Bank of England

Discussion Paper No.15

Influences on the profitability of twenty-two industrial sectors

by

N.P.Williams

March 1981

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Contents

Introduction and summary[1]

1 The decline in the real profitability of UK industry since the early 1960s to its very low level of recent years has been well documented. This trend is apparent whether real profitability is measured pre-tax or post-tax, as a rate of return - either on trading assets, or on the equity stake in those assets - or as a share of profits in income, and whether derived from national accounts data or from companies' published accounts [see, for example, King (1975), Flemming et al. (1976), and Clark and Williams (1978)]. Recent work has shown these broad conclusions to hold for a limited number of highly-aggregated sectors of UK industry [Williams (1979)].

2 This paper extends these analyses in a number of fresh directions. First, in Sections 2 and 3, it presents estimates of the pre-tax recorded and real profitability of trading assets, and of the equity stake in those assets, for seventeen sectors of manufacturing industry and five sectors of distribution and services over the period 1961-77. The material is drawn from the published accounts (which have been adjusted for inflation in the course of this work) of over 1,000 large listed companies, as presented in the Department of Industry's Business Monitor MA3: Company Finance. (The limitations of the sample for the purposes of this study are described in Appendix 3.) Second, in Section 4, two alternative treatments of deferred taxation are suggested - one, which is on a 'disposal basis', measures the government's 'equity stake' in a business by the deferred tax which will be payable if the company should sell all of its physical assets, and the other, which is on a 'going concern basis', assumes that none of this tax will ultimately be paid - and disaggregated estimates of post-tax real rates of return to the

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[1] The author acknowledges the advice, guidance and encouragement of Alastair Clark, in particular, and also Stephen Collins, Nigel Jenkinson, Christopher Taylor and Andrew Threadgold. Invaluable research assistance was provided by Pauline Bland and Patricia Dunster. The Department of Industry were consulted in the course of this work.

equity stake corresponding to these treatments are presented. Third, in Section 5, an econometric approach for explaining real profitability in terms of cost inflationary, cyclical and secular factors, which has been applied to aggregate data [Clark and Williams (1978)], is here extended to a number of sectors. Fourth, the technique used in this study to adjust companies' published accounts for the effects of inflation is described in Appendix 1. Detailed disaggregated results are published in Appendix 4.

3 It is concluded that the pre-tax real profitability (both of trading assets and of the equity stake in those assets) of UK industrial sectors has varied greatly, more so in recent years when some have earned pre-tax real returns (on both trading assets and the equity stake) of over 10% whilst others have sustained losses; and the downward trend has been widespread, though there have been exceptions. Real returns to the equity stake have been higher in most, though not all, sectors than those on trading assets to an extent chiefly reflecting the current cost capital gearing of trading assets. A downward trend in post-tax real returns (on the basis of either treatment of deferred tax) has been common to most sectors, with many sustaining losses in recent years. This paper provides fresh evidence that the acceleration of cost inflation during the 1970s - together with an adherence to pricing policies which have not paid full regard to current costs - has been a major factor leading to the depressed level of profitability in recent years.

Pre-tax recorded profitability

Trading assets

4 The pre-tax recorded rate of return on trading assets[1] measures the return (gross trading profits, net of depreciation at book value) generated by companies' trading assets, as valued in their balance sheets.[2] The recorded profitability of trading assets of the whole Business Monitor (BM) sample (Table A), after being broadly stable between 12% and 15% over the period 1961 to 1971, increased to average about 17% from 1972 onwards. This measure of profitability was generally higher in distribution and services than in manufacturing during the 1960s (averaging about 15 1/2%, compared with 12 1/2%), but has been fairly similar in these two broad industrial groupings since 1974 (Table B).

5 Two features of the estimates shown in Table B are the differences in the levels of, and trends in, the recorded returns on trading assets in different industrial sectors. (Appendix 4, Table 1 presents estimates of the pre-tax recorded and real returns of all sectors covered by this study.) During the four years from 1974 to 1977, the recorded return on trading assets averaged between 15% and 20% in twelve of the twenty-two industrial sectors, but the return was about 10% or less in shipbuilding and marine engineering (which has sustained losses, even in recorded terms, during a substantial part of the 1970s), vehicles, and clothing and footwear, but 22% in electrical engineering, and rather higher in leather, leather goods and fur. It has been noted above that there has been a marked upward trend in the recorded profitability of trading assets in the 1970s, more especially in manufacturing than in distribution and

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[1] All measures of profitability are defined in Appendix 2.

[2] It therefore differs from a 'true' historic cost measure of the pre-tax return on trading assets (which is a by-product of the method of inflation-adjustment described in Appendix 1) to the extent that companies' balance sheets incorporate revaluations to fixed assets; since 1974, the recorded rate of return has been about 3% less than an estimate of the historic cost return on trading assets among the entire BM sample of companies.

services; and, within manufacturing, this trend has been particularly pronounced in chemicals and allied industries, electrical engineering, leather, leather goods and fur, and timber, furniture, etc. However, returns have been on a downward trend during the 1960s and 1970s, even in recorded terms, in the shipbuilding and marine engineering, vehicles, clothing and footwear, and miscellaneous services sectors.

The equity stake

6 The pre-tax recorded rate of return on the equity stake in trading assets can be derived from that on all trading assets by:

(i) deducting net interest payments from the recorded profits generated by total trading assets; and

(ii) deducting net debt[1] from total trading assets to give the equity stake in those assets.

7 Therefore, for a given recorded return on trading assets, the return to the equity stake will be higher:

(i) for a lower nominal 'implied' rate of interest on (net) debt[2]; and

(ii) if (i) holds, for a higher level of capital gearing as recorded in companies' balance sheets.

8 The recorded return on the equity stake has consistently exceeded that on trading assets, reflecting the higher returns generated by total trading assets than those accruing to the debt stake (Table A). Returns on both equity and on trading assets rose over the period of this study. Between 1961-65 and 1970-73, returns on equity rose more rapidly than those on trading assets because of a sharp increase

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[1] Strictly speaking, that part of net debt which is assumed to finance trading, rather than non-trading, assets (see page 50, footnote 1); the calculation of net interest payments is consistent with this treatment.

[2] Computed as net interest payments as a percentage of net debt. The 'implied' rate of interest on net debt has exceeded that on gross debt - interest on short-term and long-term debt, and preference share payments as a percentage of the corresponding mid-year stocks of debt (Table A) - largely because rates of interest on bank advances exceed those on bank deposits, and companies typically hold some (non-interest-bearing) cash balances. The remainder of this paper concentrates on the more familiar concept of the 'implied' rate of interest on gross debt.

Table A

The relationship between the recorded profitability of trading assets and of the equity stake: the entire BM sample

Per cent

	Profitability: recorded		'Implied' nominal rate of interest		Capital gearing: recorded
	Trading assets	Equity	On gross debt	On net debt	
1961-65	13.8	16.5	5.4	6.3	22.2
1966-69	13.6	16.8	6.9	7.4	28.1
1970-73	15.1	19.2	7.7	8.5	32.0
1974-77	17.2	20.3	10.4	11.5	29.1

in companies' recorded capital gearing, which more than offset the effect of a greater increase in nominal returns on debt than on trading assets. Between 1970-73 and 1974-77, returns on equity rose less than those on trading assets as nominal returns on debt rose and recorded capital gearing fell.

9 The pattern in most sectors is similar. In the vehicles industry, however, the recorded return of the equity stake was lower than that of trading assets in part of the 1970s as trading assets generated a lower recorded return than the (prior) nominal claim of the debt stake; indeed, in 1975 the equity stake sustained losses (in recorded terms) at the rate of 8 1/2% although trading assets, as a whole, were generating a modest (recorded) profit. The recorded returns to equity show a greater degree of sectoral variability than those to trading assets (Table B), reflecting the relative invariance of the nominal returns accruing to debt between sectors (Table C). The sectoral variation may partly reflect influences such as risk, but differences in the structure and age composition of debt, in conjunction with the upward trend in nominal interest rates during the 1960s and 1970s, seem also to be important.

10 There has, however, been a great deal more sectoral variation in both trends, and levels, of recorded capital gearing than in the 'implied' interest rates on debt (Table D; Appendix 4, Table 2 provides estimates of recorded and replacement cost capital gearing for all sectors). Two examples illustrate the effects of these

Table B

Pre-tax recorded profitability of trading assets and of the equity stake in illustrative sectors

Per cent

	Manufacturing							
	Total		of which:					
			Tobacco		Electrical engineering		Vehicles	
	Trading assets	Equity	Trading assets	Equity	Trading assets	Equity	Trading assets	Equity
1961-65	13.1	15.5	13.2	19.1	13.5	16.2	12.2	14.3
1966-69	12.3	15.0	14.8	19.3	13.1	16.6	11.8	14.3
1970-73	14.3	18.1	17.8	26.4	17.8	22.0	9.8	10.8
1974-77	17.2	20.2	20.6	28.7	22.0	24.1	8.9	5.1

	Manufacturing (continued)		Distribution and services			
			Total		of which:	
					Miscellaneous services	
	Bricks, pottery, glass, cement, etc.					
	Trading assets	Equity	Trading assets	Equity	Trading assets	Equity
1961-65	17.6	19.8	16.3	19.3	16.6	20.9
1966-69	14.1	16.6	15.1	18.3	14.4	18.7
1970-73	16.4	20.5	17.4	22.5	13.9	18.9
1974-77	15.0	16.7	17.2	20.4	13.5	16.6

Table C

'Implied' nominal rates of interest on gross debt in illustrative sectors

Per cent

	Manufacturing					Distribution and services	
		of which:					of which:
	Total	Tobacco	Electrical engineering	Vehicles	Bricks, pottery, glass, cement, etc.	Total	Miscellaneous services
1961-65	5.4	4.4	5.5	5.5	5.2	6.0	5.1
1966-69	6.9	5.4	6.3	7.3	7.1	7.8	6.9
1970-73	7.6	6.1	7.4	8.3	7.7	8.2	7.4
1974-77	10.3	9.9	9.9	14.7	10.1	10.6	10.2

Table D

Recorded capital gearing in illustrative sectors

Per cent

	Manufacturing					Distribution and services	
		of which:					of which:
	Total	Tobacco	Electrical engineering	Vehicles	Bricks, pottery, glass, cement, etc.	Total	Miscellaneous services
1961-65	22.4	38.5	24.4	20.9	13.2	21.0	26.3
1966-69	28.3	29.0	30.2	29.8	23.5	26.0	32.7
1970-73	32.2	38.0	26.9	33.9	28.8	31.2	39.4
1974-77	28.7	41.6	14.2	38.0	22.8	29.6	45.0

differences on the relationship between the recorded profitability of trading assets and of the equity stake. For instance, in 1974-77, the recorded return on equity (16 1/2% in both miscellaneous services and bricks, pottery, glass, cement, etc.) exceeded that on trading assets by 3% in the former (in which recorded capital gearing was 45%), compared with 1 1/2% in the latter (in which gearing was under 23%). To illustrate the impact of changes in recorded capital gearing, the recorded return on equity in manufacturing industry exceeded that on trading assets by 2 1/2% or more in each year from 1970 to 1977 (when capital gearing fell from 33% to 25%), but the differential fell from over 4% to 1% in electrical engineering (in which gearing fell from 33% to 7%).

Pre-tax real profitability

Trading assets

11 At a time of stable prices, historic cost accounting conventions yield the profit generated by the business after provision for the maintenance of its trading assets. Profits shown in companies' published accounts have typically, during the period of this study, been close to these historic cost measures (see page 7, footnote 2) even though, in a period of rising prices (more particularly if the pace is rapid and sustained), they do not make adequate provision for the maintenance of the real value of trading assets. Accordingly, the calculation of a pre-tax real rate of return on trading assets from its recorded counterpart involves:

(i) the following deductions from recorded profits:
  (a) stock appreciation [referred to as the 'cost-of-sales adjustment' in the current cost accounting standard, SSAP 16, published by the Institute of Chartered Accountants in England and Wales (1980)];
  (b) a depreciation adjustment (that is, on to a current cost basis); and
  (c) a monetary working capital adjustment (which is applied to the net trade credit extended to, or by, a business); and

(ii) the revaluation of trading assets on to a current cost basis.

12 The derivation of these current cost adjustments is described in Appendix 1. The adjustments have been applied to each industrial sector, as a whole, and not to individual companies.[1]

13 The pre-tax real profitability of the trading assets of the entire BM sample exceeded 10% in the 1960s. Throughout this period, the

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[1] The results for the broad industrial groupings (of manufacturing, distribution and services, and of manufacturing) are not obtained as an aggregation of the sectors presented in this paper; in recent years, separate groupings of diversified companies, and of property companies, have been published which are not covered by this study. However, a significant inconsistency between the broader groupings and the individual sectors presented in this paper is not thereby created.

return was rather lower (averaging about 10%), and showing a more marked downward trend, in manufacturing than in distribution and services (in which the rate of return averaged 13 1/2%). Real profitability declined sharply in both industrial groupings between 1972 and 1975, though rather more sharply in manufacturing, to just 2% (Chart A). The recovery in the real return since 1975 was more pronounced in manufacturing industry, in which the rate rose to 6%. A framework within which these trends can be analysed, at both the aggregate and sectoral level, is presented in Section 5. This analysis suggests that the sharp decline in real profitability in the mid-1970s can be attributed largely to the acceleration of cost pressures,[1] and, to a lesser extent, to falling capacity utilisation. The impact of the current cost adjustments in reducing real, as compared with recorded, profitability has been more pronounced in manufacturing industry than in distribution and services (Chart A); in 1975, for instance, when the pre-tax recorded return on trading assets was roughly the same in both sectors, the real return was 2% in manufacturing but 7 3/4% in distribution and services.

