 3.5	- 5.3
<u>Manufacturing</u> (Revised)		
Output per hour of all persons	0.0	- 2.6
Compensation per hour	8.3	11.5
Unit labor costs	8.3	14.5
Real Compensation per hour	2.2	1.7
Output	- 5.4	-13.8
Hours	- 5.4	-11.5

the first quarter of decline in unit labor costs since the first quarter of 1971.

Real compensation per hour (hourly compensation adjusted for changes in the Consumer Price Index) increased 1.7 percent in the second quarter in nonfinancial corporations. In the first quarter, the increase was 3.8 percent.

Unit profits increased 35.7 percent (at an annual rate). In the past 9 quarters, unit profits have decline in each quarter except 2, but now are higher than at any time since 1968 because of the magnitude of the current increase.

Unit nonlabor costs (including capital consumption allowances, net interest, and indirect business taxes) increased 7.3 percent in the second quarter, the smallest increase since the fourth quarter of 1973. In the preceding period, unit nonlabor costs increased 28.4 percent.

The implicit price deflator (which reflects changes in unit labor costs, unit nonlabor costs, and profits) increased 3.7 percent (at an annual rate). This was the smallest increase since the first quarter of 1973.

Table B summarizes price, costs, and profit developments since 1970. This time span includes the economic slowdown of 1969-1970 and the subsequent recovery.

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

	1970	1971	1972	1973	1974	1974			1975	
						II	III	IV	I	II
Implicit price deflator	110.0	113.9	116.1	120.0	131.5	129.8	133.3	137.0	140.5	141.8
Total unit costs.	116.8	120.1	121.4	125.2	139.0	136.7	140.9	145.5	150.0	150.2
Unit labor cost.	114.9	117.4	119.6	124.4	138.4	136.4	140.4	144.8	147.5	147.0
Unit nonlabor cost	122.9	128.6	126.9	127.7	140.9	137.9	142.4	147.9	157.4	160.2
Unit profits	71.3	79.1	86.7	90.8	89.2	90.9	90.6	88.8	87.3	94.2

Revised Second Quarter Measures for the Private Economy

Revised measures of productivity and related series for the private economy, the nonfarm sector, and the manufacturing sector are summarized in table C. The revised measures show that productivity in the second quarter -- at an annual rate -- increased 4.3 percent in the private economy, 5.8 percent in the nonfarm sector, and 0.0 percent in manufacturing. The measures were previously reported as 2.0 and 3.3 percent increases in the private and nonfarm sectors, respectively, and a decline of 1.8 percent in the manufacturing sector. The change principally reflect revised output measures for the second quarter. Based on the revised figures, these were the largest quarterly increases in productivity since the first quarter of 1973 in the total private economy and the largest since the first quarter of 1971 in the nonfarm sector. See tables 1-3.

Table C. Preliminary and Revised Measures, Second Quarter 1975
 Percent Change from Previous Quarter at Annual Rate
 (Seasonally Adjusted)

<u>Total Private Economy</u>	Preliminary	Revised
Output per hour of all persons	2.0	4.3
Compensation per hour	7.3	7.8
Unit labor costs	5.2	3.3
Real Compensation per hour	1.2	1.7
Output	- 0.4	1.5
Hours	- 2.3	- 2.8
 <u>Nonfarm Sector</u>		
Output per hour of all persons	3.3	5.8
Compensation per hour	7.3	7.8
Unit labor costs	3.9	1.9
Real Compensation per hour	1.2	1.7
Output	0.2	2.1
Hours	- 3.0	- 3.5
 <u>Manufacturing</u>		
Output per hour of all persons	- 1.8	0.0
Compensation per hour	7.7	8.3
Unit labor costs	9.7	8.3
Real Compensation per hour	1.6	2.2
Output	- 7.0	- 5.4
Hours	- 5.3	- 5.4

TABLE 1. TOTAL PRIVATE ECONOMY, ALL PERSONS: PRODUCTIVITY
HOURLY COMPENSATION, UNIT COST, AND PRICES, SEASONALLY ADJUSTED

