

NEWS



U. S. DEPARTMENT OF LABOR BUREAU OF LABOR STATISTICS

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USDL 75-673
FOR RELEASE: 11:00 A.M.
Wednesday, November 26, 1975

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

Productivity in nonfinancial corporations increased at a seasonally adjusted annual rate of 12.4 percent in the third quarter, compared with a 12.5 percent increase in the second 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 16.9 percent increase in output--the largest since the second quarter of 1959--and a 4.0 percent increase in aggregate hours. The current output level is, however, still 1.0 percent lower than the year-ago level. See table A.

Revised figures for the third quarter of 1975 indicate that productivity in the total private economy increased 11.0 percent and, in the nonfarm sector, 11.1 percent. Previously, these measures had been reported as increases of 9.5 percent and 9.4 percent, respectively. In manufacturing, productivity increased 7.6 percent in the third quarter. This increase had previously been reported at 8.9 percent, based on preliminary data.

From the third quarter of 1974 to the third quarter of 1975, productivity increased 6.1 percent in nonfinancial corporations, 2.2 percent in the private economy, and 2.5 percent in the nonfarm sector and declined 0.3 percent in manufacturing. Details are given in tables 1-4.

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

	2nd Quarter 1975 to <u>3rd Quarter 1975</u>	3rd Quarter 1974 to <u>3rd Quarter 1975</u>
<u>Nonfinancial Corporations</u> (Preliminary)		
Output per all-employee hour	12.4	6.1
Compensation per hour	7.3	9.3
Unit labor costs	- 4.5	3.0
Real compensation per hour	- 1.1	0.5
Output	16.9	- 1.0
Aggregate hours	4.0	- 6.7
<u>Total Private Economy</u> (Revised)		
Output per hour of all persons	11.0	2.2
Compensation per hour	6.4	8.2
Unit labor costs	- 4.1	5.8
Real compensation per hour	- 1.8	- 0.5
Output	14.2	- 2.2
Aggregate hours	2.8	- 4.3
<u>Nonfarm Sector</u> (Revised)		
Output per hour of all persons	11.1	2.5
Compensation per hour	8.2	8.4
Unit labor costs	- 2.6	5.8
Real compensation per hour	- 0.2	- 0.3
Output	13.3	- 2.3
Aggregate hours	2.0	- 4.7
<u>Manufacturing</u> (Revised)		
Output per hour of all persons	7.6	- 0.3
Compensation per hour	7.6	10.6
Unit labor costs	0.0	10.9
Real compensation per hour	- 0.9	1.7
Output	15.0	-10.2
Aggregate hours	6.9	-10.0

Compensation and labor cost

Compensation per all-employee hour in nonfinancial corporations increased at a 7.3 percent annual rate in the third quarter, the slowest rate of increase since the first quarter of 1974. The third quarter change in compensation per hour (which includes both wages and supplements) reflects an 11.6 percent rise in compensation and a 4.0 percent increase in aggregate hours. Employment was up 2.4 percent (the first increase in 3 quarters), and average weekly hours increased 1.6 percent (the first quarterly increase since 1972).

Real compensation per all-employee hour (hourly compensation adjusted for changes in the Consumer Price Index) declined 1.1 percent in the third quarter, compared with a 2.7 percent increase in the preceding quarter.

Unit labor costs, which reflect changes in productivity and compensation per all-employee hour, declined 4.5 percent in the third quarter, the largest such decline in more than 10 years. In the preceding quarter, these costs declined 3.2 percent.

Unit nonlabor costs (which include depreciation, net interest, and indirect business taxes) fell 3.2 percent in the third quarter, compared with a 5.5 percent increase in the preceding quarter. This decline was the first since 1973 and contrasts with the double-digit increases which occurred throughout 1974 and the first quarter of 1975. Total unit costs (labor and nonlabor costs combined) declined 4.2 percent (the largest decline since 1965), compared with a 1.1 percent drop in the second quarter.

Profits and prices

Unit profits in the nonfinancial corporate sector increased at a seasonally adjusted annual rate of 95.9 percent in the third quarter, compared with a 58.3 percent increase one quarter earlier. This was the largest quarterly increase in unit profits since 1958, when the series begins, and as a result, profits are at their highest level. Unit profits are 27.8 percent above year-ago levels.