14 The downward trend in the real profitability of trading assets at the aggregate level is paralleled in most sectors (Table E); for instance, the real return at least halved in fourteen of the twenty-two sectors between 1961-65 and 1974-77. The fall over this period was particularly sharp (about 10% or more) in vehicles, metal goods not elsewhere specified, clothing and footwear, and bricks, pottery, glass, cement, etc. In two sectors (electrical engineering, and leather, leather goods and fur), however, the real return on trading assets was, in general, higher during the 1970s than the 1960s. A sharp fall in real profitability in the mid-1970s has been observed in all sectors (except leather, leather goods and fur), though its timing seems to have varied depending on the incidence of cost inflation and cyclical factors (Appendix 4, Table 4).

15 A large element of inter-sectoral variability in the real profitability of trading assets has persisted throughout the 1960s

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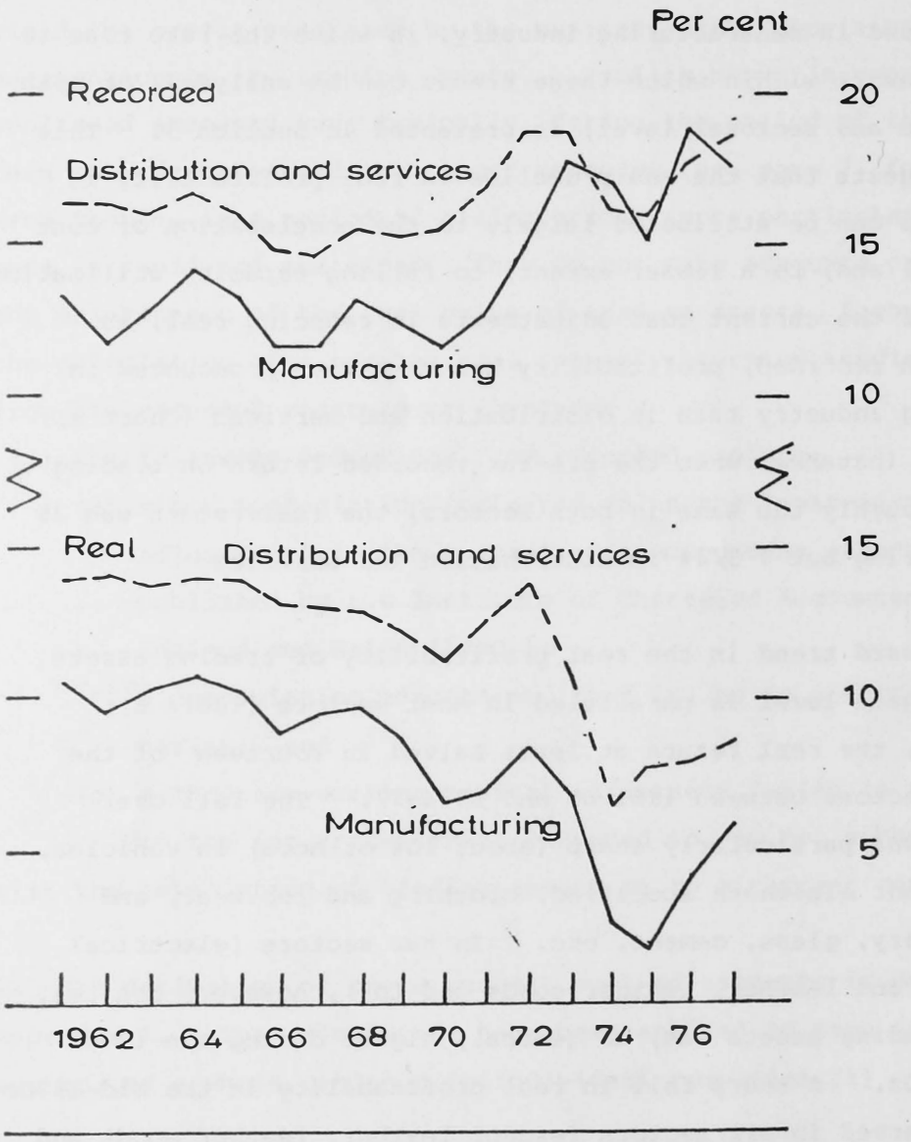
[1] These effects were, doubtless, exacerbated by price controls for which no explicit allowance has been made in this analytic framework.

Chart A

Pre-tax recorded and real profitability of trading assets: manufacturing, and distribution and services



and 1970s (Table E). In the years 1974-77 (when the real rate of return on trading assets averaged about 5% for the entire sample), a return of 3% to 7% was earned in just ten of the twenty-two sectors.

Table E

Pre-tax real profitability of trading assets in illustrative sectors

Per cent

	Manufacturing					Distribution and services	
		of which:					of which:
	Total	Tobacco	Electrical engineering	Vehicles	Bricks, pottery, glass, cement, etc.	Total	Miscellaneous services
1961-65	10.3	10.3	9.8	12.6	14.8	13.9	11.2
1966-69	9.2	11.0	9.2	10.6	11.8	12.9	11.2
1970-73	7.3	13.7	11.3	4.4	10.1	12.1	9.3
1974-77	3.7	7.2	8.9	-5.1	3.3	7.7	5.2

Three sectors (metal manufacture, shipbuilding and marine engineering, and vehicles) sustained real losses in 1974-77 as a whole; and other sectors (notably textiles) have sustained real losses in some recent years. However, the real return on trading assets was 10% in retail distribution in 1974-77, and higher in leather, leather goods and fur.

The equity stake

16 The pre-tax real rate of return on the equity stake in trading assets can be derived from its recorded counterpart by:

(i) making the current cost adjustments for stock appreciation, depreciation (and, consistently, revaluing the equity stake in trading assets) and monetary working capital; and

(ii) crediting to equity profits the gearing gain arising from the erosion of the real value of the debt stake in those assets at a time of inflation. (This may, alternatively, be regarded as that part of the nominal interest charge which represents an early repayment of capital.)

17 Two gearing adjustments with different conceptual bases have been advocated in the accounting literature, and they are referred to as the 'natural' and SSAP 16 adjustments.[1] The 'natural' gearing adjustment credits to equity profits the whole of the accrued gain to the equity stake arising from the decline in the real value of debt. On the other hand, the SSAP 16 gearing adjustment, in accordance with accepted accounting conventions, requires that only realised gearing gains be credited to profits. It is calculated as the geared (i.e. debt-financed) portions of stock appreciation and of the adjustments for depreciation and monetary working capital.[2]

(a) 'Natural' gearing adjustment

18 The pre-tax real 'natural' return on the equity stake in trading assets of the entire sample fluctuated between 12 1/2% and 16% during 1961-73, and then fell sharply to average about 9% from 1974 onwards. Throughout this period, real 'natural' equity profitability was lower in manufacturing (in which there was also evidence of a downward trend in the 1960s and early 1970s) than in distribution and services (Chart B). In the period 1974-77, this measure of the real return on equity averaged 7 1/2% in manufacturing, compared with 13% in distribution and services. The recorded and real 'natural' profitability of the equity stake have diverged increasingly in recent years (Chart B).

19 The real 'natural' return on the equity of the entire sample of companies has exceeded that on trading assets throughout the 1960s and 1970s. Clark and Williams (1978) stated that:

> "the return to equity [with a 'natural' gearing adjustment] will 'normally' be higher than that to total trading assets by

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[1] The SSAP 16 gearing adjustment is identical to the ED24 adjustment [Accounting Standards Committee (1979)] shown in Williams (1979).

[2] SSAP 16 does not provide for any adjustment where there is an excess of monetary assets over monetary liabilities (that is, where capital gearing is negative, as has been the case in shipbuilding and marine engineering in the years 1973-77 and in some earlier years, see Appendix 4, Table 2). The SSAP 16 gearing adjustment of each industrial sector is calculated by reference to its capital gearing and does not, therefore, take account of any individual companies in that sector which hold net monetary assets; in such circumstances, the SSAP 16 adjustment has been understated.

a factor reflecting aggregate capital gearing [at replacement cost]; but that this relationship will be modified whenever real interest rates change - the differential in favour of the return to equity rising when real interest rates fall."[1]

20 The real 'natural' return on equity of the BM sample was comparatively stable during the 1960s and early 1970s, at a time when the return on trading assets was showing a clear downward trend, principally because of an increase in current cost capital gearing (21% in 1961-65 to 28 1/2% in 1970-73), though also because real interest rates were falling (Chart C). The real return on equity fell sharply between 1973 and 1975, but by less than that on trading assets as a corollary of the sharp fall in real interest rates; for instance, the real rate of interest on 'floating-rate' bank borrowing fell to minus 12 1/2% in 1975. Reduced capital gearing and a sharp rise in real interest rates between 1975 and 1977 combined to depress real 'natural' equity returns even though the real return on trading assets rose from 3 1/2% to 6 1/2%.

Table F

Pre-tax real rates of return on equity (with a 'natural' gearing adjustment) in illustrative sectors

Per cent

	Manufacturing					Distribution and services	
		of which:					of which:
	Total	Tobacco	Electrical engineering	Vehicles	Bricks, pottery, glass, cement, etc.	Total	Miscellaneous services
1961-65	12.8	16.3	12.4	16.6	16.8	17.0	13.9
1966-69	12.1	15.5	12.7	15.1	14.8	16.6	15.3
1970-73	11.0	23.9	16.3	7.1	14.3	18.1	15.4
1974-77	7.3	15.3	11.8	-6.3	6.1	12.8	11.8

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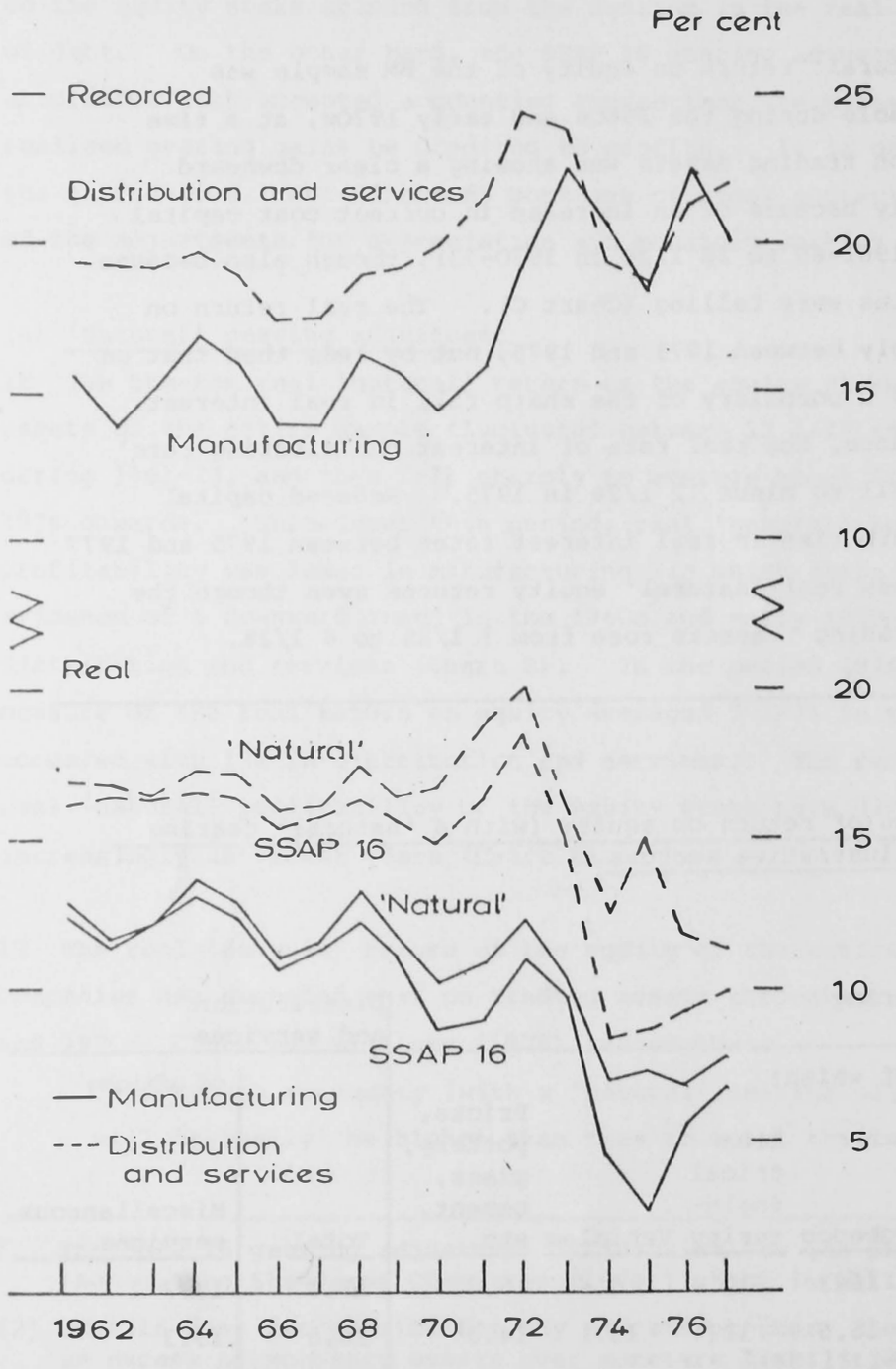
[1] These relationships depend on the level of, and movements in, the real rate of interest on net debt. Chart C shows the trend of the more familiar real rate of interest on gross, rather than net, debt.