YEAR AND QUARTER		OUTPUT PER HOUR OF ALL PERSONS	OUTPUT	HOURS OF ALL PERSONS	COMPENSA- TION PER HOUR(1)	REAL COMPENSA- TION PER HOUR(2)	UNIT LABOR COSTS	UNIT NON- LABOR PAY- MENTS(3)	IMPLICIT PRICE DEFLATOR(4)
INDEXES 1967=100									
1974	I	112.7	123.9	109.9	157.7	111.4	139.9	130.0	136.1
	II	112.8	124.0	109.9	162.5	111.8	144.1	131.3	139.2
	III	112.2	123.2	109.8	166.7	111.3	148.5	135.0	143.3
	IV	110.8	119.9	108.2	170.2	110.3	153.6	139.9	148.3
	ANNUAL	112.1	122.8	109.5	164.2	111.2	146.5	134.0	141.6
1975	I	110.8	116.2	104.9	174.6	111.1	157.6	141.6	151.4
	II	112.0R	116.6R	104.1R	177.9R	111.5R	158.9R	144.4R	153.3
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)									
1974	I	-7.6	-8.8	-1.3	7.6	-4.1	16.5	4.7	11.9
	II	0.1	0.1	0.0	12.7	1.2	12.6	4.2	9.5
	III	-1.9	-2.4	-0.5	10.7	-1.5	12.8	11.5	12.3
	IV	-5.1	-10.4	-5.6	8.6	-3.5	14.4	15.4	14.8
	ANNUAL	-2.6	-2.4	0.2	8.8	-1.9	11.8	7.9	10.3
1975	I	0.0	-11.8	-11.8	10.8	2.7	10.7	5.1	8.6
	II	4.3R	1.5R	-2.8R	7.8R	1.7R	3.3R	8.0R	5.0
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)									
1974	I	-2.6	-0.7	1.9	6.8	-2.3	9.6	3.3	9.1
	II	-2.1	-1.3	0.8	8.8	-1.6	11.1	7.2	9.6
	III	-2.2	-2.3	-0.1	10.0	-1.3	12.4	7.4	10.6
	IV	-3.7	-5.5	-1.9	9.9	-2.0	14.1	8.9	12.1
	ANNUAL	-2.6	-2.4	0.2	8.8	-1.9	11.8	7.9	10.3
1975	I	-1.7	-6.3	-4.6	10.7	-0.3	12.6	9.0	11.3
	II	-0.7R	-5.9R	-5.3R	9.5R	-0.2R	10.2R	9.9R	10.1

SEE FOOTNOTES FOLLOWING TABLE 4.

R=REVISED

P=PRELIMINARY

AUGUST 27, 1975

SOURCE: BUREAU OF LABOR STATISTICS

TABLE 2. PRIVATE NONFARM ECONOMY, ALL PERSONS: PRODUCTIVITY
HOURLY COMPENSATION, UNIT COST, AND PRICES, SEASONALLY ADJUSTED