The implicit price deflator (IPD) for the nonfinancial corporate sector, which reflects changes in unit labor costs, unit nonlabor costs, and profits, increased at an annual rate of 3.9 percent in the third quarter, compared with a 3.7 percent increase during the preceding quarter. Although the IPD increased somewhat faster in the third quarter than in the second, the increase was still lower than the better than 10 percent rate of increase which prevailed in all of 1974 and the first quarter of 1975.

Table B summarizes price, cost, and profit developments since 1970.

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

	1970	1971	1972	1973	1974	1974		1975		
						III	IV	I	II	III
Implicit Price deflator.....	110.0	113.9	116.1	120.0	131.5	133.3	137.0	140.5	141.8	143.1
Total unit cost.....	116.8	120.1	121.4	125.2	139.0	140.9	145.5	150.0	149.6	148.0
Unit labor cost.....	114.9	117.4	119.6	124.4	138.4	140.4	144.8	147.5	146.3	144.6
Unit non- labor cost....	122.9	128.6	126.9	127.7	140.9	142.4	147.9	157.4	159.5	158.2
Unit Profits...	71.3	79.1	86.7	90.8	89.2	90.6	88.8	87.3	97.9	115.8

Revised third quarter measures for the private economy

Revised productivity and costs measures for the private economy, the nonfarm sector and the manufacturing sector were also released today. These show higher rates of productivity growth than had been reported previously, reflecting the upward revision in the output measures published by the Bureau of Economic Analysis of the U.S. Department of Commerce. The increase in output in the private sector in the third quarter of 1975 (14.2 percent, at annual rate) was the largest since 1950, and the nonfarm gain (13.3 percent) was the largest since 1955. The large productivity gains in the private and nonfarm sectors (11.0 and 11.1 percent respectively) were the largest since 1961 and were reflected in unit labor costs, which declined 4.1 percent in the private sector (the largest decline since 1955), and 2.6 percent in the nonfarm sector (the largest since 1965).

In manufacturing, the productivity increase is lower in the revised series, since the Federal Reserve Board's monthly index of industrial production was revised down (from an increase of 15.8 percent to 15.0 percent) and aggregate hours revised upward (increasing 6.9 percent rather than 6.4 percent). The revised productivity and output increases were the largest since the first quarter of 1973. Unit labor costs were unchanged from the previous quarter, the first quarter in which these costs did not increase since the first quarter of 1973. See table C.

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

<u>Total Private Economy</u>	<u>Preliminary</u>	<u>Revised</u>
Output per hour of all persons	9.5	11.0
Compensation per hour	6.8	6.4
Unit labor costs	- 2.4	- 4.1
Real compensation per hour	- 1.5	- 1.8
Output	12.1	14.2
Aggregate hours	2.4	2.8
 <u>Nonfarm Sector</u>		
Output per hour of all persons	9.4	11.1
Compensation per hour	8.6	8.2
Unit labor costs	- 0.8	- 2.6
Real compensation per hour	0.1	- 0.2
Output	11.1	13.3
Aggregate hours	1.5	2.0
 <u>Manufacturing</u>		
Output per hour of all persons	8.9	7.6
Compensation per hour	8.0	7.6
Unit labor costs	- 0.8	0.0
Real compensation per hour	- 0.5	- 0.9
Output	15.8	15.0
Aggregate hours	6.4	6.9