Chart B

Pre-tax recorded and real profitability of the equity stake[a] in trading assets: manufacturing, and distribution and services



[a] 'Natural' and SSAP 16 gearing adjustments.

21 Real returns to equity (with a 'natural'adjustment) have exceeded those on trading assets in most sectors; exceptions have been shipbuilding and marine engineering, and vehicles during some of the years of this study when real returns on trading assets have been particularly low. Sectoral differences in the relationship between real returns on equity (with a 'natural' adjustment) and on total trading assets have been heavily dependent on the levels of, and trends in, current cost capital gearing given little sectoral variation in 'implied' real rates of interest on net debt.[1] By way of illustration, in the period 1974-77, real equity profitability was higher in the tobacco industry than in electrical engineering (15 1/2% compared with 12%) in spite of the lower returns to trading assets (7% compared with 9%), chiefly because current cost capital gearing was nearly three times higher (34% compared with 13%, see Table G). Further, between 1970-73 and 1974-77 the real 'natural' profitability of equity was better sustained relative to that on trading assets in the miscellaneous services sector than in bricks, pottery, glass, cement, etc. (Tables E and F), partly because of little change in the current cost capital gearing of the former at a time when gearing fell a good deal in the latter.

Table G

Capital gearing at replacement cost in illustrative sectors

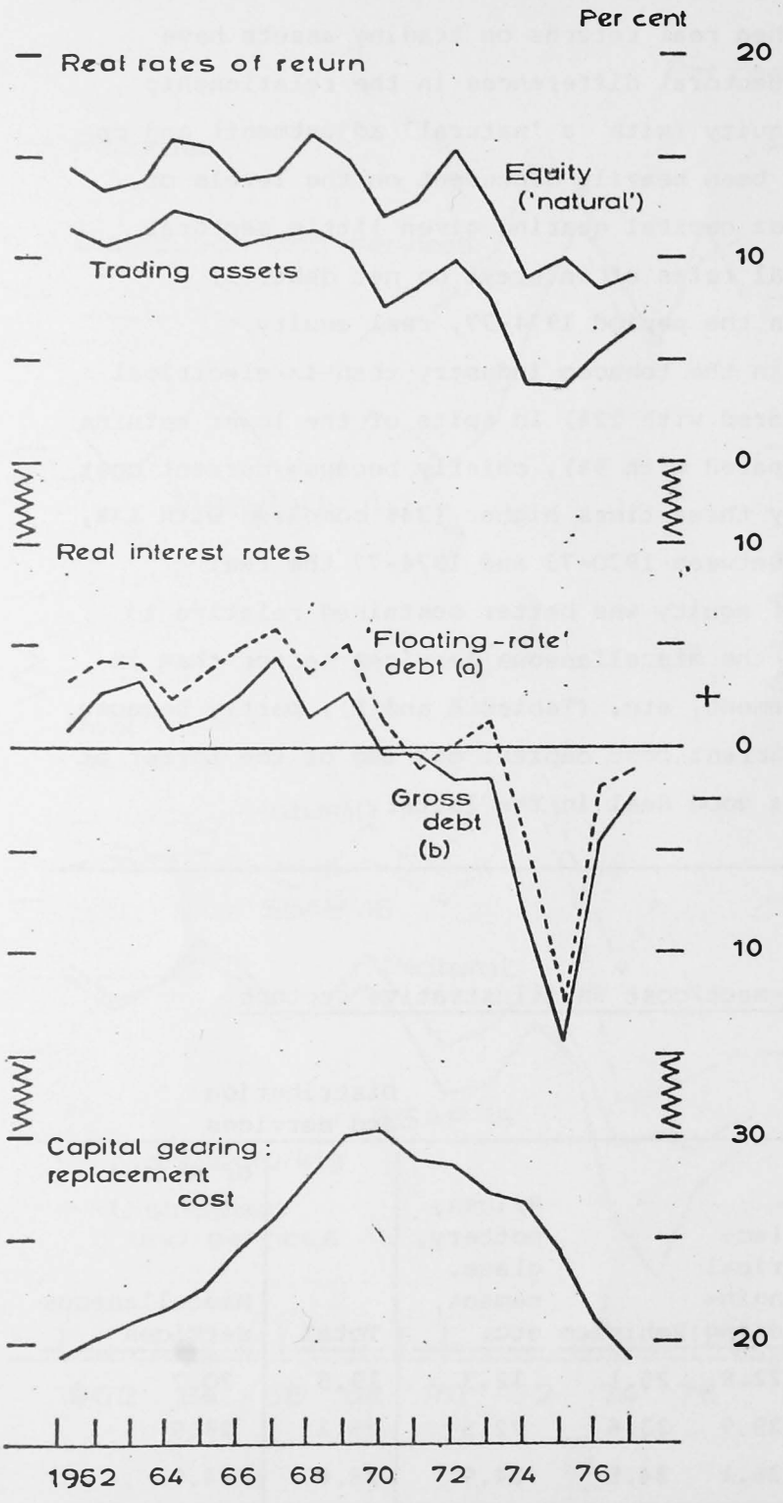
Per cent

	Manufacturing					Distribution and services	
		of which:					of which:
	Total	Tobacco	Electrical engineering	Vehicles	Bricks, pottery, glass, cement, etc.	Total	Miscellaneous services
1961-65	20.7	37.2	22.8	25.1	12.3	19.5	20.7
1966-69	26.6	28.2	29.9	33.6	22.5	25.2	28.9
1970-73	28.2	35.5	26.1	34.5	24.9	28.8	34.0
1974-77	22.3	34.2	12.8	33.8	17.6	23.5	32.4

[1] This point was illustrated in the context of nominal interest rates in Table C.

Chart C

The relationship between the pre-tax real rates of return on trading assets and on equity: the entire BM sample



[a] Clearing banks' average base rate + 2% (up to 1972: Bank rate + 2%) less the change in retail prices during the year.

[b] 'Implied rate of interest on gross debt (see page 8, footnote 2) less the change in retail prices during the year.

(b) SSAP 16 gearing adjustment

22 Though, in theory, there need be no close or precise relationship between the SSAP 16 and 'natural' gearing adjustments, real returns on equity (with an SSAP 16 adjustment) have, in practice, been consistently lower than those with a 'natural' adjustment (Chart B). The same broad trends have, however, been observed in both measures of the real return on equity.

23 Clear features of the sectoral estimates are the high degree of variation in returns to equity between sectors (Table H), and some differences in the relative profitability of the equity stake depending on whether interest is focussed on recorded or real returns. In the period 1974-77, when SSAP 16 profitability averaged just over 6%, the return was in the range 4%-8% in just ten of the twenty-two sectors; while some sectors (for instance, electrical engineering and retail distribution) earned an average return of over 10%, others (for instance, metal manufacture and vehicles) sustained losses. The inter-sectoral variability of real equity profitability has increased over the period of this study, and has been rather greater than that on trading assets. Sectoral differences in the scale of the current cost adjustments, and thereby in the relationship between the recorded and real profitability of equity, have not been

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Table H

Pre-tax real rate of return on equity (with an SSAP 16 gearing adjustment) in illustrative sub-sectors

Per cent

	Manufacturing					Distribution and services	
		of which:					of which:
	Total	Tobacco	Electrical engineering	Vehicles	Bricks, pottery, glass, cement, etc.	Total	Miscellaneous services
1961-65	12.4	15.6	12.1	16.1	16.6	16.5	13.4
1966-69	11.4	15.2	12.5	14.4	14.0	15.9	14.2
1970-73	9.7	20.6	15.2	5.4	12.8	16.4	12.4
1974-77	4.9	11.3	10.5	-8.9	3.9	9.2	5.4

great, but have nevertheless been large enough to have possible implications for the efficiency of capital markets. By way of illustration, the SSAP 16 return in leather, leather goods and fur was substantially higher than that in tobacco during the years 1974-77 (14 1/2% compared with 11 1/2%); even so, the tobacco sector earned a higher recorded return to equity than any other sector during those years.

Post-tax real profitability

24 The rates of return discussed above have been measured before tax, but the owners of companies are normally more interested in the post-tax returns of the business. This section attempts to measure the post-tax real rate of return accruing to the equity stake in trading assets, whether those returns are distributed (as dividends) or retained within the business.

25 The system of corporate taxation has undergone major changes during the period examined in this paper. Up to 1965, profits - whether retained or distributed - attracted a flat-rate profits tax and income tax at the basic rate. Corporation tax was introduced in 1965 and has been in force since. The 'classical' system, which applied until 1973, imposed a flat rate of corporation tax on companies' taxable profits, and shareholders were additionally liable to income tax on their dividends. The 'classical' system of taxation discriminated, thereby, in favour of profit retentions as compared with dividends,[1] and in favour of debt, as compared with equity, financing by allowing interest payments to be deducted from profits in assessing a liability to corporation tax. In 1973, the 'classical' system was replaced by the 'imputation' system. Companies now pay advance corporation tax (ACT) when they make a qualifying distribution. This payment of ACT can be set against their overall liability to corporation tax, the balance being their 'mainstream' liability. In the hands of the shareholders the dividend carries a tax credit equivalent to the basic rate of income tax, and the shareholder is regarded as having paid income tax at that rate on the sum of the dividend and the tax credit.[2]

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[1] Though retentions, when realised, were liable to capital gains tax, the effective rate of tax on capital gains was lower than the basic rate of income tax.

[2] Shareholders only pay additional income tax on their dividend receipts if their marginal tax rate exceeds the basic rate of income tax. If their marginal rate is less than the basic rate (certain institutions, such as charities and pension funds, are exempt from income tax) then they receive a tax rebate.

Table I

Corporate tax system[a]

Per cent

Financial years	Tax system	Corporate tax rate	Investment allowances			Initial allowances			Depreciation allowances			Investment grants			Other allowances	
			Plant & machinery	Industrial buildings	Cars	Plant & machinery	Industrial buildings	Cars	Plant & machinery	Industrial buildings	Cars	Plant & machinery	Industrial buildings	Cars	Long-term interest[b]	Stock relief
1961/62	Profits tax and income tax	53.75	20	10	0	10	5	30	30	2	15	0	0	0	100	0
1962/63	"	"	30	15	"	"	"	"	"	"	"	"	"	"	"	"
1963/64	"	"	"	"	"	"	"	"	"	4	"	"	"	"	"	"
1964/65	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"
1965/66	Classical	40.00	0	0	"	0	15	0	"	"	"	20	"	"	"	"
1966/67	"	"	"	"	"	"	"	"	"	"	"	25	"	"	"	"
1967/68	"	42.50	"	"	"	"	"	"	"	"	"	"	"	"	"	"
1968/69	"	45.00	"	"	"	"	"	"	"	"	"	20	"	"	"	"
1969/70	"	42.50	"	"	"	"	"	"	"	"	"	"	"	"	"	"
1970/71	"	40.00	"	"	"	"	30	"	25	"	25	"	"	"	"	"
1971/72	"	"	"	"	"	35	40	"	"	"	"	0	"	"	"	"
1972/73	"	"	"	"	"	55	50	"	"	"	"	"	"	"	"	"
1973/74	Imputation	52.00	"	"	"	100	"	"	0[c]	"	"	"	"	"	"	ΔBVST-0.1GTPR'[d]
1974/75	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"
1975/76	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	ΔBVST-0.15GTPR"[e]
1976/77	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"
1977/78	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"	"

[a] This table presents a highly-simplified summary of the system of investment incentives which have been available nationally. No account is taken of special regional schemes. Certain timing points (such as, changes in investment incentives taking effect part of the way through a financial year) are not explicitly incorporated.

[b] Short-term interest is treated as an operating cost.

[c] Though allowances of 25% could still be claimed on plant and machinery purchased before 1973/74.

[d] The relief was equal to the change in the book value of stocks (ΔBVST) less a deduction of 10% of 'trading profits' (GTPR'); that is, profits adjusted for tax purposes, excluding non-trading income and before deducting capital allowances.