YEAR AND QUARTER		OUTPUT PER HOUR OF ALL PERSONS	OUTPUT	HOURS OF ALL PERSONS	COMPENSA- TION PER HOUR(1)	REAL COMPENSA- TION PER HOUR(2)	UNIT LABOR COSTS	UNIT NON- LABOR PAY- MENTS(3)	IMPLICIT PRICE DEFLATOR(4)
INDEXES 1967=100									
1974	I	111.6	124.4	111.5	156.1	110.3	139.9	122.6	133.3
	II	111.0	124.1	111.8	160.4	110.3	144.4	127.4	138.0
	III	110.3	123.4	111.8	164.2	109.6	148.8	131.4	142.2
	IV	109.4	120.4	110.1	167.9	108.9	153.5	135.5	146.7
	ANNUAL	110.6	123.1	111.3	162.1	109.7	146.6	129.1	140.0
1975	I	108.9	116.2	106.8	171.7	109.2	157.7	140.0	151.0
	II	110.4R	116.9R	105.8R	175.0R	109.7R	158.5R	142.6R	152.5
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)									
1974	I	-6.3	-8.6	-2.4	8.8	-3.0	16.2	8.1	13.3
	II	-2.0	-0.8	1.2	11.4	0.0	13.7	16.6	14.7
	III	-2.5	-2.4	0.1	9.8	-2.3	12.6	13.1	12.8
	IV	-3.4	-9.3	-6.1	9.4	-2.8	13.3	13.1	13.2
	ANNUAL	-2.8	-2.6	0.2	8.9	-1.9	12.0	9.5	11.1
1975	I	-1.8	-13.1	-11.5	9.4	1.3	11.4	13.9	12.3
	II	5.8R	2.1R	-3.5R	7.8R	1.7R	1.9R	7.9R	4.0R
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)									
1974	I	-2.2	-0.6	1.7	7.3	-2.3	9.8	5.3	8.2
	II	-2.3	-1.5	0.8	8.8	-1.6	11.4	8.9	10.5
	III	-2.9	-2.7	0.1	9.7	-1.6	12.9	11.4	12.4
	IV	-3.6	-5.3	-1.9	9.9	-2.0	13.9	12.7	13.5
	ANNUAL	-2.8	-2.6	0.2	8.9	-1.9	12.0	9.5	11.1
1975	I	-2.4	-6.5	-4.2	10.0	-0.9	12.7	14.2	13.2
	II	-0.6R	-5.9R	-5.3R	9.1R	-0.5R	9.7R	12.0R	10.5

SEE FOOTNOTES FOLLOWING TABLE 4.

R=REVISED

P=PRELIMINARY

AUGUST 27, 1975

SOURCE: BUREAU OF LABOR STATISTICS

TABLE 3. MANUFACTURING SECTOR: OUTPUT PER HOUR OF ALL PERSONS, HOURLY COMPENSATION, UNIT LABOR COSTS, SEASONALLY ADJUSTED

YEAR AND QUARTER	OUTPUT PER HOUR OF ALL PERSONS	OUTPUT (7)	HOURS	COMPENSATION PER HOUR OF ALL PERSONS(1)	REAL COMPENSATION PER HOUR OF ALL PERSONS(2)	UNIT LABOR COST
INDEXES 1967=100						
1974						
I	128.2	132.3	103.2	154.7	109.7	120.1
II	129.8	132.9	102.4	152.4	109.6	122.8
III	129.4	132.8	102.6	163.3	109.1	126.2
IV	129.1	127.3	99.0	168.7	109.4	130.7
ANNUAL	129.3	131.8	101.9	161.2	109.1	124.6
1975						
I	126.5	116.2	91.9	174.3	110.9	137.8
II	126.5R	114.6R	90.6	177.3R	111.5R	140.6R
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE (5)						
1974						
I	- 1.3	- 5.8	- 4.6	6.5	- 5.3	7.9
II	5.3	1.8	- 3.3	14.9	3.3	0.1
III	- 1.2	- 0.3	0.9	10.2	- 1.9	11.5
IV	- 1.0	-14.2	-13.4	13.9	1.2	15.0
ANNUAL	0.3	- 0.6	- 1.4	9.5	- 1.4	0.6
1975						
I	- 7.9	-31.7	-25.8	13.8	5.4	23.6
II	0.0R	- 5.4R	- 5.4R	0.3R	2.2R	0.3R
PERCENT CHANGE FROM PREVIOUS YEAR (5)						
1974						
I	6.8	1.8	1.0	7.4	- 2.3	6.5
II	1.3	0.5	- 0.3	9.3	- 1.1	7.9
III	0.2	- 0.8	- 1.0	10.3	- 1.0	10.1
IV	0.4	- 4.8	- 5.2	11.3	- 2.7	10.9
ANNUAL	0.3	- 0.6	- 1.4	9.5	- 1.4	0.6
1975						
I	- 1.3	-12.2	-11.0	13.2	2.9	14.7
II	- 2.5R	-13.8R	-11.5	11.5R	1.7R	14.5R

SEE FOOTNOTES FOLLOWING TABLE 4.