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	112.5	123.9	110.4	157.1	111.0	139.9	136.1
	II	112.4	124.0	110.3	162.0	111.4	144.1	139.2
	III	112.0	123.2	110.1	166.5	111.1	140.5	143.3
	IV	110.5	119.3	105.5	169.7	110.1	153.6	140.3
	ANNUAL	112.0	122.0	109.0	164.0	111.1	140.0	141.6
1975	I	110.3	116.2	105.3	173.0	110.6	157.5	151.4
	II	111.5	118.6	104.6	177.1	111.0	150.0	153.3
	III	114.4R	129.5R	105.3R	170.1R	110.5R	157.1R	155.3R
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)								
1974	I	-3.4	-3.0	-0.5	6.0	-5.0	10.4	11.9
	II	0.3	0.1	-0.2	12.9	1.4	12.6	9.5
	III	-1.5	-2.4	-0.1	11.1	-1.1	12.0	12.3
	IV	-5.1	-10.4	-5.6	3.6	-3.5	10.4	16.8
	ANNUAL	-2.7	-2.4	0.3	8.7	-2.0	11.7	10.3
1975	I	-0.6	-11.0	-11.2	10.0	1.9	10.7	8.6
	II	4.2	1.5	-2.7	7.6	1.6	3.2	5.0
	III	11.0R	14.2R	2.0R	6.4R	-1.8R	-4.1R	5.3R
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)								
1974	I	-2.7	-0.7	2.1	6.6	-3.9	9.6	9.1
	II	-2.2	-1.3	0.9	8.6	-1.8	11.0	9.6
	III	-2.3	-2.3	0.0	9.0	-1.4	12.4	10.6
	IV	-3.7	-5.5	-1.0	9.3	-2.1	14.1	12.1
	ANNUAL	-2.7	-2.4	0.3	8.7	-2.0	11.7	10.3
1975	I	-1.0	-6.3	-4.6	10.7	-0.4	12.6	11.3
	II	-0.8	-5.9	-5.2	9.3	-0.3	10.2	10.1
	III	2.2R	-2.2R	-4.3R	8.2R	-0.5R	5.8R	8.4

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

NOVEMBER 26, 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	111.2	124.4	111.9	155.5	109.8	139.9	133.3
	II	110.7	124.1	112.2	159.8	109.9	144.4	138.0
	III	110.1	123.4	112.1	163.0	109.4	148.8	142.2
	IV	109.1	120.4	119.3	167.5	108.6	153.5	146.7
	ANNUAL	110.4	123.1	111.5	161.9	109.6	146.6	140.0
1975	I	108.4	116.2	107.2	170.9	103.7	140.1	151.0
	II	109.9	116.9	106.3	174.1	109.1	142.0	152.5
	III	112.3R	120.5R	106.3R	177.5R	109.1R	148.7R	154.1R
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE(5)								
1974	I	-7.0	-8.6	-1.6	7.9	-3.9	16.1	8.3
	II	-1.8	-0.8	1.0	11.6	0.2	13.6	16.7
	III	-2.1	-2.4	-0.3	10.3	-1.8	12.7	12.9
	IV	-3.4	-9.3	-6.1	9.4	-2.8	13.2	13.2
	ANNUAL	-2.3	-2.6	0.3	8.8	-2.0	12.0	9.5
1975	I	-2.6	-13.1	-10.0	8.4	0.4	11.3	14.1
	II	9.7	2.1	-3.4	7.7	1.6	1.9	4.0
	III	11.1R	13.3R	2.0R	8.2R	-0.2R	-2.6R	17.5R
PERCENT CHANGE FROM CORRESPONDING QUARTER OF PREVIOUS YEAR(6)								
1974	I	-2.4	-0.6	1.8	7.2	-2.4	9.8	8.2
	II	-2.4	-1.5	0.9	8.7	-1.7	11.4	10.5
	III	-2.9	-2.7	0.2	9.6	-1.7	12.9	12.4
	IV	-3.6	-5.3	-1.8	9.8	-2.1	13.9	13.5
	ANNUAL	-2.8	-2.6	0.3	8.8	-2.0	12.0	11.1
1975	I	-2.5	-6.5	-4.2	9.9	-1.0	12.7	13.2
	II	-0.7	-5.9	-5.2	8.9	-0.7	9.7	10.5
	III	2.5R	-2.3R	-4.7R	8.4R	-0.3R	9.8R	8.3R