[e] The relief is equal to the change in the book value of stocks (ΔBVST) less 15% of trading profits after deducting capital allowances (GTPR").

26 There have been, in addition to these changes in the system of corporate taxation in the United Kingdom, numerous changes both in the rate at which tax is charged on taxable profits, and in the allowances which can be offset against accounting profits in deriving taxable profits (Table I). The most important changes have been the nationwide extension of more generous initial capital allowances (which were increased to 100% for plant, machinery, ships and aircraft in 1972, and to 50% for industrial buildings in 1974), and the retrospective introduction of stock relief in 1974.

27 The profits chargeable to tax for a particular period often differ appreciably from the accounting profit for the period. Systematic differences between accounting and taxable profits arise because certain types of income are tax free and/or because certain expenditure is allowable for tax purposes. However, there are also 'timing differences' between accounting and taxable profits due to the inclusion of items in the financial statements of a different period from that for taxation.

28 The latter have become increasingly important during recent years owing to the availability of accelerated depreciation allowances (where the allowable depreciation charge exceeds the related charge in the financial statement) and of stock relief, and the revaluation surpluses on fixed assets for which a tax charge will arise if the gains are realised through disposal.[1] By

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[1] Other 'timing differences' are attributable to:

(i) surpluses on the sale of fixed assets which are subject to rollover relief;

(ii) ACT which cannot be recovered out of the current corporation tax liability but which is carried forward to be recovered out of future 'mainstream' corporation tax liabilities can be deducted from the deferred tax provision in the financial statement subject to certain restrictions;

(iii) short-term timing differences which arise from the partial use of the cash basis for tax purposes and the accruals basis in financial statements; and

(iv) trading losses. Credit for the tax effects of a trading loss should only be taken when the loss is utilised for tax purposes, unless there is a credit balance on the deferred taxation account at the time when the loss carry-forward arises. In that case a part of the deferred tax balance should be released to the profit and loss account to the extent of the notional tax relief attributable to the loss, but not exceeding that part of the deferred tax balance which represents tax on income which can properly be offset against the loss for tax purposes.

way of illustration, if a company takes advantage of accelerated depreciation allowances on purchasing a machine and subsequently sells the asset, a tax liability arises in respect of the asset if it should be disposed of for more than its tax-written-down value [1]. Deferred taxation arising from the operation of accelerated depreciation allowances and stock relief is treated in a company's financial statements by a 'transfer to deferred taxation' in the profit and loss account at the time when the tax liability is deferred (i.e. when the allowance is claimed), and a deferred tax liability is shown in the balance sheet until the liability is fully written off.[2]

29 There are, however, circumstances - quite apart from the retrospective introduction of stock relief[3] - in which there will be a credit to the deferred tax balance without any corresponding transfer in the profit and loss account. The chief instance arises on the revaluation of a fixed asset in a company's balance sheet which has as its counterpart a revaluation surplus on the liabilities side; in order to allow for a potential tax liability on disposal of the asset, part of the revaluation surplus may be credited to the deferred tax balance. The total liability to deferred tax may be regarded as the government's 'equity stake' in a business, and the tax accrual (including the transfer to deferred tax) as the return on that stake. Accordingly, a post-tax real rate of return to the private equity stake could be calculated from its pre-tax counterpart by:

(i) the deduction of tax accruals (including transfers to deferred tax balances) from pre-tax real equity profits; and

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[1] The tax-written-down value is calculated by reference to the statutory depreciation allowances in force and not to accelerated depreciation allowances.

[2] In practice, of course, even if an asset is sold and the deferred tax becomes payable, the total tax payable in that year may still be zero if capital allowances and stock relief are sufficient to reduce taxable income to zero.

[3] When stock relief was introduced in November 1974 with retrospective effect for companies with financial year-ends after 31 March 1973, companies transferred sums from current taxation liabilities to deferred taxation reserves in their balance sheets, without corresponding entries in their profit and loss accounts.

(ii) the deduction of deferred tax liabilities from the current cost equity stake in trading assets.

30 However, published accounting data have been inappropriate for the calculation of such a rate of return. Accounting provisions for tax accruals[1] (including transfers to deferred tax balances) are conceptually appropriate for the task. But the exclusion from the published deferred tax provision of the full tax liability contingent on the disposal of physical assets in excess of their tax-written-down value (because assets have not been revalued in the balance sheet to current cost) implies that a measure of the post-tax return calculated using those provisions as published will understate the 'true' injection of government capital into the business. This contingent tax liability was calculated by Flemming et al. (1976) as the tax which would be payable if a company disposed of its assets at their current replacement value.[2] Estimates which take account of contingent tax liabilities calculated in this way are presented below as post-tax real rates of return to the equity stake on a 'disposal basis'; these rates of return are derived as if the assets of the business were sold at replacement cost at the end of each accounting period, and repurchased at the start of the next accounting period. This rate of return is probably better calculated with a 'natural', rather than with an SSAP 16, gearing adjustment because the conceptual basis of that adjustment and the treatment of taxation outlined above

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[1] The estimates of tax accruals in the BM sample of accounts include current UK and overseas tax, prior-year tax adjustments and transfers to deferred tax balances; aspects of the treatment of the latter item are dealt with in the text. Prior-year adjustments should, on certain grounds, be allocated to the year's earnings to which they relate but, in practice, the sums involved are sufficiently small not to compromise the estimates presented here. Capital receipts (for instance, investment and regional grants) are added back to equity profits, thus preserving a symmetrical treatment between periods when investment grants have, and have not, represented a part of the government-financed inducement to invest. The published tax accrual includes shareholders' imputed basic rate income tax prior to 1967 and from 1973. In the interim, an estimate of the (basic rate) income tax due on dividends has been added to the published tax accrual.

[2] That article was based on national accounts, rather than company accounts, data.

appear to be more consistent in that they attempt to measure accruing income and accruing changes in the government's 'equity stake', respectively.

31 Such a treatment of deferred taxation is radically different from that suggested in SSAP 15. Even prior to its publication, some companies had not accounted for deferred tax in circumstances where assets were unlikely to be disposed of, and/or where it was unlikely that the value of stocks would be reduced, and/or where the existence of a continuing capital spending programme were likely to imply the indefinite postponement of any deferred tax liability; that is, those companies were, in general, making provision for likely, rather than potential, future tax liabilities. Such accounting practices were not, however, standard during the period of this study. For that period the BM data cannot be used to generate likely deferred tax liabilities and, therefore, to derive a post-tax rate of return in accordance with the principles of SSAP 15. Many companies have reduced substantially their deferred tax balances since the publication of SSAP 15, and it seems likely that a post-tax return calculated in accordance with paragraph 29,[1] but with both transfers to deferred tax balances, and those balances themselves, constrained to zero (i.e. assuming that no deferred tax liabilities are likely to be ultimately payable), would correspond more closely to the principles of SSAP 15 than a measure which took full account of the deferred tax accounting adopted by the BM sample; for convenience, such a measure is called a post-tax real rate of return to the equity stake on a 'going concern basis'. (It differs from a pre-tax real return to equity only in that tax paid,[2] allocated to the year in which the liability 'accrues', is deducted from the profit figure.) The conceptual basis of this adjustment for tax is probably more consistent with an SSAP 16, than with a 'natural', gearing adjustment in that the former includes realised gains in income, and the 'going concern' treatment of taxation approximates the government's 'equity stake' in the business by likely, rather than potential, future tax liabilities.

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[1] See the last sentence thereof.

[2] Including shareholders' imputed basic rate income tax prior to 1967 and from 1973, and an estimate of the (basic rate) income tax due on dividends during the interim (as outlined in page 27, footnote 1).

32 Post-tax real returns to the equity stake on both the disposal and going concern bases (using either form of the gearing adjustment) have been on a downward trend during the period of this study for the entire sample of manufacturing, distribution and service companies (Table J). Returns on a disposal basis with a 'natural' gearing

Table J

Post-tax real rates of return on the equity stake in trading assets, and deferred tax balances: the entire BM sample

Per cent

	Disposal basis tax treatment		Going concern basis tax treatment		Deferred tax balances[a] as percentage of pre-tax current cost equity stake in trading assets
	'Natural' gearing adjustment	SSAP 16 gearing adjustment	'Natural' gearing adjustment	SSAP 16 gearing adjustment	
	(i)	(ii)	(iii)	(iv)	(v)
1961-65	7.6	7.0	7.3	6.8	3.8
1966-69	6.5	5.7	6.4	5.7	2.4
1970-73	6.4	4.7	6.8	5.3	10.0
1974-77	2.9	-0.7	4.7	2.0	24.9

[a] Published deferred tax balances, plus contingent tax liabilities calculated on the assumption that all physical assets are disposed of at current replacement cost.

adjustment have averaged 3% in the years 1974-77 as compared with 7 1/2% in 1961-65; on a going concern basis, with an SSAP 16 gearing adjustment, they averaged 2% in 1974-77 as compared with 7% in 1961-65. Of these two preferred measures [columns (i) and (iv) in Table J], returns on a disposal basis have generally exceeded those on a going concern basis by about 1%;[1] the tendency, in practice, of returns with a 'natural' adjustment to exceed those with an SSAP 16 adjustment (see paragraph 22) has more than offset the greater incidence of tax during the 1970s on a disposal, than on a going concern, basis [see columns (i) and (iii) in Table J]. The

[1] All estimates subsequently presented on a disposal basis incorporate a 'natural' gearing adjustment, and those on a going concern basis an SSAP 16 gearing adjustment (i.e. the bases preferred on conceptual grounds in paragraphs 30 and 31).

share of deferred tax balances (including the theoretical contingent tax liability calculated as in paragraph 30) rose from under 4% in the 1960s to 25% in the mid-1970s.

33 Post-tax returns have been consistently lower in manufacturing than in distribution and services, by about 5 1/2% on a disposal basis and 4% on a going concern basis during the 1970s (Chart D). The incidence of tax - as implied by the difference between the corresponding measures of pre-tax and post-tax returns - appears to have fallen on a going concern basis (though not on a disposal basis) in manufacturing industry between the 1960s and 1970s, and to have been a good deal lower in 1974-77 than previously on both going concern and disposal bases in distribution and service industries. The incidence of tax on both bases was clearly greater in distribution and services than in manufacturing during the period to 1973, but has been broadly similar in both groupings from that date.

34 Many of the features of the aggregate post-tax profitability estimates are common to the other sectors covered by this paper (Table K). The downward trend in aggregate post-tax returns is

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Table K

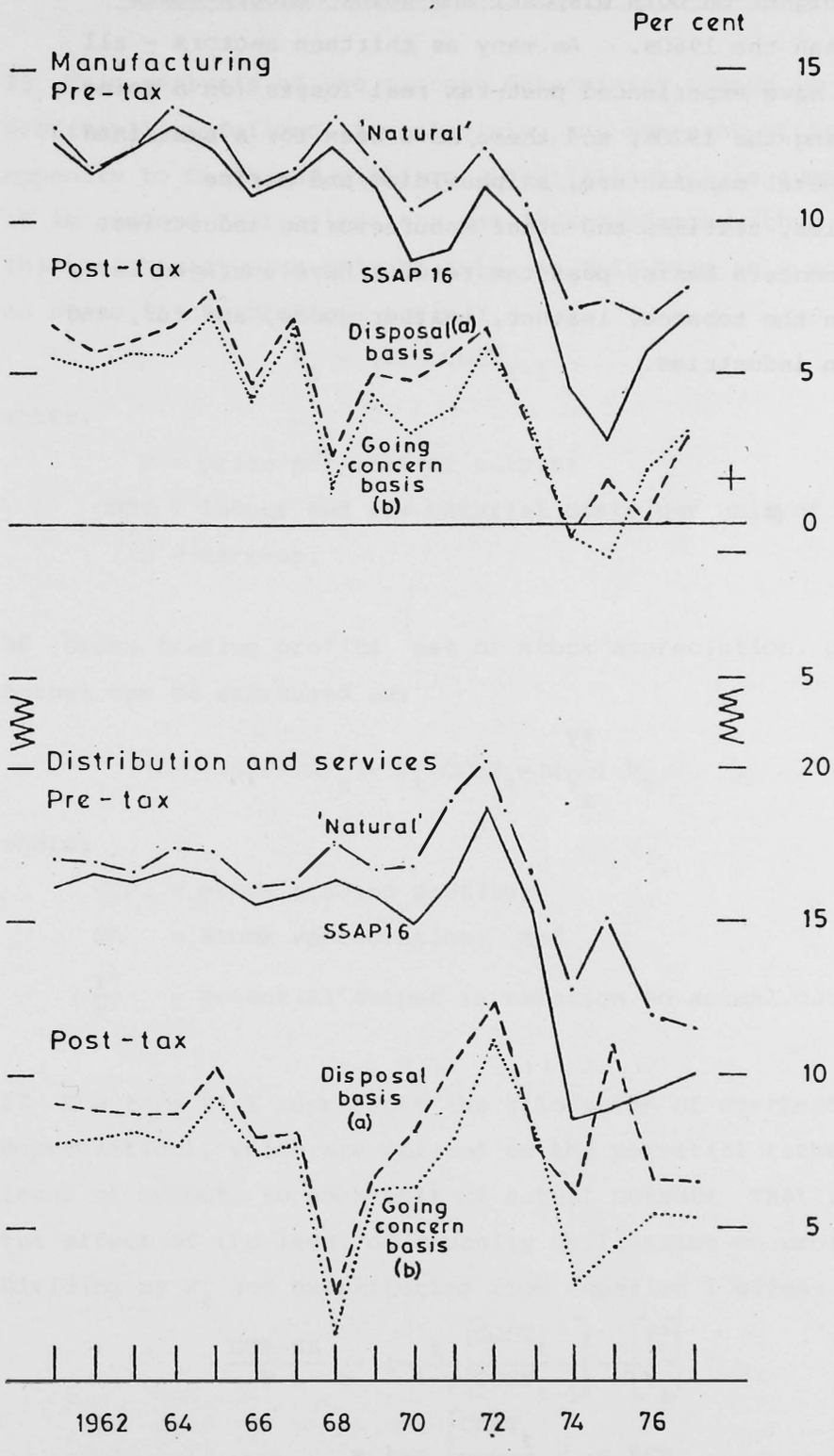
Post-tax real rates of return on the equity stake in trading assets in illustrative sectors