R = REVISED

P = PRELIMINARY

SOURCE: BUREAU OF LABOR STATISTICS
AUGUST 27, 1975

TABLE 4. NONFINANCIAL CORPORATIONS: PRODUCTIVITY, HOURLY COMPENSATION
UNIT LABOR COSTS, UNIT PROFITS AND PRICES, SEASONALLY ADJUSTED

YEAR AND QUARTER	OUTPUT PER ALL EMPLOYEE- HOUR	OUTPUT	HOURS	HOURLY COMPENSA- TION (1)	REAL HOURLY COMPEN- SATION(2)	UNIT LABOR COSTS	UNIT NON- LABOR COSTS(8)	TOTAL UNIT COSTS (9)	UNIT PRO- FITS (10)	IMPLICIT PRICE DEFLATOR
INDEXES 1967=100										
1974										
I	118.5	130.6	110.2	157.1	111.0	132.6	134.2	133.0	86.8	126.0
II	118.5	130.2	109.9	161.5	111.1	136.4	137.9	136.7	90.9	129.8
III	117.7	129.5	110.0	165.3	110.4	140.4	142.4	140.9	90.6	133.3
IV	117.1	126.0	107.6	169.5	109.9	144.8	147.9	145.5	88.8	137.0
ANNUAL	118.0	129.1	109.4	163.3	110.6	138.4	140.9	139.0	89.2	131.5
1975										
I	118.2	121.4	102.7	174.4	111.0	147.5	157.4	150.0	87.3	140.5
II	120.9P	122.8P	101.5P	177.7P	111.4P	147.0P	160.2P	150.2P	94.2P	141.8P
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE (5)										
1974										
I	- 5.9	- 8.1	- 2.4	8.1	- 3.9	14.9	13.9	14.6	-12.3	11.4
II	- 0.2	- 1.4	- 1.2	11.7	0.5	11.9	11.4	11.8	20.2	12.6
III	- 2.6	- 2.1	0.5	9.7	- 2.4	12.5	13.9	12.9	- 1.0	11.3
IV	- 2.1	-10.2	- 8.3	10.5	- 1.8	12.9	16.1	13.7	- 7.7	11.3
ANNUAL	- 2.2	- 2.5	- 0.3	8.8	- 1.9	11.3	10.3	11.0	- 1.7	9.6
1975										
I	3.9	-13.9	-17.1	12.2	3.8	7.9	28.4	12.8	- 6.8	10.7
II	9.5P	4.5P	- 4.5P	7.8P	1.7P	- 1.5P	7.3P	0.7P	35.7P	3.7P
PERCENT CHANGE FROM PREVIOUS YEAR										
1974										
I	- 1.8	- 0.1	1.7	7.3	- 2.4	9.2	6.8	8.6	- 5.6	6.9
II	- 1.9	- 1.6	0.3	8.7	- 1.7	10.8	8.5	10.2	- 0.5	9.0
III	- 2.6	- 2.6	0.0	9.4	- 1.8	12.3	11.0	12.0	0.4	10.7
IV	- 2.7	- 5.5	- 2.9	10.0	- 1.9	13.0	13.8	13.2	- 0.9	11.7
ANNUAL	- 2.2	- 2.5	- 0.3	8.8	- 1.9	11.3	10.3	11.0	- 1.7	9.6
1975										
I	- 0.3	- 7.0	- 6.8	11.0	0.0	11.3	17.3	12.8	0.6	11.5
II	2.1P	- 5.7P	- 7.6P	10.0P	0.3P	7.8P	16.2P	9.9P	3.7P	9.2P

SEE FOOTNOTES FOLLOWING TABLE 4.
P = PRELIMINARY
R = REVISED

SOURCE: BUREAU OF LABOR STATISTICS
AUGUST 27, 1975

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 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 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)