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

NOVEMBER 26, 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	127.4	132.3	103.9	153.0	108.1	120.1
II	129.4	132.9	102.7	158.9	109.3	122.8
III	129.2	132.8	102.8	163.1	108.9	126.2
IV	128.9	127.8	99.2	168.4	109.2	130.7
ANNUAL	129.2	131.8	102.0	161.1	109.0	124.6
1975						
I	125.7	116.2	92.5	173.2	110.1	137.8
II	126.5	115.1	91.0	177.0	111.0	139.9
III	128.7R	119.2R	92.5R	180.3R	110.7R	139.9R
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE (5)						
1974						
I	- 3.2	- 5.8	- 2.7	4.5	- 7.1	7.9
II	6.5	1.8	- 4.4	16.2	4.5	9.1
III	- 0.6	- 0.3	0.3	10.9	- 1.3	11.5
IV	- 1.9	-14.2	-13.3	13.8	1.1	15.0
ANNUAL	0.7	- 0.6	- 1.3	9.4	- 1.4	8.6
1975						
I	- 9.6	-31.7	-24.4	11.8	3.5	23.6
II	2.8	- 3.7	- 6.3	9.2	3.0	6.2
III	7.6R	15.0R	6.9R	7.6R	- 0.9R	0.0R
PERCENT CHANGE FROM PREVIOUS YEAR (5)						
1974						
I	0.5	1.8	1.3	7.1	- 2.6	6.5
II	1.1	0.5	- 0.7	9.2	- 1.3	7.9
III	- 0.1	- 0.8	- 0.8	10.0	- 1.2	10.1
IV	0.4	- 4.8	- 5.2	11.3	- 0.8	10.9
ANNUAL	0.7	- 0.6	- 1.3	9.4	- 1.4	8.6
1975						
I	- 1.4	-12.2	-11.0	13.1	1.9	14.7
II	- 2.2	-13.4	-11.4	11.4	1.5	13.9
III	- 0.3R	-10.2R	-10.0R	10.6	1.7	10.9R

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

SOURCE: BUREAU OF LABOR STATISTICS
NOVEMBER 26, 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(3)	TOTAL UNIT COSTS (9)	UNIT PRO- FITS (10)	IMPLICIT PRICE DEFLATOR
INDEXES 1967=100										
1974										
I	118.1	130.6	110.6	156.5	110.5	132.6	134.2	133.0	86.8	126.0
II	118.2	130.2	110.2	161.1	110.3	136.4	137.9	136.7	90.9	129.3
III	117.6	129.5	110.1	165.1	110.3	140.4	142.4	140.9	90.6	133.3
IV	117.0	126.0	107.7	169.3	109.8	144.8	147.9	145.5	88.8	137.0
ANNUAL	117.7	129.1	109.6	163.0	110.4	138.4	140.9	139.0	89.2	131.5
1975										
I	117.7	121.4	103.2	173.6	110.5	147.5	157.4	150.0	87.3	140.5
II	121.2	123.3	101.3	177.3	111.2	146.7	159.5	149.6	97.9	141.8
III	124.3P	128.2P	102.3P	180.5P	110.9P	144.6P	158.2P	148.9P	115.8P	143.1P
PERCENT CHANGE FROM PREVIOUS QUARTER AT ANNUAL RATE (5)										
1974										
I	- 7.0	- 8.1	- 1.2	6.3	- 5.0	14.9	13.9	14.6	-12.3	11.4
II	0.3	- 1.4	- 1.7	12.3	- 1.0	11.9	11.4	11.9	20.2	12.6
III	- 2.0	- 2.1	- 0.1	10.3	- 1.8	12.5	13.9	12.9	- 1.0	11.3
IV	- 2.0	-10.2	- 8.4	10.6	- 1.7	12.9	16.1	13.7	- 7.7	11.3
ANNUAL	- 2.3	- 2.5	- 0.1	8.7	- 2.0	11.3	10.3	11.0	- 1.7	9.6
1975										
I	2.4	-13.9	-15.9	10.5	2.3	7.9	28.4	12.8	- 6.0	10.7
II	12.5	6.4	- 5.4	8.8	2.7	- 3.2	5.5	- 1.1	58.3	3.7
III	12.4P	16.9P	4.0P	7.3P	- 1.1P	- 4.5P	- 3.2P	- 4.2P	95.9P	3.9P
PERCENT CHANGE FROM PREVIOUS YEAR										
1974										
I	- 1.9	- 0.1	1.9	7.1	- 2.6	9.2	6.8	8.6	- 5.6	6.9
II	- 2.1	- 1.6	0.5	8.5	- 1.9	10.8	8.5	10.2	- 7.5	9.0
III	- 2.7	- 2.6	0.1	9.3	- 1.9	12.3	11.9	12.0	0.4	10.7
IV	- 2.7	- 5.5	- 2.9	10.0	- 1.9	13.0	13.8	13.2	- 3.9	11.7
ANNUAL	- 2.3	- 2.5	- 0.1	8.7	- 2.0	11.3	10.3	11.0	- 1.7	9.6
1975										
I	- 0.3	- 7.0	- 6.7	10.9	- 0.1	11.3	17.3	12.8	0.6	11.5
II	2.6	- 5.3	- 7.6	10.1	0.3	7.3	15.7	9.4	7.7	9.2
III	6.1P	- 1.0P	- 6.7P	9.3P	0.5P	3.0P	11.1P	5.0P	27.8P	7.3P

