

NEWS



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PRODUCTIVITY AND COSTS IN THE PRIVATE ECONOMY, THIRD QUARTER 1975
(and Revised Data for Nonfinancial Corporations, Second Quarter 1975)

Productivity in the private economy rose in the third quarter of 1975 at a 9.5 percent annual rate, the largest increase since the first quarter of 1971, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. The increase reflected a 12.1 percent gain in output and a 2.4 percent rise in hours. Output per hour of all persons declined 0.6 percent in the first quarter and increased 4.2 percent in the second quarter of this year.

In the nonfarm sector, output per hour of all persons increased at a 9.4 percent seasonally adjusted annual rate in the third quarter, compared with a decline of 2.6 percent in the first quarter and a 5.7 percent increase in the second. The productivity increase reflects a 11.1 percent increase in output and a 1.5 percent increase in hours of all persons. The third quarter increase in labor productivity was the largest since the second quarter of 1961.

In manufacturing, labor productivity increased 8.9 percent in the third quarter, reflecting increases of 15.8 percent in output and 6.4 percent in hours. Productivity decreased 9.6 percent in the first quarter of 1975 and increased 2.8 percent in the second. The third quarter increase was the largest quarterly increase in manufacturing productivity since the first quarter of 1971.

From the third quarter of 1974 to the third quarter of 1975, productivity increased 1.9 percent in the total private economy, 2.1 percent in the nonfarm sector, and was unchanged in manufacturing. A summary of third quarter data appears in table A. Details are given in tables 1-3.

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

Sector and Item	2nd Quarter 1975 to 3rd Quarter 1975	3rd Quarter 1974 to 3rd Quarter 1975
<u>Total Private Economy</u> (Preliminary)		
Output per hour of all persons	9.5	1.9
Compensation per hour	6.8	8.3
Unit labor costs	- 2.4	6.3
Real Compensation per hour	- 1.5	- 0.4
Output	12.1	- 2.6
Hours	2.4	- 4.4
<u>Nonfarm Sector</u> (Preliminary)		
Output per hour of all persons	9.4	2.1
Compensation per hour	8.6	8.5
Unit labor costs	- 0.8	6.2
Real Compensation per hour	0.1	- 0.2
Output	11.1	- 2.8
Hours	1.5	- 4.8
<u>Manufacturing</u> (Preliminary)		
Output per hour of all persons	8.9	0.0
Compensation per hour	8.0	10.6
Unit labor costs	- 0.8	10.6
Real Compensation per hour	- 0.5	1.7
Output	15.8	-10.1
Hours	6.4	-10.1

The increase in aggregate hours of all persons in the private economy (2.4 percent, at annual rate), the nonfarm sector (1.5 percent), and in manufacturing (6.4 percent) ended a period of steady decline in each instance. Average weekly hours continued a decline which began in the third quarter of 1973 in the private and nonfarm sectors but employment increases more than offset these declines; in manufacturing, the average workweek lengthened 4.1 percent in the third quarter, and employment also increased. Table B shows recent changes in the demand for labor as expressed by changes in hours paid for in several detailed sectors.

Table B. Changes in Aggregate Hours in the Nonfarm Sector
(Percent Change From Previous Quarter at Annual Rate)

Industry	1975-II	1975-III
Private Nonfarm <u>1/</u>	- 3.4	1.5
Mining	3.6	5.9
Construction	-17.1	- 2.1
Manufacturing	- 6.3	6.6
Transportation	- 8.4	- 2.9
Trade	- 0.8	1.1
Finance, Insurance, and Real Estate	- 4.8	- 0.6
Services	0.1	3.1
Other	2.5 2.1	16.7 -5.1

1/ Industry data are for paid employees only, except for the "other" category which includes government enterprises, private households, proprietors, and unpaid family workers.

COMPENSATION AND LABOR COSTS

Compensation per hour of all persons (which includes the costs of wages, employer contributions to Social Security, and fringe benefits) rose 6.8 percent in the total private economy in the third quarter, the smallest increase in these costs since the first quarter of 1974. As a result of the slower rate of increase in costs and the larger increase in productivity, unit labor costs declined 2.4 percent in the third quarter, compared with a 3.2 percent increase in the preceding period. This was the first decline in unit labor costs since the second quarter of 1972, and the largest decline since the third quarter of 1965. Real compensation per hour (hourly compensation adjusted for changes in the Consumer Price Index) declined 1.5 percent (at annual rate) in the third quarter, after having increased in the two preceding quarters.