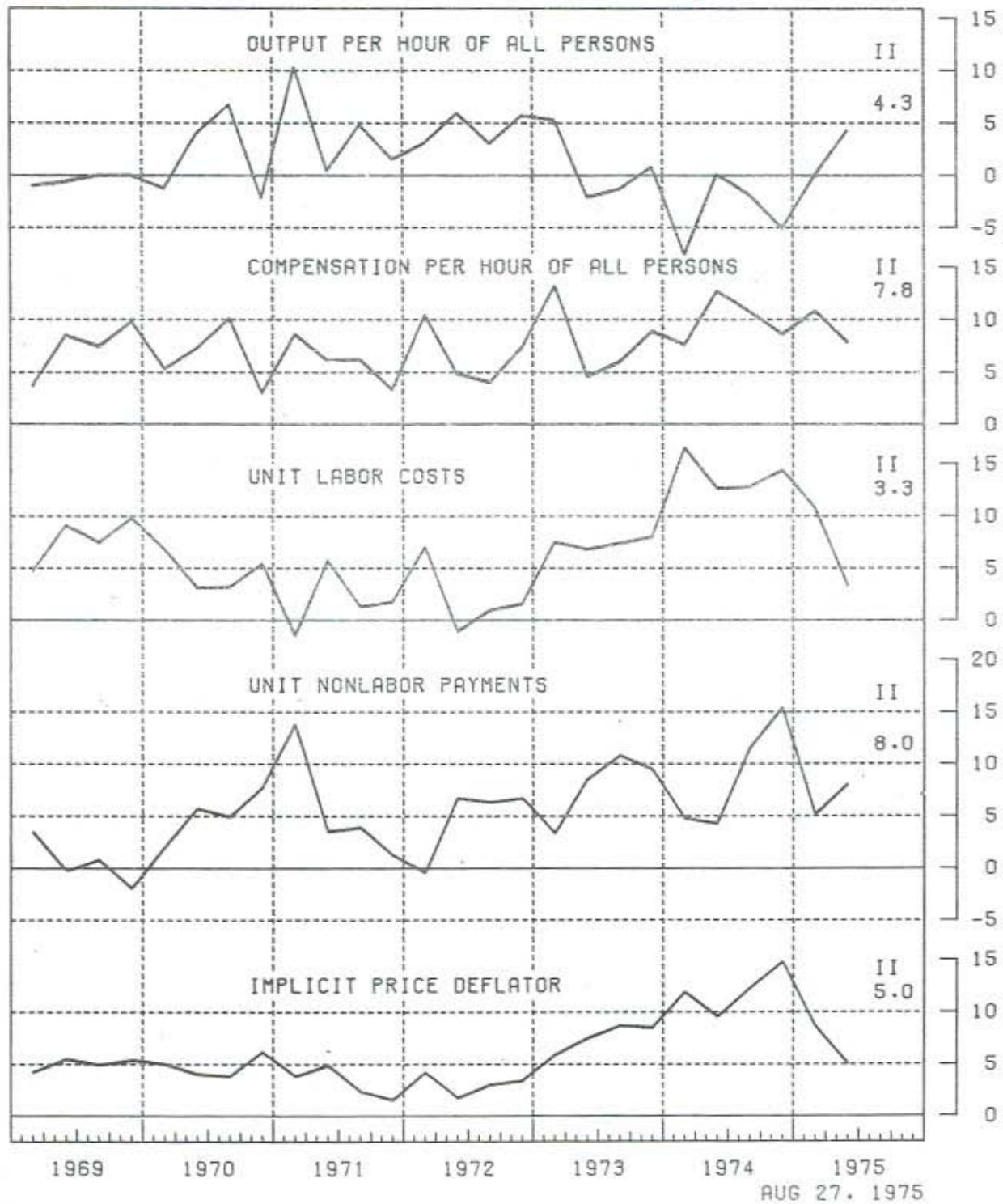


CHART 2. PRODUCTIVITY, HOURLY
COMPENSATION, UNIT COSTS AND PRICES
PRIVATE NONFARM SECTOR
(PERCENT CHANGE FROM PRECEDING
QUARTER AT ANNUAL RATE)