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

SOURCE: BUREAU OF LABOR STATISTICS
NOVEMBER 26, 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 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)

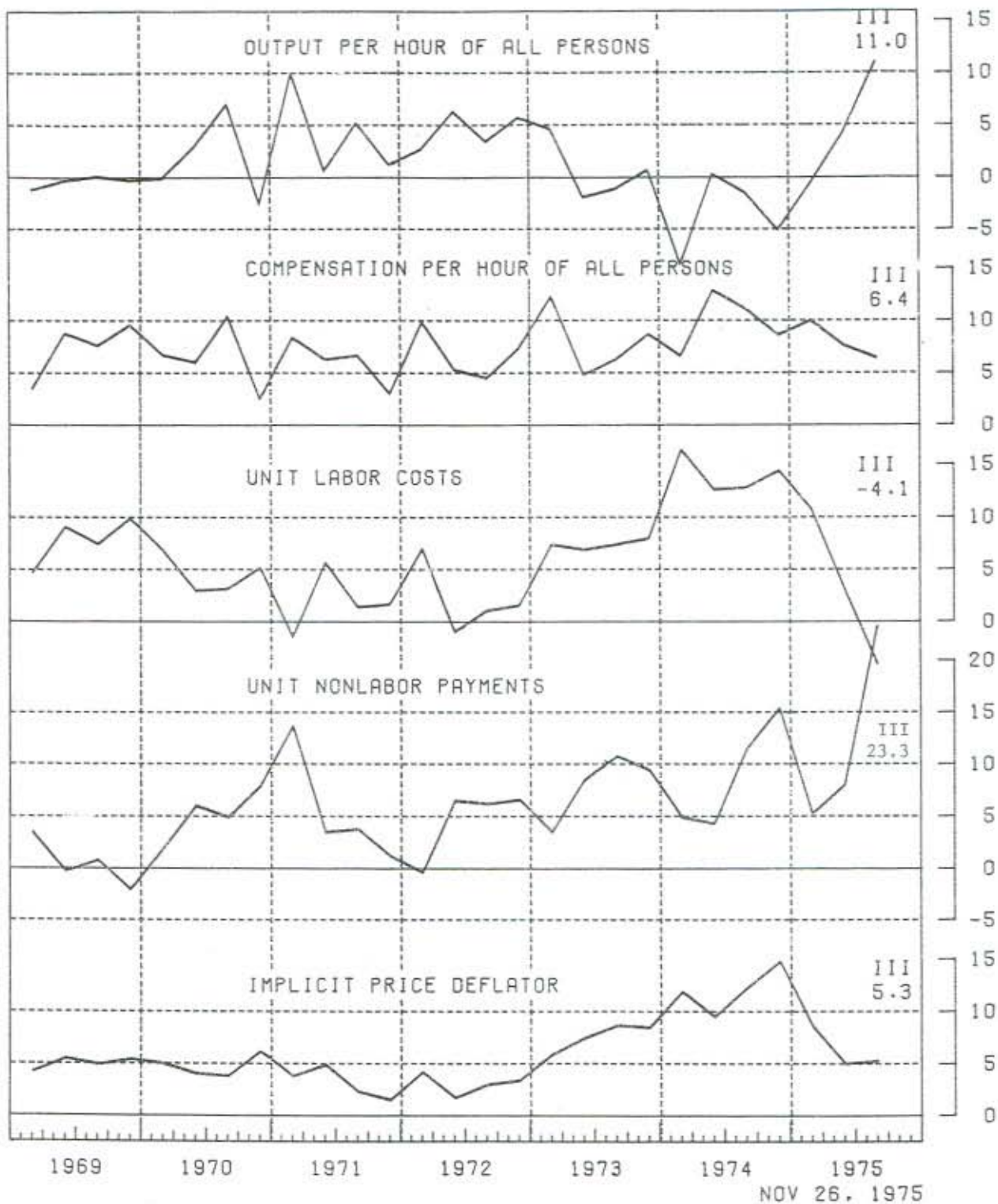


CHART 2. PRODUCTIVITY, HOURLY
 COMPENSATION, UNIT COSTS AND PRICES
 PRIVATE NONFARM SECTOR
 (PERCENT CHANGE FROM PRECEDING
 QUARTER AT ANNUAL RATE)