In the nonfarm sector, hourly compensation of all persons increased 8.6 percent in the third quarter, compared with a 7.7 percent increase in the second quarter. When coupled with the 9.4 percent increase in labor productivity, unit labor costs declined 0.8 percent. This was the first decline in these costs since the second quarter of 1972 and the largest since the third quarter of 1965. Real hourly compensation increased 0.1 percent, compared with increases of 0.4 percent and 1.6 percent in the first two quarters of 1975.

In the manufacturing sector, compensation per hour of all persons increased 8.0 percent in the third quarter, compared with a 9.2 percent increase in the preceding period. Unit labor costs, however, fell 0.8 percent -- the first decline since the first quarter of 1973 and the largest since the third quarter of 1972. Real compensation per hour declined 0.5 percent from the preceding quarter.

The implicit price deflator (which reflects changes in unit labor costs and unit nonlabor costs combined) increased 5.7 percent (at annual rate) in the total

private economy and 4.6 percent in the nonfarm sector. This was a substantial improvement over the 1974 experience, when these costs increased 10.3 percent and 11.1 percent, respectively.

REVISED FIGURES FOR NONFINANCIAL CORPORATIONS

Revised output per all-employee hour measures for nonfinancial corporations in the second quarter of 1975 were also released today. The revisions reflect changes in the output measure in the second quarter, as well as updated hours series for the entire period. See tables C and 4. Labor productivity increased 12.5 percent in the second quarter; the increase had previously been reported as 9.5 percent, based on preliminary data.

Table C. Preliminary and Revised Measures, Nonfinancial Corporations
(Seasonally Adjusted)

	1975-I to 1975-II		1974-II to 1975-II	
	Preliminary	Revised	Preliminary	Revised
Output per all-employee hour	9.5	12.5	2.1	2.6
Compensation per hour	7.8	8.8	10.0	10.1
Unit labor costs	- 1.5	- 3.2	7.8	7.3
Real Compensation per hour	1.7	2.7	0.3	0.3
Output	4.5	6.4	- 5.7	- 5.3
Hours	- 4.5	- 5.4	- 7.6	- 7.6

NOTE: The employment and average weekly hours data collected in the monthly BLS Survey of Establishments which underlie these productivity and costs series were recently revised. The measures which appear in this press release are based on the values published in the October issue of Employment and Earnings.

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	112.3R	123.9	110.4R	157.1R	111.0R	139.9	136.1
	II	112.4R	124.0	110.3R	162.0R	111.4R	144.1	139.2
	III	112.0R	123.2	110.1R	166.3R	111.1R	148.5	143.3
	IV	110.5R	119.9	108.5R	169.7R	110.1R	153.6	148.3
	ANNUAL	112.0R	122.8	109.6R	164.0R	111.1R	146.5	141.6
1975	I	110.3R	116.2	105.3R	173.8R	110.6R	157.5R	151.4
	II	111.5R	116.6	104.6R	177.1R	111.0R	158.8R	153.3
	III	114.0P	120.0P	105.2P	180.0P	110.6P	157.8P	155.4P
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)								
1974	I	-8.4R	-8.8	-0.5R	6.6R	-5.0R	16.4R	4.9R
	II	0.3R	0.1	-0.2P	12.9R	1.4R	12.6	9.5
	III	-1.5R	-2.4	-0.9R	11.1R	-1.1R	12.3	12.3
	IV	-5.1	-10.4	-5.6	8.6	-3.5	14.4	14.8
	ANNUAL	-2.7R	-2.4	0.3R	8.7R	-2.0R	11.7R	7.9
1975	I	-0.6P	-11.8	-11.2R	10.0R	1.9R	10.7	8.6
	II	4.2R	1.5	-2.7R	7.6R	1.6R	3.2R	5.0
	III	9.5P	12.1P	2.4P	6.8P	-1.5P	-2.4P	5.7P
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)								
1974	I	-2.7R	-0.7	2.1R	6.6R	-3.0R	9.6	9.1
	II	-2.2R	-1.3	0.9R	8.6R	-1.8R	11.0R	9.6
	III	-2.3R	-2.3	0.0R	9.8R	-1.4R	12.4	10.6
	IV	-3.7	-5.5	-1.8R	9.8R	-2.1R	14.1	12.1
	ANNUAL	-2.7R	-2.4	0.3R	8.7R	-2.0R	11.7R	7.9
1975	I	-1.8R	-6.3	-4.6	10.7	-0.4R	12.6	11.3
	II	-0.8R	-5.9	-5.2R	9.3R	-0.3R	10.2	10.1
	III	1.9P	-2.6P	-4.4P	8.3P	-0.4P	6.3P	8.4P