Per cent

	Manufacturing					Distribution and services	
		of which:					of which:
	Total	Tobacco	Electrical engineering	Vehicles	Bricks, pottery, glass, cement, etc.	Total	Miscellaneous services
(i) Disposable basis (with a 'natural' gearing adjustment)							
1961-65	6.6	6.8	5.1	13.0	9.8	9.1	8.7
1966-69	4.7	3.2	3.6	7.9	7.2	6.4	6.9
1970-73	5.1	13.4	7.1	3.8	8.8	9.6	9.7
1974-77	1.0	10.5	2.2	-12.5	1.3	7.5	9.8
(ii) Going concern basis (with an SSAP 16 gearing adjustment)							
1961-65	5.8	6.0	4.6	14.4	9.1	8.1	7.0
1966-69	4.0	2.6	3.3	7.9	6.3	5.7	5.6
1970-73	4.1	9.8	6.8	3.3	7.9	8.3	6.7
1974-77	0.9	6.5	4.1	-10.0	0.5	4.5	1.9

Chart D

Pre-tax and post-tax real rates of return on the equity stake in trading assets: manufacturing, and distribution and services



[a] With a 'natural' gearing adjustment.

[b] With an SSAP 16 gearing adjustment.

widespread, but there are a number of sectors (such as drink, tobacco, and leather, leather goods and fur) in which post-tax returns have been, on average, higher on both disposal and going concern bases during the 1970s than the 1960s. As many as thirteen sectors - all in manufacturing - have experienced post-tax real losses (on a going concern basis) during the 1970s, and these have been for a sustained period of time in metal manufacture, shipbuilding and marine engineering, vehicles, textiles and other manufacturing industries. On the same going concern basis, post-tax returns have averaged in excess of 7 1/2% in the tobacco, leather, leather goods, and fur, and retail distribution industries.

An econometric analysis of trends in profitability

35 This analysis of the factors determining trends in real profitability follows, in principle, the approach of Jenkinson [in an Appendix to Clark and Williams (1978)][1] which is summarised below. It is assumed that prices are set in accordance with a simplified (historic) cost-plus pricing rule, in this case as a constant mark-up on costs in the previous period:

$$P_t = (1+\mu)COST_{t-1} \qquad (1)$$

where:

P = price per unit of output;

COST = labour and raw material costs per unit of output; and

μ = mark-up.

36 Gross trading profits, net of stock appreciation, per unit of output can be expressed as:

$$(GTP-SA)_t = P_t - COST_t - \alpha\left(\frac{Y^*_t}{Y_t}\right) P_t \qquad (2)$$

where:

GTP = gross trading profits;

SA = stock appreciation; and

$\frac{Y^*}{Y}$ = potential output in relation to actual output.

37 The term Y*/Y represents the allocation of overheads (other than depreciation), which are related to the potential rather than the actual level of output, to each unit of actual output; that is, it captures the effect of the level of capacity utilisation on profitability. Dividing by P_t and substituting from equation 1 gives:

$$\frac{GTP-SA}{P}_t = 1-\frac{1}{1+\mu}\left[\frac{COST_t}{COST_{t-1}}\right] - \alpha\left[\frac{Y^*_t}{Y_t}\right] \qquad (3)$$

$$= 1-a_1\left[\frac{COST_t}{COST_{t-1}}\right] - a_2 RCU_t \qquad (4)$$

where RCU = capacity utilisation (expressed as a reciprocal).

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[1] A development, incorporating the role of cost inflation, of an analysis published by Feldstein and Summers (1977).

38 Equation 4 yields an equation for a share of profits, net of stock appreciation, in income, and Clark and Williams (1978) presented results where, alternately, this, and a share of real profits in income,[1] were the dependent variables. It should also be noted that the estimated equations included a time trend which may have represented such factors as the effect of cumulative inflation over the lives of assets on the underprovision for replacement cost depreciation,[2] increased foreign competition [Glyn and Sutcliffe (1972), and Bacon and Eltis (1976)], a decline in the marginal product of capital [Sargent (1968)], and a growth of union bargaining power. The results reported on that occasion provided some support for the approach of explaining trends in real profitability in terms of changes in both cost inflation and capacity utilisation, and of trend factors. The regression results presented in this paper incorporate, of necessity, certain minor differences from the approach in Clark and Williams (1978). First, those regressions used quarterly data, and so it was implicitly assumed that prices respond with a lag of one quarter to changes in costs, and that the stock/turnover period was one quarter. However, BM data are only available on an annual basis, and so the rather less realistic assumptions of a lag in price-setting and a stock/turnover period of one year have been imposed.[3] In addition, the sectoral profitability estimates cover both UK and overseas activities, and

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[1] Although the algebra does not yield a real profits share (that is, taking account of the current valuation of depreciation) as the dependent variable, such equations were estimated because that article emphasised trends in real profitability. For the same reason, the regression results presented in this paper are ones in which pre-tax real rates of return on trading assets are the dependent variables, though tests with more 'appropriate' dependent variables were also undertaken.

[2] This particular justification is, of course, only valid when the dependent variable is a measure of profitability which makes allowance for the current cost of depreciation provisions.

[3] There are differences of timing between the dependent and the independent variables of the regressions. The measures of profitability relate to accounting years, but the costs and capacity utilisation data relate to calendar years. This may be unimportant since about 70% of listed companies' accounting years end in the fourth and first calendar quarters. The disaggregated costs data are based on a weighted average of the unit labour costs and buying prices of materials and fuel of each sector, where the weights are taken from input-output tables. The estimates of capacity utilisation are taken from a disaggregated study of capacity utilisation by Panić (1978).

include operations in a range of industries (as defined at the S.I.C. Order level), in the results for each sector because of the allocation of diversified companies according to their principal activity in the BM (see Appendix 3); on the other hand, the costs and capacity utilisation terms cover only UK activities in specific industries as defined in the S.I.C. In spite of the flawed nature of the raw data, the specifications tested are likely, nevertheless, to incorporate the most important determinants of profitability.

39 The econometric results of a relationship based on equation 4, with pre-tax real returns on trading assets as the dependent variables, are presented for manufacturing and for nine illustrative sectors (Table L) for which satisfactory data could be obtained. The estimation technique was ordinary least squares, and the availability of only annual data for the period 1961-77 implies relatively few degrees of freedom. The explanatory performance of these regressions is reasonably good (with the exception of electrical engineering), and there is little evidence of autocorrelation, except in the case of vehicles.

40 The prior expectation was that the coefficients would be negative on the terms for both cost inflation (implying that an acceleration of growth in costs reduces real profitability) and the reciprocal of capacity utilisation (implying that real returns would benefit from a rise in capacity utilisation). The coefficients on the costs term are, in all cases, of the expected sign, and are generally significant. However, the hypothesis of the relationship between (the reciprocal of) capacity utilisation and profitability is less clearly supported by the data; the coefficient is negative in only seven of the ten equations and, even then, is generally insignificant. The time trends are negative and significant in all of the equations presented, except in that for electrical engineering. The constant terms differ from unity, often significantly, in all of the equations, perhaps reflecting some misspecification of the underlying relationships.[1] These results provide some support

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[1] However, specifications incorporating a dependent variable which is implied by the algebra above (that is, a share of historic profits, net of stock appreciation, in income) and/or a constant constrained to unity yield results which are, in all cases, a good deal worse on statistical grounds than those in Table L.

Table L

Econometric results 'explaining' real pre-tax rates of return on trading assets 1961-77[a]

		Constant	Time trend[b]	Change in costs[c]	Reciprocal of capacity utilisation	$\bar{R}^2$	DW
1	Manufacturing	0.392	-0.002	-0.207	-0.081	0.96	1.69
		(9.2)	(3.9)	(9.6)	(2.3)		
2	Food	0.344	-0.005	-0.109	-0.117	0.77	1.84
		(1.2)	(3.2)	(1.0)	(0.4)		
3	Chemicals and allied industries	0.417	-0.003	-0.118	-0.190	0.78	1.88
		(3.5)	(3.6)	(2.7)	(1.9)		
4	Metal manufacture	0.248	-0.003	-0.160	-0.024	0.75	2.21
		(3.3)	(2.6)	(2.9)	(0.5)		
5	Non-electrical engineering	0.143	-0.002	-0.188	0.125	0.84	2.17
		(2.2)	(2.6)	(4.5)	(2.9)		
6	Electrical engineering	0.278	0.004	-0.343	0.163	0.43	1.87
		(2.3)	(2.6)	(3.7)	(1.8)		
7	Vehicles	0.813	-0.006	-0.492	-0.170	0.82	2.72
		(3.3)	(2.6)	(4.4)	(0.9)		
8	Metal goods not elsewhere specified	0.135	-0.007	-0.042	0.010	0.89	1.52
		(1.9)	(8.0)	(0.9)	(0.2)		
9	Textiles	0.339	-0.005	-0.086	-0.151	0.81	1.74
		(3.6)	(3.6)	(1.2)	(2.7)		
10	Paper, printing and publishing	0.265	-0.003	-0.153	-0.005	0.79	1.82
		(3.5)	(4.0)	(3.4)	(0.1)		

't' statistics are in parentheses.

[a] The dependent variable is profits as a proportion, rather than as a percentage, of trading assets.
[b] Zero in the centre of the estimation period.
[c] Year-on-year change in costs.

for the framework for explaining trends in real profitability which has been considered here, and, in particular, suggest an important role for changes in the growth of costs. A clear feature is the better statistical performance of the equation for manufacturing industry than of those for its components; this may reflect the greater consistency of the industrial coverage of the dependent and independent variables among a highly-aggregated grouping than among the sectors, which are rather more bedevilled by the diversification of companies allocated to each BM sector.

41 The equations shown in Table L were re-estimated over the period 1961-73 (Table M) - that is, prior to the sharp reduction in the real return on trading assets - to test for the stability of the parameters, though the very limited degrees of freedom of the equations estimated over this shorter period imply that great caution should be attached to these results. For manufacturing and the nine sectors, certain broad features of the results are common to both estimation periods; for instance, the coefficients on the time trend are generally negative and significant over the period 1961-73, and the coefficients on the costs term are negative (in all cases except metal goods not elsewhere specified), though less often significant than over the period 1961-77. A Chow test [1] for parameter stability - testing the stability of the coefficients between the shorter and the longer estimation period - was not rejected in eight of the ten equations at the 5% level (Table M).

42 Bearing in mind that these regression results are no more than illustrative, it is nevertheless interesting to note that an ex post forecasting exercise using the coefficients of an equation estimated over the period 1961-73 predicted the fall in the real return on the trading assets of manufacturing industry between 1973 and 1975 very well, though the subsequent recovery was underpredicted (see Chart E, which also gives the tracking record of the equation over the period 1961-73). A corresponding exercise was carried out for each of the nine sectors. The sharp fall in the real profitability of each sub-sector in the mid-1970s (and, indeed, the real losses of metal manufacture, vehicles and textiles) were predicted by the

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[1] See Chow (1960).