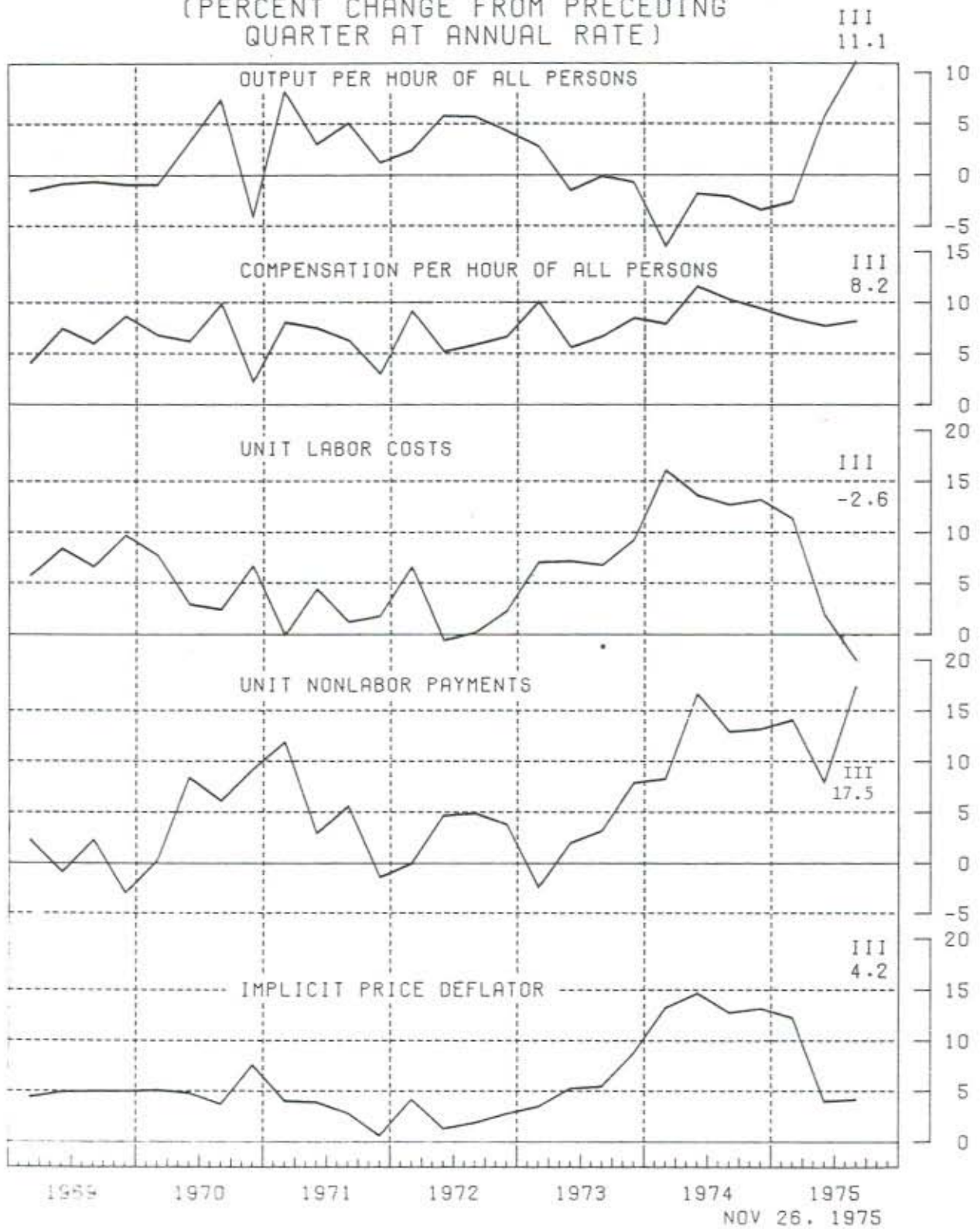


CHART 3. PRODUCTIVITY, HOURLY
 COMPENSATION, UNIT COSTS AND PRICES
 NONFINANCIAL CORPORATIONS
 (PERCENT CHANGE FROM SAME
 QUARTER A YEAR AGO)