SEE FOOTNOTES FOLLOWING TABLE 4.

R=REVISED

P=PRELIMINARY

OCTOBER 24, 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	111.2R	124.4	111.9R	155.5R	109.8R	139.9	122.7R	133.3
	II	110.7R	124.1	112.2R	159.8R	109.9R	144.4	127.5R	138.0
	III	110.1R	123.4	112.1R	163.8R	109.4R	148.8	131.4	142.2
	IV	109.1R	120.4	110.3R	167.5R	108.6R	153.5	135.6R	146.7
	ANNUAL	110.4R	123.1	111.5R	161.9R	109.6R	146.6	129.2R	140.0
1975	I	108.4R	116.2	107.2R	170.9R	108.7R	157.6R	140.1R	151.0
	II	109.9R	116.9	106.3R	174.1R	109.1R	158.4R	142.8R	152.5
	III	112.4P	120.0P	106.7P	177.7P	109.2P	158.1P	147.9P	154.2P
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)									
1974	I	-7.0R	-8.6	-1.6R	7.9R	-3.9R	16.1R	8.3R	13.3
	II	-1.8R	-0.8	1.0R	11.6R	0.2P	13.6R	16.7R	14.7
	III	-2.1R	-2.4	-0.3R	10.3R	-1.8R	12.7R	12.9R	12.8
	IV	-3.4	-9.3	-6.1	9.4	-2.8	13.2R	13.2R	13.2
	ANNUAL	-2.8	-2.6	0.3R	8.8R	-2.0R	12.0	9.5	11.1
1975	I	-2.6R	-13.1	-10.8R	8.4R	0.4R	11.3R	14.1R	12.3
	II	5.7R	2.1	-3.4R	7.7R	1.6R	1.9	7.9	4.0
	III	9.4P	11.1P	1.5P	8.6P	0.1P	-0.8P	14.8P	4.6P
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)									
1974	I	-2.4R	-0.6	1.8R	7.2R	-2.4R	9.8	5.3	8.2
	II	-2.4R	-1.5	0.9R	8.7R	-1.7R	11.4	8.9	10.5
	III	-2.9	-2.7	0.2R	9.6R	-1.7R	12.9	11.4	12.4
	IV	-3.6	-5.3	-1.8R	9.8R	-2.1R	13.9	12.7	13.5
	ANNUAL	-2.8	-2.6	0.3R	8.8R	-2.0R	12.0	9.5	11.1
1975	I	-2.5R	-6.5	-4.2	8.9R	-1.0R	12.7	14.2	13.2
	II	-0.7R	-5.9	-5.2R	8.9R	-0.7R	9.7	12.0	10.5
	III	2.1P	-2.8P	-4.8P	8.5P	-0.2P	6.2P	12.5P	8.4P

SEE FOOTNOTES FOLLOWING TABLE 4.