Table M

Econometric results 'explaining' real pre-tax rates of return on trading assets 1961-73[a]

		Constant	Time trend [b]	Change in costs[c]	Reciprocal of capacity utilisation	$\bar{R}^2$	DW	F(4,9) [d]
1	Manufacturing	0.448	-0.002	-0.205	-0.136	0.88	1.86	1.47
		(5.2)	(4.2)	(4.1)	(2.5)			
2	Food	0.241	-0.007	-0.358	-0.224	0.93	1.33	9.71
		(1.0)	(6.0)	(4.1)	(1.1)			
3	Chemicals and allied industries	0.496	-0.004	-0.117	-0.264	0.63	1.80	0.96
		(2.8)	(3.0)	(0.9)	(2.0)			
4	Metal manufacture	0.270	-0.003	-0.139	-0.061	0.56	1.66	3.37
		(1.8)	(3.2)	(1.4)	(1.1)			
5	Non-electrical engineering	0.313	-0.002	-0.229	0.006	0.73	1.72	2.53
		(2.5)	(3.2)	(3.0)	(0.1)			
6	Electrical engineering	0.246	0.003	-0.303	0.154	0.03	1.79	0.26
		(0.9)	(1.7)	(1.5)	(0.7)			
7	Vehicles	0.893	-0.005	-0.346	-0.368	0.67	2.73	3.65
		(3.6)	(2.2)	(2.2)	(2.4)			
8	Metal goods not elsewhere specified	0.113	-0.007	0.001	-0.010	0.78	1.18	0.52
		(1.0)	(6.2)	(0.0)	(0.2)			
9	Textiles	0.405	-0.006	-0.069	-0.228	0.62	1.45	2.54
		(2.9)	(3.6)	(1.0)	(2.1)			
10	Paper, printing and publishing	0.380	-0.005	-0.051	-0.213	0.69	1.86	2.67
		(3.1)	(5.2)	(0.7)	(1.9)			

't' statistics are in parentheses.

[a] The dependent variable is profits as a proportion, rather than as a percentage, of trading assets.
[b] Zero in the centre of the estimation period.
[c] Year-on-year change in costs.
[d] Test for stability of parameters of equation: F(4,9) at 5% level = 3.63

equations estimated over the period 1961-73. A recovery in the real profitability of each sub-sector (except food, and paper, printing and publishing) from 1975 was predicted, though generally underestimated.

43 The twin factors of a sharper growth in costs and a fall in capacity utilisation seem able - on the basis of the equation estimated over the period 1961-77 - to explain a large part of the fall in the real return on trading assets in manufacturing from 7% in 1973 to 2% in 1975. The equation 'tracks' this period very well and, within its framework, attributes about 65% of the fall to the cost term and about 20% to the capacity utilisation term. The equation is less successful in explaining the subsequent recovery of profitability to 6% in 1977. The cost term is estimated to have increased profitability by around 2 1/2%, reflecting an easing of cost pressures; but some further fall in capacity utilisation and the continued depressing effect of secular factors are estimated to have partly offset this.

44 Chart F illustrates the acceleration of cost pressures in manufacturing industry in the 1970s. The sharp acceleration in 1973 and 1974 was initially a reflection of faster growth in raw materials costs (Table N). Its subsequent impact on wage bargaining

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Table N

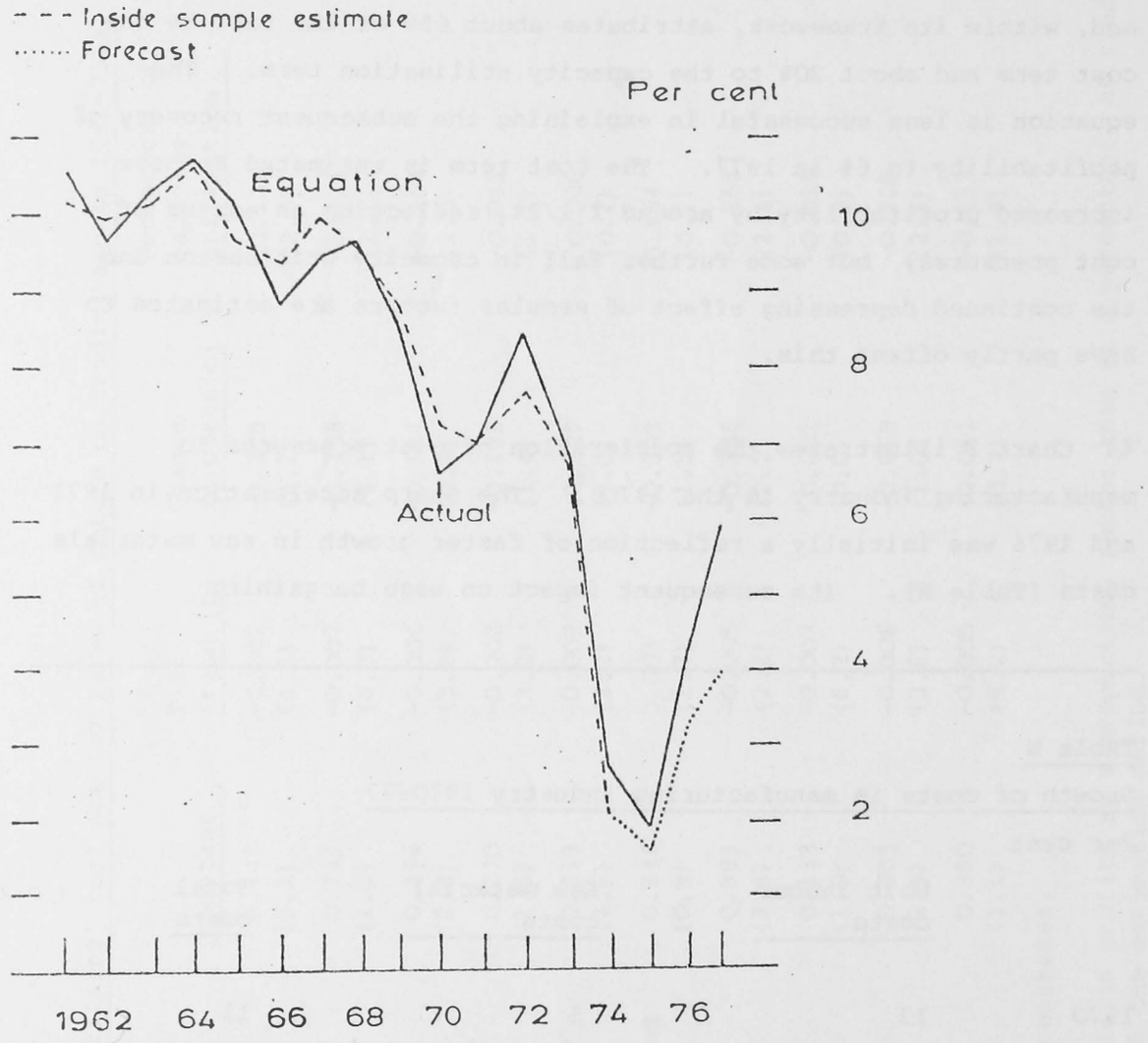
Growth of costs in manufacturing industry 1970-77

Per cent

	Unit labour costs	Raw material costs	Total costs
1970	13	5	11
1971	10	5	9
1972	5	4	5
1973	6	33	12
1974	24	49	32
1975	34	15	27
1976	14	27	18
1977	12	15	13

Chart E

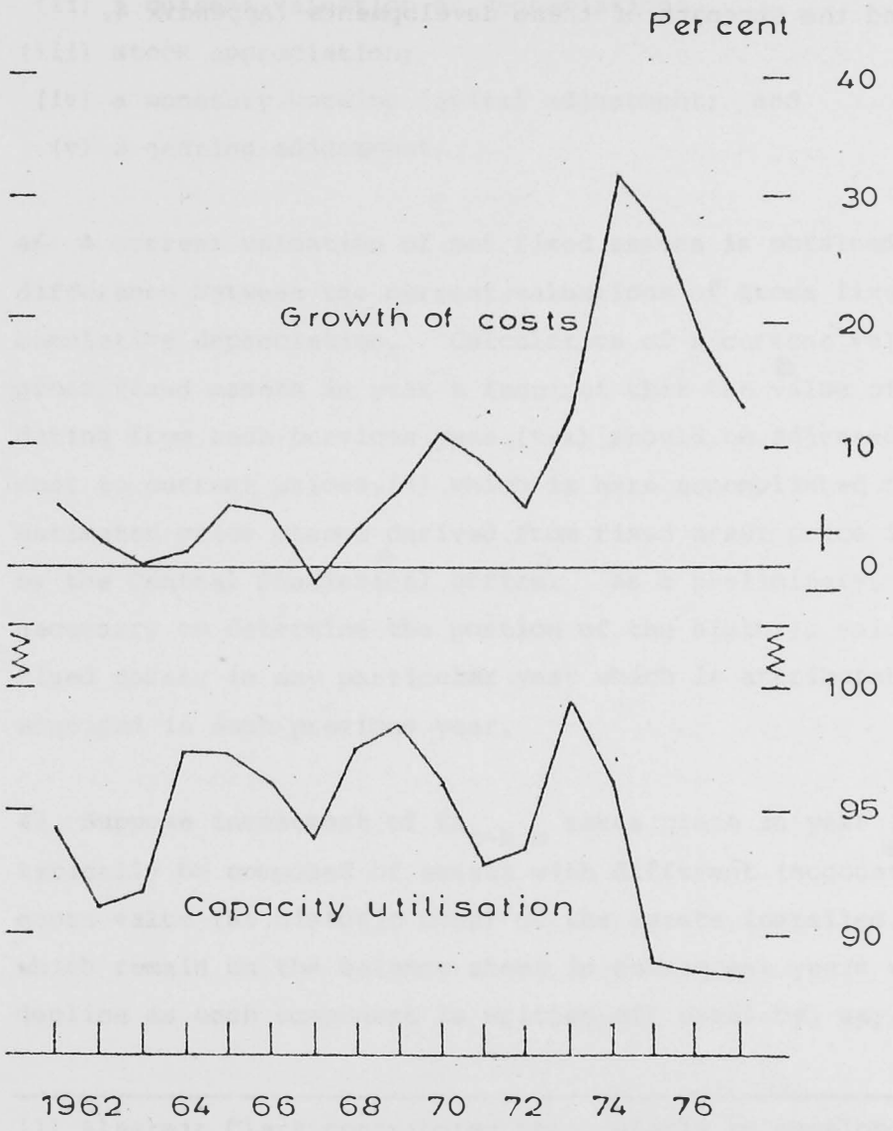
Explanatory and forecasting performance of an equation for the real profitability of manufacturing[a]



[a] Based on an equation estimated over the period 1961-73, as presented in Table M.

Chart F

Growth of costs and capacity utilisation: manufacturing[a]



[a] Estimates for the 1970s are shown in Table N.

contributed to a continuation of rapid cost inflation in 1975 in spite of the sharp deceleration of raw materials costs. Cost pressures in the mid-1970s coincided with - indeed partly contributed to - a fall of 12% in capacity utilisation between 1973 and 1975. The acceleration of cost inflation and fall in capacity utilisation in the mid-1970s were common to each of the nine sectors for which regression results are presented, though there were differences in both the timing and the strength of these developments (Appendix 4, Table 4).

Appendix 1

The inflation-adjustment of company accounts[1]

45 The inflation-adjustment of companies' published accounts[2] involves the estimation of:

(i) a current valuation of net fixed assets;

(ii) a current valuation of depreciation;

(iii) stock appreciation;

(iv) a monetary working capital adjustment; and

(v) a gearing adjustment.

46 A current valuation of net fixed assets is obtained as the difference between the current valuations of gross fixed assets and cumulative depreciation. Calculation of a current valuation of gross fixed assets in year t requires that the value of assets dating from each previous year (t-k) should be adjusted from historic cost to current prices,[3] which is here accomplished by applying an estimated price change derived from fixed asset price indices produced by the Central Statistical Office. As a preliminary, however, it is necessary to determine the portion of the historic value of gross fixed assets in any particular year which is attributable to assets acquired in each previous year.

47 Suppose investment of £$a_{t-k,o}$ takes place in year (t-k). This will typically be composed of assets with different (accounting) lives. The gross value (at historic cost) of the assets installed in year (t-k) which remain on the balance sheet in subsequent years will therefore decline as each component is written off until by, say, year (t-k+n)

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[1] Alastair Clark contributed particularly to developing and programming the technique of inflation-adjustment used in this paper.

[2] In practice, the published accounts of many companies seem, during the period of this study, to have incorporated a partial adjustment of net fixed assets and depreciation from a historic to a current valuation; hence the difference between recorded and 'true' historic cost rates of return referred to on page 7, footnote 2. It will be readily seen that 'true' historic cost estimates are a product of the method of inflation-adjustment outlined below.

[3] But, for reasons outlined in paragraph 59, such a process of revaluation cannot be applied directly to the figures recorded in company accounts.

all have been written off. (Note that n is not necessarily the same for the assets installed in different years.) For example, in the matrix below, £$a_{t-n,\,4}$ represents the gross value (at year t-n prices) of assets dating from year (t-n) still on the balance sheet at the end of year (t-n+4). In practice, £$a_{t-k,i}$ is unlikely to be very different from £$a_{t-k,o}$ for small values of i because few assets will be written off in the first few years.