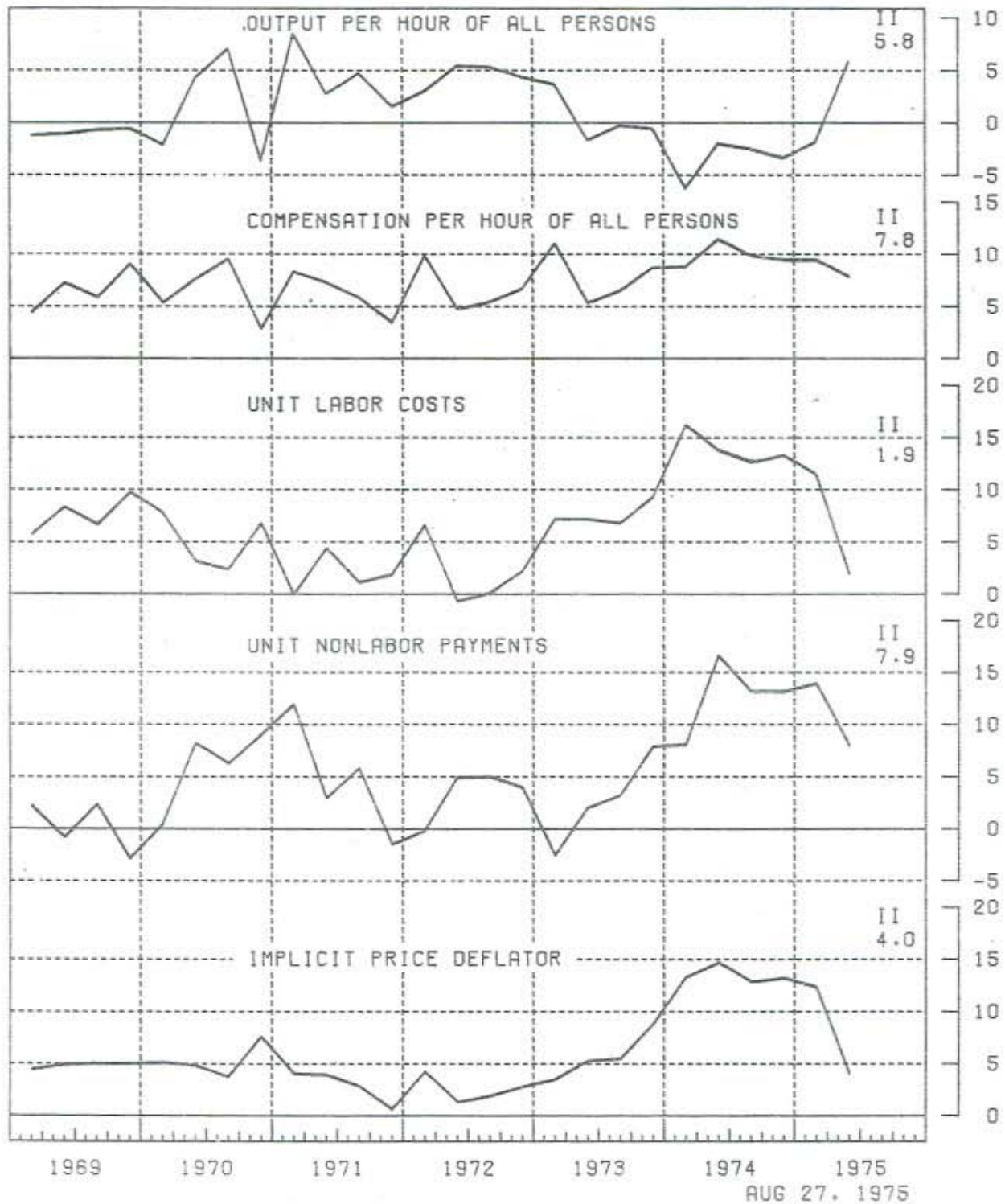


CHART 3. PRODUCTIVITY, HOURLY
COMPENSATION, UNIT COSTS AND PRICES
NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME
QUARTER A YEAR AGO)