R=REVISED

P=PRELIMINARY

OCTOBER 24, 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	127.4R	132.3	103.9R	153.0R	108.1R	120.1
II	129.4R	132.9	102.7R	158.9R	109.3R	122.8
III	129.2R	132.8	102.8R	163.1R	108.9R	126.2
IV	128.9R	127.8	99.2R	168.4R	109.2R	130.7
ANNUAL	129.2R	131.8	102.0R	161.1R	109.0R	124.6
1975						
I	125.7R	116.2	92.5R	173.2R	110.1R	137.8
II	126.5	115.1R	91.0R	177.0R	111.0R	139.9R
III	129.2P	119.4P	92.4P	180.4P	110.3P	139.6P
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE (5)						
1974						
I	- 3.2R	- 5.8	- 2.7R	4.5R	- 7.1R	7.9
II	6.5R	1.8	- 4.4R	16.2R	4.5R	9.1
III	- 0.6R	- 0.3	0.3R	10.9R	- 1.3R	11.5
IV	- 1.0	-14.2	-13.3R	13.8R	1.1R	15.0
ANNUAL	0.7R	- 0.6	- 1.3R	9.4R	- 1.4	8.6
1975						
I	- 9.6R	-31.7	-24.4R	11.8R	3.5R	23.6
II	2.8R	- 3.7R	- 6.3R	9.2R	3.0R	6.2R
III	8.9P	15.8P	6.4P	8.0P	- 0.5P	- 0.8P
PERCENT CHANGE FROM PREVIOUS YEAR (5)						
1974						
I	0.5R	1.8	1.3R	7.1R	- 2.6R	6.5
II	1.1R	0.5	- 0.7R	9.2R	- 1.3R	7.9
III	- 0.1R	- 0.8	- 0.8R	10.0R	- 1.2R	10.1
IV	0.4	- 4.8	- 5.2	11.3	- 0.8R	10.9
ANNUAL	0.7R	- 0.6	- 1.3R	9.4R	- 1.4	8.6
1975						
I	- 1.4R	-12.2	-11.0	13.1R	1.9R	14.7
II	- 2.2R	-13.4R	-11.4R	11.4R	1.5R	13.9R
III	0.0P	-10.1P	-10.1P	10.6P	1.7P	10.6P

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

SOURCE: BUREAU OF LABOR STATISTICS
OCTOBER 24, 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 COMPENSATION (1)	REAL HOURLY COMPENSATION (2)	UNIT LABOR COSTS	UNIT NON-LABOR COSTS (8)	TOTAL UNIT COSTS (9)	UNIT PROFITS (10)	IMPLICIT PRICE DEFLATOR
INDEXES 1967=100										
1974										
I	118.1R	130.6	110.6R	156.5R	110.5R	132.6	134.2	133.0	86.8	126.0
II	118.2R	130.2	110.2R	161.1R	110.8R	136.4	137.9	136.7	90.9	129.8
III	117.6R	129.5	110.1R	165.1R	110.3R	140.4	142.4	140.9	90.6	133.3
IV	117.0R	126.0	107.7R	169.3R	109.8R	144.8	147.9	145.5	88.8	137.0
ANNUAL	117.7R	129.1	109.6R	163.0R	110.4R	138.4	140.9	139.0	89.2	131.5
1975										
I	117.7R	121.4	103.2R	173.6R	110.5R	147.5	157.4	150.0	87.3	140.5
II	121.2R	123.3R	101.8R	177.3R	111.2R	146.3R	159.5R	149.6	97.9R	141.8R
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE (5)										
1974										
I	- 7.0R	- 8.1	- 1.2R	6.8R	- 5.0R	14.9	13.9	14.6	-12.3	11.4
II	0.3R	- 1.4	- 1.7R	12.3R	- 1.0R	11.9	11.4	11.8	20.2	12.6
III	- 2.0R	- 2.1	- 0.1	10.3R	- 1.8R	12.5	13.9	12.9	- 1.0	11.3
IV	- 2.0R	-10.2	- 8.4R	10.6R	- 1.7R	12.9	16.1	13.7	- 7.7	11.3
ANNUAL	- 2.3R	- 2.5	- 0.1R	8.7R	- 2.0R	11.3	10.3	11.0	- 1.7	9.6
1975										
I	2.4R	-13.9	-15.9R	10.5R	2.3R	7.9	28.4	12.8	- 6.8	10.7
II	12.5R	6.4R	- 5.4R	8.8R	2.7R	- 3.2R	5.5R	- 1.1	58.3R	3.7
PERCENT CHANGE FROM PREVIOUS YEAR										
1974										
I	- 1.9R	- 0.1	1.9R	7.1R	- 2.6R	9.2	6.8	8.6	- 5.6	6.9
II	- 2.1R	- 1.6	0.5R	8.5R	- 1.9R	10.8	8.5	10.2	- 0.5	9.0
III	- 2.7R	- 2.6	0.1R	9.3R	- 1.9R	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	- 2.3R	- 2.5	- 0.1R	8.7R	- 2.0R	11.3	10.3	11.0	- 1.7	9.6
1975										
I	- 0.3	- 7.0	- 6.7R	10.9R	- 0.1R	11.3	17.3	12.8	0.6	11.5
II	2.6R	- 5.3R	- 7.6	10.1R	0.3	7.3R	15.7R	9.4R	7.7R	9.2