Matrix A

At historic cost

Years	t-n	t-n+1	t-n+2	t-n+3	t-n+4.....t
t-n	$a_{t-n,0}$	$a_{t-n,1}$	$a_{t-n,2}$	$a_{t-n,3}$	$a_{t-n,4}$ ... $a_{t-n,n}$ (=0)
t-n+1		$a_{t-n+1,0}$	$a_{t-n+1,1}$	$a_{t-n+1,2}$	$a_{t-n+1,3}$ ... $a_{t-n+1,n-1}$
t-n+2			$a_{t-n+2,0}$	$a_{t-n+2,1}$	$a_{t-n+2,2}$ ... $a_{t-n+2,n-2}$
t-n+3				$a_{t-n+3,0}$	$a_{t-n+3,1}$ ... $a_{t-n+3,n-3}$
t-n+4					$a_{t-n+4,0}$ ... $a_{t-n+4,n-4}$
⋮					⋮
t					$a_{t,0}$
Total	t-n	t-n+1	t-n+2	t-n+3	t-n+4 ... t

48 A method is now required for estimating the way in which the gross (historic) value of assets dating from each year declines over time. Total write-offs in a given year can be derived as the difference between the annual depreciation provision in the year and the change in cumulative depreciation from beginning to end-year. It has been assumed here that the total should be allocated to assets of different vintages in proportion to the value in the opening balance sheet of cumulative depreciation on assets of each vintage.

At best, this is a rough approximation; in particular, it is likely to imply that too high a proportion of the assets written off are of recent vintage. Whatever the rule adopted, once the allocation is made then it is possible to derive each column of the matrix from the immediately preceding one.

49 In calculating the price changes appropriate to assets of each vintage, the asset compositions of investment in each year - so far as they are represented by the conventional distinction in the national accounts between 'plant and machinery', 'vehicles, ships and aircraft' and 'new buildings and works' - have been taken into account. For a particular industry's total investment, the asset composition can be determined from national accounts data, and the same proportions have been assumed for investment by the BM companies assigned to the industry. These proportions, which typically vary from year to year, have been used to weight together price indices (in many cases specific to a particular industry or group of closely related industries) for the three categories of asset. This leads to a series of indices, specific to both industry and vintage, with which to adjust gross assets - and, as noted in paragraph 51, cumulative depreciation - to current prices.

50 Ideally, the matrix would begin with the year of acquisition of the oldest assets still on the balance sheet in the first year for which inflation-adjusted accounts have been constructed (1961 in this instance). In practice, neither BM data nor suitable information on the prices of fixed assets are available before 1948. A price change (here 50%) must therefore be assumed between the 'average' date of installation of the gross capital stock on the balance sheet in 1948, and end-1948. The effect of this arbitrary assumption on the calculated real rate of return will clearly become less important as the proportion of old assets on the balance sheet declines. (By 1961, for example, the proportion of pre-1949 assets, measured at current cost, is estimated to have fallen to about one third for the sample as a whole.)

51 The fixed assets required each year will be depreciated over their (accounting) lives; and the total of depreciation provisions made on assets still on the balance sheet - 'cumulative depreciation'

- clearly relates to assets of different vintages. As in the case of gross fixed assets, the age composition must be determined before a current valuation can be derived, and much the same method can be used. During year t, cumulative depreciation attributable to assets of a particular vintage (t-k) will be increased by the component of year t depreciation, and reduced by the component of year t write-offs, attributable to assets acquired in year t-k. Write-offs have again been allocated to assets of different vintages in the way set out above, i.e. according to the age compositon of cumulative depreciation (at historic cost) in the opening balance sheet; while current-year depreciation has been assigned according to the age composition of historic cost net fixed assets. The price indices used to convert the vintage components of cumulative depreciation to current prices are the same as those used for gross fixed assets.

52 A current valuation of the annual depreciation charge is easily calculated once the age compositon of the charge has been established, as indicated above. Because depreciation notionally arises <u>through</u> the year, the price indices used for the conversion differ slightly from those applied to the beginning and end-year stocks; but they have been constructed along the same lines.

53 Of the adjustments mentioned at the start of this appendix, it remains to calculate stock appreciation, the monetary working capital adjustment and, for returns to the equity interest, a gearing adjustment.

54 Stock appreciation has been calculated as the residual between the change in the book value of stocks and the current value of the physical change in stocks, the latter being taken as the difference between opening and closing book values when both are converted to mid-year prices. Price indices which are specific both to the stocks held by each industry (or group of closely related industries) and to the average accounting year of companies allocated to each BM industry have been used.

55 The monetary working capital adjustment is readily calculated by applying the percentage change in a 'general' price index to the companies' net trade credit position, adding the result to profits if

there is a net receipt of credit and subtracting it if there is a net extension of credit. The calculation has been based on the change in the retail price index between successive Decembers.[1]

56 Both 'natural' and SSAP 16 gearing adjustments are calculated and the result is credited to equity profits. The 'natural' adjustment is derived as the change in the real value of net debt at a time of changing prices;[2] while the SSAP 16 adjustment is calculated as the geared portion[3] of both stock appreciation, and of the adjustments to depreciation (from a historic to a current valuation) and monetary working capital.

57 The adjustments described above would be necessary irrespective of the source of company accounting information. In addition, however, certain adjustments are required because of two specific characteristics of the BM sample. Though confined to a fixed group of companies for periods of about five years, the BM sample does change slightly over time because of mergers, acquisitions, bankruptcies, etc. so that, for example, the value of gross fixed assets in the opening balance sheet of one year is not in general the same as in the closing balance sheet of the previous year. In addition, the data do not distinguish within the total of gross fixed assets those which have been revalued.

58 The discontinuities in balance sheet totals do not present much difficulty when the objective is to calculate a series of ratios (e.g. rates of return, gearing, etc.), which are scale-free. At

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[1] Thus incorporating a timing difference as compared with the price indices used to calculate stock appreciation which were based on the 'average' accounting year of companies allocated to each industry. In practice, companies' accounting years - with about 70% of listed companies' accounting years ending in the fourth and first calendar quarters - are such that the method adopted is not thought to invalidate the resulting estimates.

[2] Based on the same price index as in the calculation of the monetary working capital adjustment.

[3] That is, net debt (net monetary liabilities as defined in Appendix 2) as a percentage of the current valuation of trading assets (net tangible fixed assets, stocks and net trade credit extended).

each discontinuity, for example in the case of gross fixed assets, the procedure has been simply to scale the calculated components attributed to each vintage, and the calculated total, by the ratio of the 'recorded' totals. The same procedure has been used for cumulative depreciation.

59 The conversion to current prices cannot be based directly on the recorded figures (i.e. the BM data) because these include, indistinguishably, the effects of asset revaluations. It is clearly invalid to apply fixed asset price indices if the 'historic data' do not, in fact, reflect historic costs. For stocks of fixed assets and cumulative depreciation, revaluation effects can, in principle, be eliminated by deriving series of calculated figures as accumulations of flows, albeit with adjustments for changes in coverage between years. But it must be supposed that the recorded flows of depreciation and write-offs themselves reflect revaluations in previous years; and first, therefore, an attempt must be made to adjust these flows to reflect 'true' historic costs. As a preliminary, total revaluations during a particular year have been derived as the change over the year in recorded gross fixed assets less the difference between fixed investment and 'recorded' write-offs. It has then been assumed that this total is attributable to gross fixed assets of each vintage in proportion to the cash amounts of the differences between 'true' historic cost and current valuations (in the closing balance sheet) of gross fixed assets of the vintage. For each vintage, a tally is kept, year by year, of the proportion of the recorded value of gross fixed assets attributable to revaluation; and, in each year, the calculated components of depreciation and write-offs attributed to the vintage have been scaled down by the revaluation proportion derived from the previous end-year.

Appendix 2

Technical definitions

60 This appendix sets out the definitions of rates of return presented in this article. The derivation of the inflation-adjusted items was described in Appendix 1.

Pre-tax recorded rate of return on trading assets

$$\left[\frac{GTPR-DPRB}{NFAB+STKB+NTCE} \times 100\right] \%$$

where:

GTPR = gross trading profits (less charges for the hire of plant and machinery);

DPRB = depreciation at book value;

NFAB = net tangible fixed assets at book value;

STKB = stocks and work-in-progress at book value; and

NTCE = net trade credit extended.[1]

(All balance sheet items are expressed as an average of the beginning and end-year totals.)

Pre-tax recorded rate of return on the equity stake in trading assets

$$\left[\frac{GTPR-DPRB-INTN}{NFAB+STKB+NTCE-NTML} \times 100\right] \%$$

where:

INTN = net interest payments;[2] and

NTML = net monetary liabilities.

NTML = DHFC[BOVD+STLN+DVID+CRTX+LTLN+PRSH]
- [IBGS+ILAL+TXRC+TRBL+CASH]

where:

BOVD = bank overdrafts and loans;

STLN = short-term loans;

DVID = dividends and interest due;

CRTX = current taxation;

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[1] That is, net of trade credit received.
[2] That is, net of interest receipts.

LTLN = long-term loans;

PRSH = preference shares;

IBGS = investments: British government securities;

ILAL = investments: local authority loans;

TXRC = tax reserve certificates/deposit accounts;

TRBL = Treasury bills; and

CASH = cash, etc.

$$DHFC = \frac{NFAR+STKB+NTCE}{NFAR+STKB+NTCE+GDWL+IUSB+IBGS+ILAL+IOLS+IULS+TXRC+TRBL+CASH}$$

where:

DHFC = debt hypothecation factor;[1]

NFAR = net tangible fixed assets at replacement cost;

GDWL = goodwill;

IUSB = investment in unconsolidated subsidiaries;

IOLS = investments: other listed securities; and

IULS = investments: unlisted securities.

Pre-tax real rate of return on trading assets

$$\left[\frac{GTPR-DPRR-STAP-MWCA}{NFAR+STKB[2]+NTCE} \times 100\right] \%$$

where:

DPRR = depreciation at replacement cost;

STAP = stock appreciation; and

MWCA = monetary working capital adjustment.

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[1] It is assumed that gross debt finances trading and non-trading assets in proportion to their respective magnitudes; that is, a 'neutral' assumption about the hypothecation of debt has been used. Consistently, therefore, gross interest payments have been scaled by the debt hypothecation factor in the calculation of net interest payments. There is a case for applying different debt hypothecation factors - based, alternately, on recorded and current valuations of trading assets - in the calculation of recorded and real equity profitability. It can be seen that, as an approximation, debt hypothecation factors based on current valuations of trading assets have been used in both sets of calculations.

[2] Measured at book value, rather than at replacement cost, to preserve an element of consistency with national accounts estimates of profitability. The two valuations do not differ significantly, even at times of rapid inflation, because of the rapid turnover of stocks.

Pre-tax rate of return on the equity stake in trading assets ('natural' and SSAP 16)

$$\left[\frac{GTPR-DPRR-STAP-MWCA-INTN+GRAJ}{NFAR+STKB+NTCE-NTML} \times 100\right] \%$$

where GRAJ = gearing adjustment (alternately, 'natural' and SSAP 16).

Post-tax real rate of return on the equity stake in trading assets

(i) Disposal basis

$$\left[\frac{GTPR-DPRR-STAP-MWCA-INTN+GRAJ-TXAC-TRDT+OTCR}{NFAR+STKB+NTCE-NTML-DFRT} \times 100\right] \%$$

where:

TXAC = tax accruals (excluding transfers to deferred taxation) i.e. UKTX+OVTX+PYTA+ITDV

where:

UKTX = current UK taxation;

OVTX = overseas taxation;

PYTA = prior year tax adjustments;

ITDV = income tax on dividends

TRDT = transfer to deferred taxation;

OTCR = other capital receipts; and

DFRT = deferred taxation, calculated as published provisions plus [c.(NFAR-NFAB)]

where:

c = rate of corporation tax on retained earnings.

TRDT and published deferred tax provisions are constrained to zero until 1968,[1] and based on the available accounting data for the period 1969-77.

(ii) Going concern basis

As disposal basis, except TRDT and DFRT are zero for the whole period 1961-77.

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[1] These items are constrained on the grounds that deferred tax provisions are an unknown, and probably small, part of the 'future tax reserves' item of the BM sample prior to 1969. (The major part of future tax reserves comprises corporation tax and income tax due on 1 January of the fiscal year following the companies' balance sheet dates.) An extension of calculations made in Flemming et al. (1976), page 47, suggests that the major part of companies' deferred tax liability prior to 1969 has been taken account of in these estimates by the calculation of the contingent tax liability on assets if they should be sold at their current replacement value.

Appendix 3

The Business Monitor sample of company accounts[1]

61 The estimates of profitability in this article are based on the published accounts of more than 1,000 large listed companies, as presented in the Department of Industry's Business Monitor MA3: Company Finance. The present size criteria for inclusion in the sample are net assets of at least £5 million or gross income of at least £500,000 in 1973. An earlier article[2] indicated a number of reasons for interpreting profitability estimates derived from this source - on that occasion, at the aggregate level - with caution, and it may be useful to reiterate them. First, the financial behaviour and performance of the relatively large companies within the BM sample - although covering about 60% of gross fixed assets and investment in the case of manufacturing industry, but rather less in distribution and services - may not be wholly representative of the company sector as a whole. Second, the sample excludes companies operating 'mainly' overseas, but a significant element of overseas activity nevertheless remains in the sample from the overseas branches and subsidiaries of companies operating principally in the United Kingdom. In addition, the sample excludes the UK activities of companies operating 'mainly' overseas, which, in some cases, are very substantial. Third, the profitability estimates presented in this article for a given calendar year relate to accounting years ending between 6 April of that year and 5 April of the following year. In practice, however, this qualification is not of great importance because about 70% of listed companies' accounting years end in the fourth and first calendar quarters.[3]

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[1] This appendix is based on one published in Williams (1979), page 401.