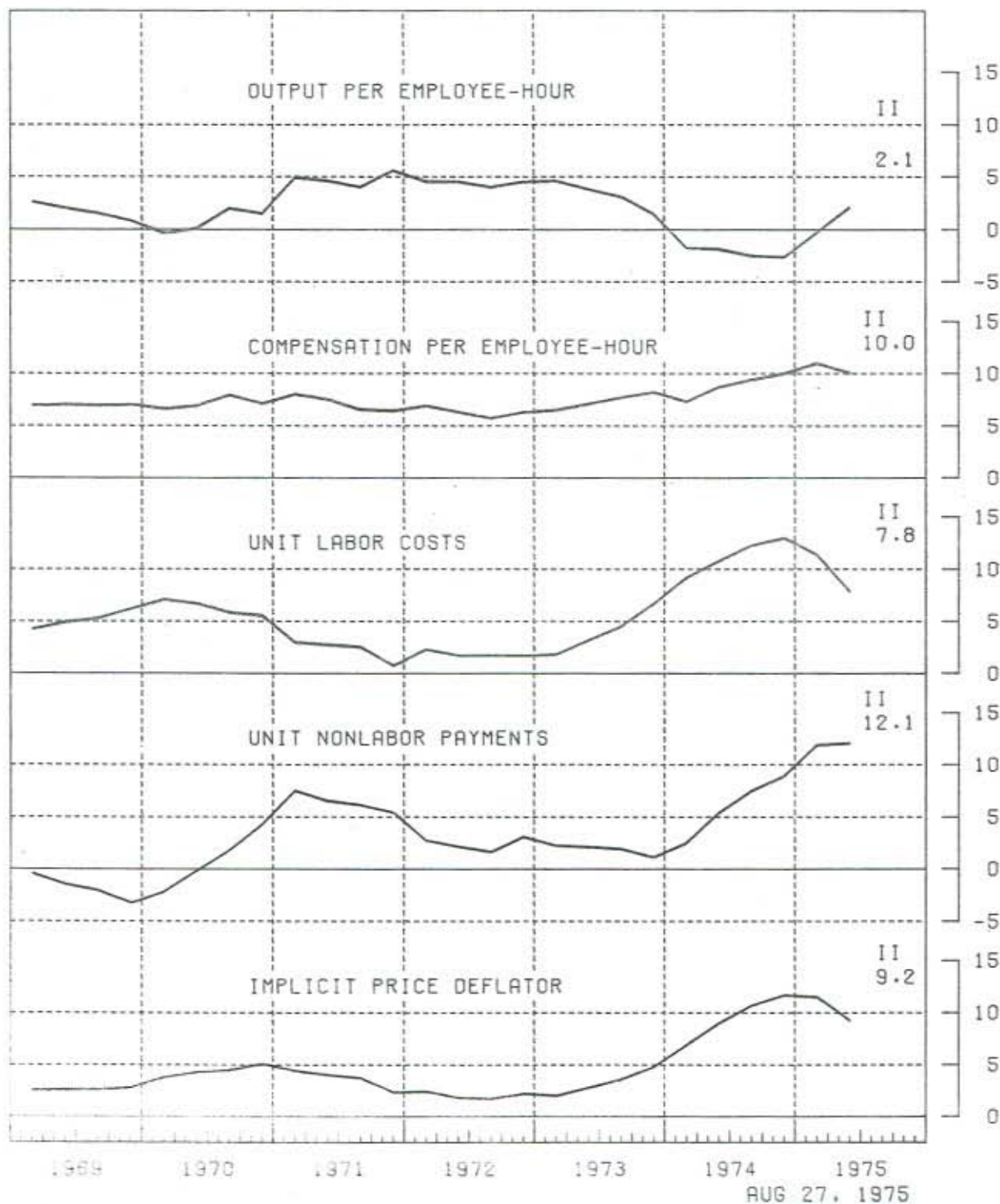


CHART 4.
UNIT COSTS, UNIT PROFITS, AND PRICES
NONFINANCIAL CORPORATIONS
(PERCENT CHANGE FROM SAME
QUARTER A YEAR AGO)