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

SOURCE: BUREAU OF LABOR STATISTICS
OCTOBER 24, 1975

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

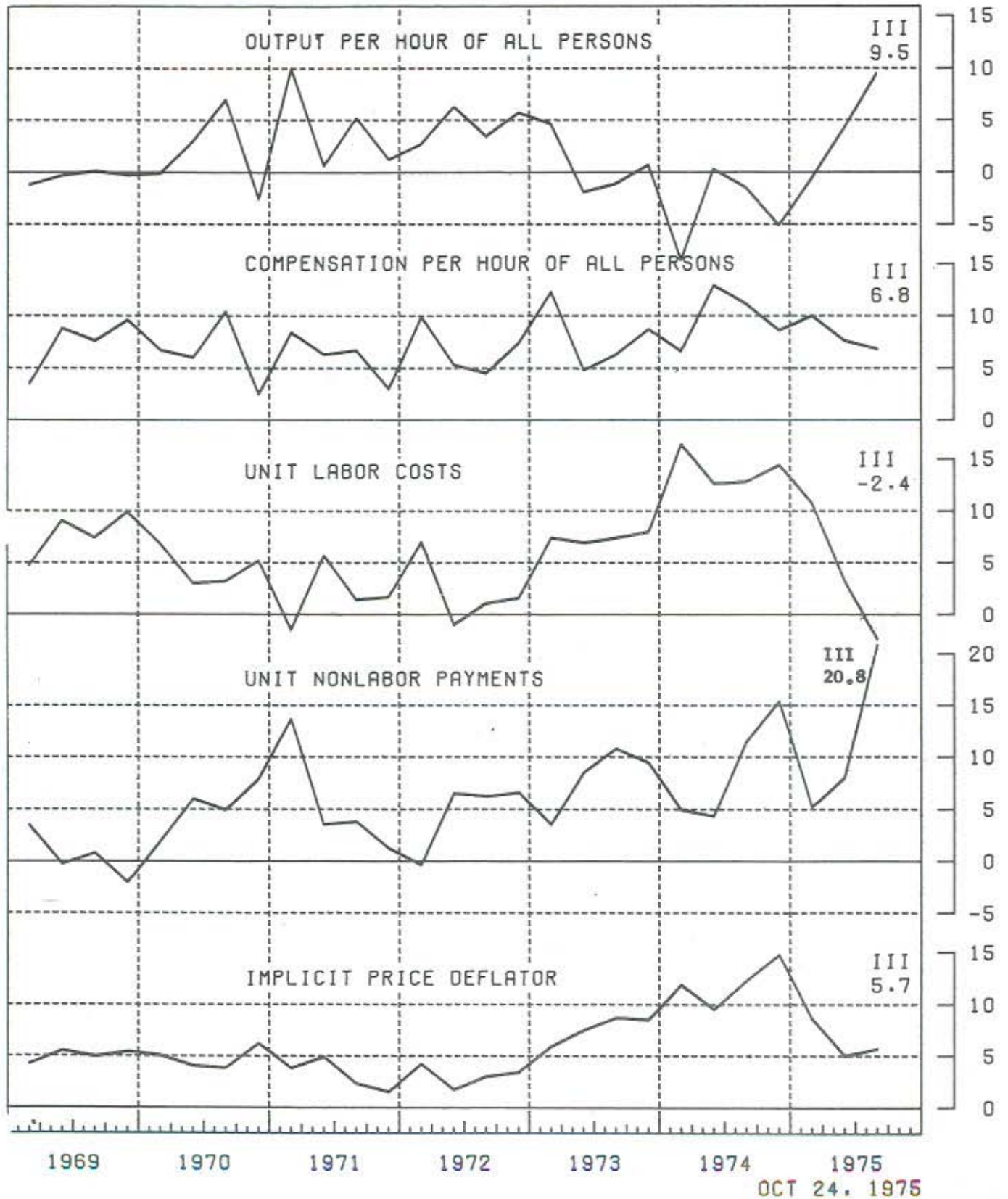


CHART 2. PRODUCTIVITY, HOURLY
 COMPENSATION, UNIT COSTS AND PRICES
 PRIVATE NONFARM SECTOR
 (PERCENT CHANGE FROM PRECEDING
 QUARTER AT ANNUAL RATE)