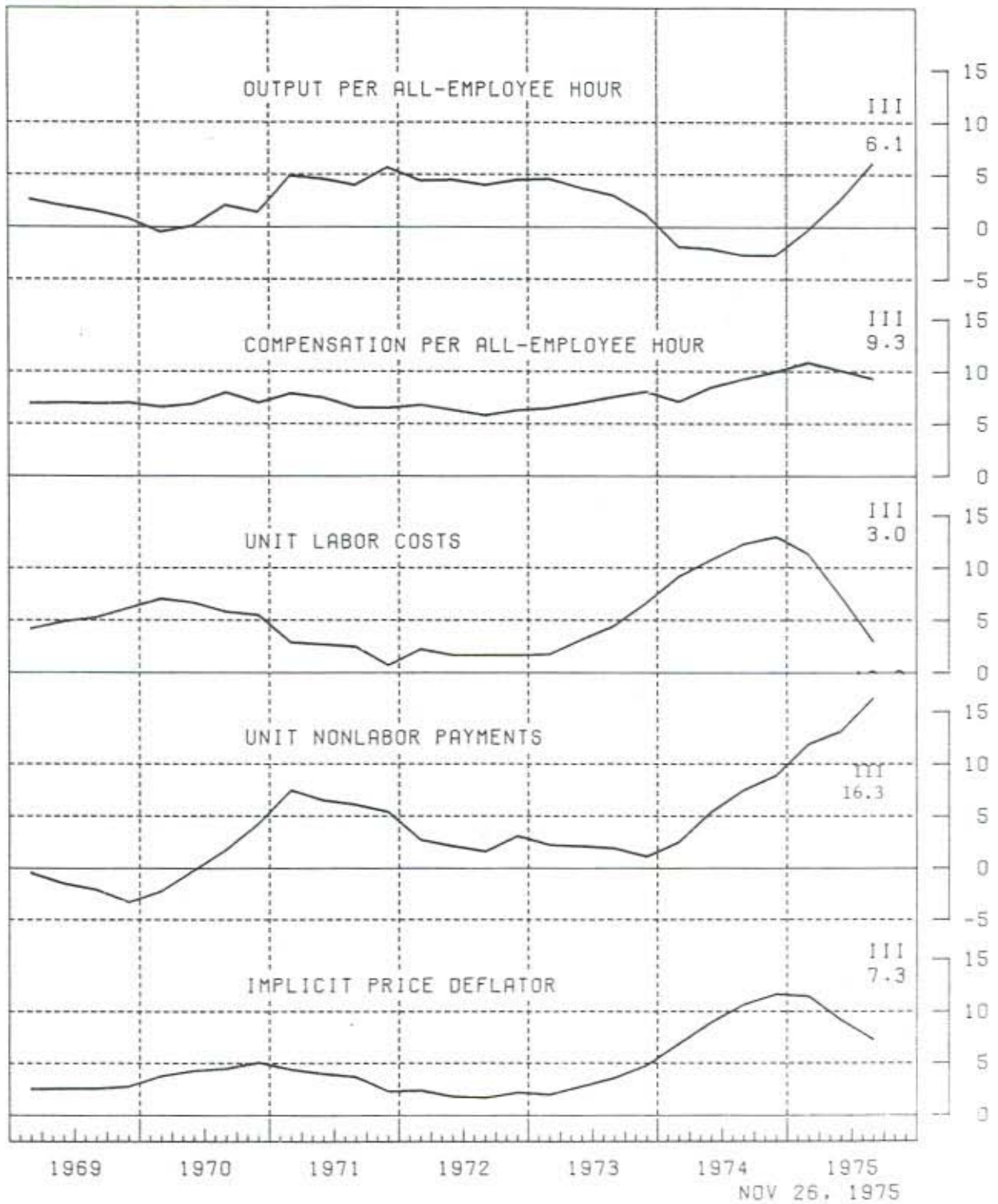


CHART 4.
 UNIT COSTS, UNIT PROFITS, AND PRICES
 NONFINANCIAL CORPORATIONS
 (PERCENT CHANGE FROM SAME
 QUARTER A YEAR AGO)