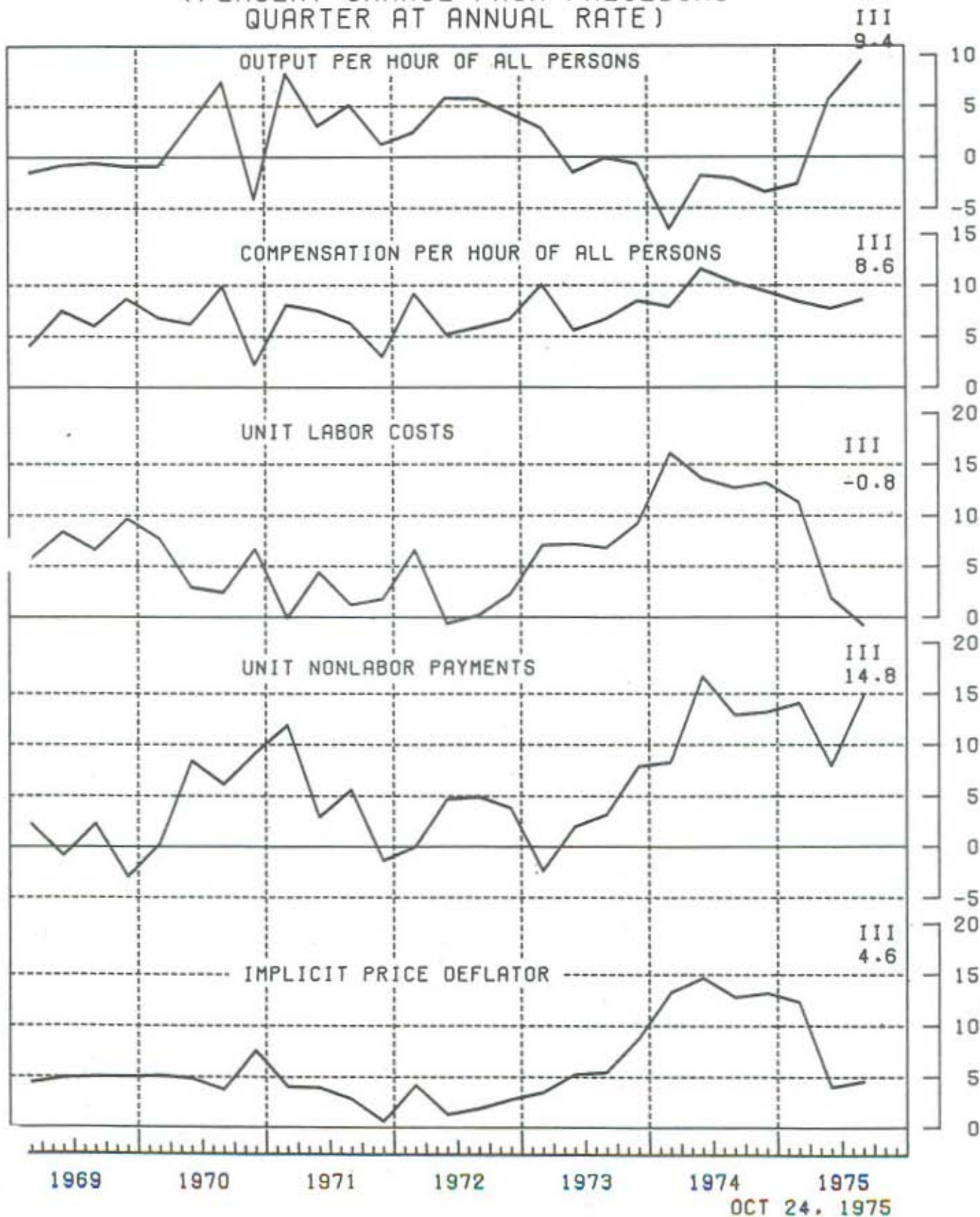


CHART 3. PRODUCTIVITY, HOURLY
 COMPENSATION, UNIT COSTS AND PRICES
 NONFINANCIAL CORPORATIONS
 (PERCENT CHANGE FROM SAME
 QUARTER A YEAR AGO)

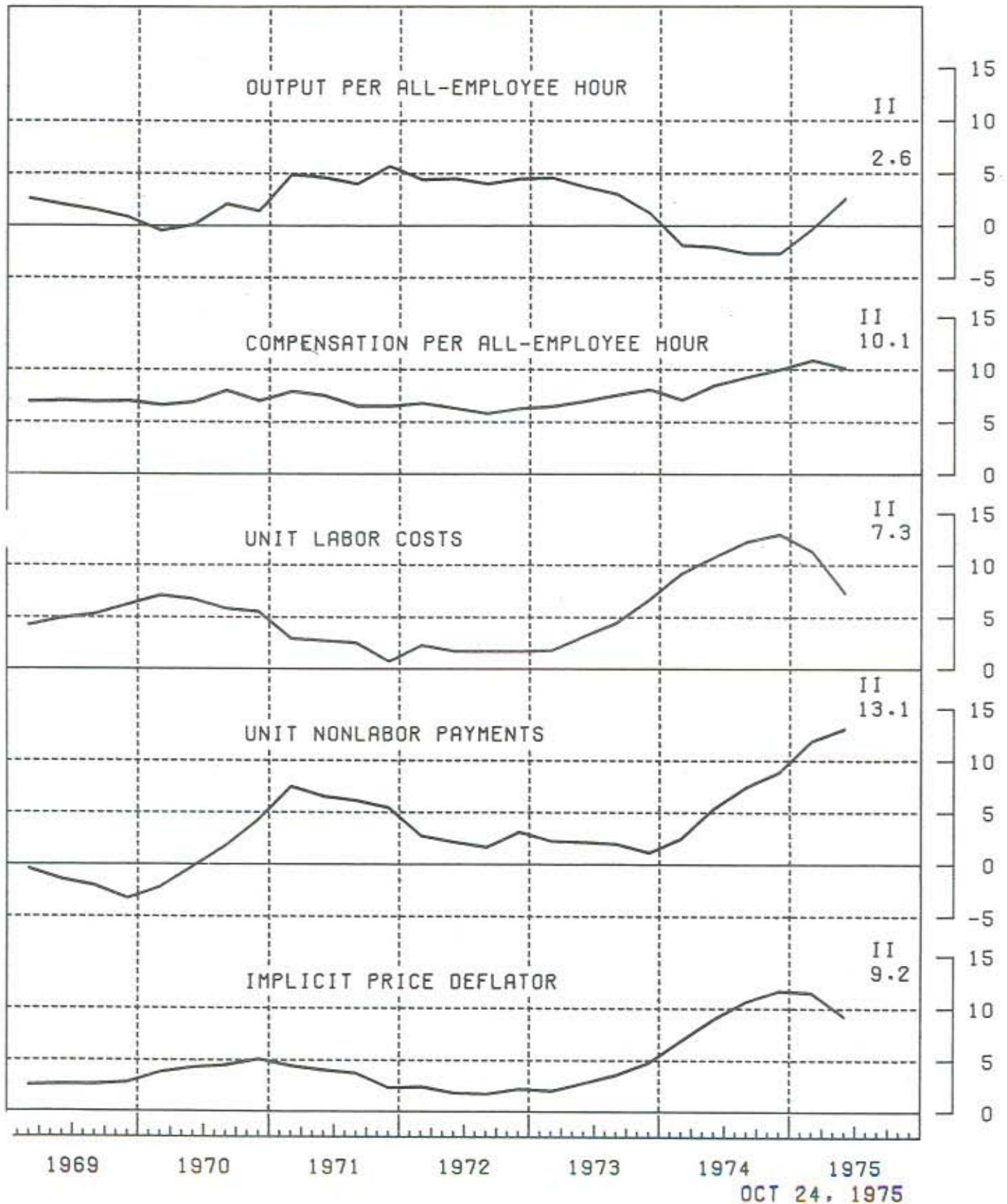


CHART 4.
 UNIT COSTS, UNIT PROFITS, AND PRICES
 NONFINANCIAL CORPORATIONS
 (PERCENT CHANGE FROM SAME
 QUARTER A YEAR AGO)