[2] Clark and Williams (1978).

[3] The fixed asset and retail price indices used in certain of the inflation-adjustments are based on calendar, rather than accounting, years. Such timing points have been more important in recent years, when the rate of inflation has been high and changing rapidly, though the stock price indices, which are specific to each sector, reflect the average accounting years of companies in each sector.

62 The interpretation of the disaggregated profitability estimates presented in this paper requires rather more caution than is the case with aggregate profitability estimates. Companies within the BM sample have been allocated to industries according to their principal activity but, with many diversified companies included within the sample, any one industry as presented in the BM inevitably includes some activities which do not rightfully belong therein, and excludes some which do.[1] There are, of course, differences between industrial sectors in the extent to which the results are compromised by the diversification of companies, and by the inclusion only of large listed companies operating 'mainly' in the United Kingdom. The results presented in this paper for some (especially the smaller) sectors will be heavily influenced by the performance of individual companies.

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[1] This difficulty is mitigated to some extent by the exclusion of the most highly diversified companies from the individual sectors considered in this paper.

Appendix 4

63 Tables 1 to 3 (pages 55-77) give estimates of pre-tax profitability, the capital gearing of trading assets, and post-tax real profitability, respectively, for the BM sample of manufacturing, distribution and service companies and the following disaggregation thereof.

64 Manufacturing industry comprises:

(i) food;
(ii) drink;
(iii) tobacco;
(iv) chemicals and allied industries;
(v) metal manufacture;
(vi) non-electrical engineering;
(vii) electrical engineering;
(viii) shipbuilding and marine engineering;
(ix) vehicles;
(x) metal goods not elsewhere specified;
(xi) textiles;
(xii) leather, leather goods and fur;
(xiii) clothing and footwear;
(xiv) bricks, pottery, glass, cement, etc.;
(xv) timber, furniture, etc.;
(xvi) paper, printing and publishing; and
(xvii) other manufacturing industries.

65 Distribution and service industries comprise:

(i) construction;
(ii) transport and communication (excluding shipping);
(iii) wholesale distribution;
(iv) retail distribution; and
(v) miscellaneous services.

66 Table 4 (pages 78-9) gives estimates of the growth of costs and capacity utilisation in manufacturing industry and nine illustrative sectors.

Table 1

Pre-tax profitability

Manufacturing, distribution and services

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	13.8	16.2	11.4	14.1	13.5
1962	12.5	14.8	10.7	13.0	12.6
1963	13.3	15.8	11.2	13.5	13.4
1964	15.0	18.1	12.2	15.6	14.9
1965	14.5	17.4	11.9	15.2	14.5
1966	13.1	15.7	10.7	13.7	13.1
1967	12.9	15.6	11.1	13.9	13.5
1968	14.5	18.1	11.5	15.9	14.7
1969	14.0	17.9	10.5	14.7	13.9
1970	12.4	15.7	7.7	11.9	10.2
1971	13.6	17.3	8.5	12.6	11.0
1972	16.0	20.6	10.0	15.0	13.2
1973	18.2	23.0	8.1	12.4	11.5
1974	16.8	20.4	3.8	8.8	5.7
1975	15.4	18.0	3.7	9.8	4.7
1976	18.6	22.1	5.3	8.2	6.7
1977	17.8	20.6	6.7	8.9	7.7

Manufacturing

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	13.3	15.6	10.6	13.1	12.5
1962	11.8	13.9	9.7	11.8	11.5
1963	12.8	15.2	10.3	12.3	12.3
1964	14.1	16.9	10.8	13.8	13.2
1965	13.3	16.0	10.2	13.1	12.4
1966	11.7	14.0	8.9	11.2	10.8
1967	11.7	13.9	9.5	11.7	11.4
1968	13.2	16.3	9.7	13.4	12.3
1969	12.5	15.7	8.7	11.9	11.2
1970	11.6	14.5	6.6	10.3	8.7
1971	12.7	16.0	7.0	11.0	9.1
1972	15.0	19.2	8.5	12.3	11.1
1973	17.8	22.5	6.9	10.5	9.8
1974	17.0	20.7	2.7	7.1	4.5
1975	15.3	17.7	2.0	7.3	2.7
1976	18.9	22.4	4.3	6.8	5.6
1977	17.5	20.1	5.9	7.8	6.8

Table 1 (continued)

Food

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	16.4	19.6	13.9	17.2	16.5
1962	16.0	19.2	14.0	16.9	16.6
1963	16.3	19.2	13.2	15.7	15.8
1964	15.3	18.4	13.9	17.6	16.5
1965	15.3	18.4	13.8	17.4	16.4
1966	13.5	15.4	11.3	13.4	13.0
1967	13.3	15.9	10.9	13.4	13.2
1968	13.9	17.4	10.3	14.5	13.3
1969	11.9	14.7	8.4	11.4	10.3
1970	11.8	14.5	5.8	8.6	7.1
1971	12.5	15.4	6.0	8.9	7.2
1972	15.9	20.0	8.3	11.2	10.1
1973	16.5	21.1	1.6	3.4	3.8
1974	16.5	20.3	6.5	12.7	7.8
1975	18.5	22.6	3.5	9.5	4.9
1976	22.3	27.4	6.5	9.7	8.4
1977	18.3	21.2	5.7	7.5	6.4

Drink

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	14.9	18.7	9.8	12.2	11.4
1962	14.0	17.5	9.6	11.6	11.3
1963	14.5	18.6	9.4	11.4	11.3
1964	14.8	19.1	9.4	12.2	11.5
1965	13.5	17.3	9.1	12.0	11.2
1966	12.7	15.2	8.8	10.8	10.3
1967	11.9	15.0	9.7	12.3	11.8
1968	12.0	15.7	9.1	13.4	11.6
1969	12.1	16.4	8.3	12.1	11.0
1970	12.8	17.5	9.7	15.6	12.7
1971	14.4	19.6	10.5	16.7	13.6
1972	16.6	22.1	11.4	16.1	14.2
1973	16.9	22.1	10.6	15.1	12.5
1974	13.3	16.3	4.0	8.4	4.7
1975	14.3	16.7	4.2	9.2	4.3
1976	16.1	19.3	6.8	9.7	7.3
1977	16.4	19.5	6.7	8.8	7.2

Table 1 (continued)

Tobacco

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	12.2	17.9	10.1	17.1	15.3
1962	12.9	18.9	11.1	17.2	16.5
1963	13.6	19.9	9.4	14.0	15.1
1964	13.6	19.5	11.8	19.1	17.1
1965	13.8	19.4	8.9	14.2	14.1
1966	13.3	18.4	10.2	15.3	14.8
1967	13.9	17.7	11.5	15.3	15.1
1968	16.0	20.1	9.9	13.7	13.6
1969	15.9	20.8	12.5	17.8	17.2
1970	15.9	21.6	12.4	20.1	18.2
1971	17.5	23.3	13.9	22.0	19.7
1972	15.1	23.5	10.8	20.1	17.4
1973	22.6	37.2	17.5	33.2	27.2
1974	17.0	24.7	- 0.7	6.1	3.4
1975	20.8	30.5	3.2	14.4	8.2
1976	22.9	31.6	13.4	22.2	17.8
1977	21.6	28.0	12.7	18.6	15.7

Chemicals and allied industries

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	11.4	13.5	10.3	13.3	12.4
1962	10.8	12.7	9.8	12.0	11.5
1963	12.2	14.6	10.2	12.3	12.3
1964	13.5	16.2	12.0	15.5	14.6
1965	12.6	15.0	11.3	14.6	13.6
1966	10.9	12.9	9.4	12.0	11.3
1967	11.3	13.1	9.1	10.9	10.7
1968	13.6	12.1	11.3	11.4	9.9
1969	12.7	11.4	10.6	10.3	9.1
1970	10.9	13.4	5.8	9.0	7.6
1971	10.7	13.0	5.0	8.2	6.4
1972	12.2	15.4	6.7	10.2	8.5
1973	17.5	22.7	5.0	8.3	7.9
1974	21.9	28.1	3.0	7.6	5.9
1975	16.9	20.8	2.0	7.6	3.4
1976	19.4	23.6	4.2	7.0	5.8
1977	17.2	20.3	6.5	9.0	7.6

Table 1 (continued)

Metal manufacture

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	12.4	14.8	8.8	11.0	10.4
1962	8.2	9.7	5.9	7.1	6.8
1963	8.0	7.0	5.4	4.3	4.2
1964	10.5	12.6	6.5	8.4	7.8
1965	10.1	12.1	6.4	8.2	7.4
1966	7.3	8.1	4.2	5.0	4.4
1967	10.2	11.3	6.8	7.6	7.6
1968	11.3	13.0	6.6	8.2	7.6
1969	12.5	15.3	4.5	5.8	6.1
1970	10.0	12.1	4.2	6.4	5.1
1971	9.4	10.9	4.5	6.8	4.9
1972	10.9	13.3	4.1	6.1	4.8
1973	16.2	21.4	1.3	3.0	3.2
1974	15.4	19.4	- 2.3	0.9	- 1.4
1975	12.0	13.2	- 0.7	4.8	- 1.5
1976	14.4	16.8	- 2.1	- 1.2	- 2.3
1977	13.8	15.7	3.5	5.1	3.3

Non-electrical engineering

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	14.5	16.5	10.7	12.6	12.3
1962	11.8	13.6	8.9	10.4	10.4
1963	11.7	13.5	9.5	11.1	11.0
1964	12.9	14.8	9.1	11.0	10.6
1965	12.9	14.8	8.9	10.8	10.5
1966	11.9	13.7	8.3	10.0	9.8
1967	11.8	13.4	9.4	10.9	10.7
1968	11.7	13.4	8.4	10.7	9.8
1969	12.4	14.9	7.3	9.4	9.2
1970	11.9	14.5	4.8	7.3	6.6
1971	12.2	15.0	5.2	8.3	7.0
1972	13.5	16.7	7.5	10.7	9.5
1973	16.4	19.9	7.7	11.3	10.1
1974	16.6	19.6	0.9	4.6	2.8
1975	16.5	18.9	2.8	8.3	4.2
1976	19.1	21.5	5.5	7.8	7.0
1977	18.8	20.7	6.7	8.2	7.7

Table 1 (continued)

Electrical engineering

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	10.9	12.7	7.7	9.6	9.1
1962	11.9	14.1	10.0	12.2	11.8
1963	15.8	19.7	14.6	18.3	17.7
1964	15.2	18.4	7.5	9.6	10.2
1965	13.6	16.3	9.3	12.1	11.8
1966	12.8	15.6	9.2	11.9	11.8
1967	11.7	14.5	9.6	12.4	12.3
1968	13.7	17.8	9.2	13.8	13.1
1969	14.2	18.4	8.6	12.5	12.9
1970	14.2	18.5	9.4	15.1	13.6
1971	15.1	19.5	10.1	16.0	14.2
1972	19.9	24.5	14.5	19.7	18.8
1973	21.8	25.5	11.1	14.4	14.2
1974	18.8	21.6	6.1	10.0	8.3
1975	19.5	21.9	5.7	10.0	7.4
1976	24.9	27.3	10.9	13.2	12.7
1977	24.8	25.6	13.0	13.8	13.6

Shipbuilding and marine engineering

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	10.4	10.1	5.8	5.6	5.7
1962	5.8	5.8	2.6	2.6	2.6
1963	5.3	5.3	2.7	2.7	2.6
1964	3.0	2.6	0.2	- 0.1	- 0.2
1965	- 7.0	- 6.8	- 7.0	- 7.1	- 7.0
1966	1.0	- 0.3	- 1.8	- 2.7	- 2.8
1967	5.7	5.0	1.9	1.2	1.1
1968	8.7	9.1	3.4	3.7	3.3
1969	- 2.2	- 4.3	- 4.4	- 5.4	- 5.7
1970	- 1.1	- 4.4	- 2.7	- 3.1	- 4.3
1971	-11.8	-19.6	- 8.3	- 9.3	-10.3
1972	15.4	16.8	4.5	4.8	4.4
1973	-33.6	-27.8	-15.3	-14.6	-14.0
1974	3.7	6.2	- 0.7	- 1.0	0.5
1975	- 4.8	- 3.4	- 8.1	- 8.8	- 7.6
1976	4.5	5.0	- 2.5	- 2.7	- 2.2
1977	7.9	7.9	0.1	0.0	0.4

Table 1 (continued)

Vehicles

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	10.5	11.9	11.6	15.0	14.3
1962	9.7	11.0	10.1	12.8	12.6
1963	14.7	17.2	14.9	18.9	19.3
1964	10.9	13.2	11.6	16.4	15.1
1965	15.3	18.4	14.6	19.8	19.2
1966	12.2	15.2	11.2	16.2	15.8
1967	9.4	10.8	9.1	11.9	11.5
1968	13.5	16.7	12.4	18.8	17.2
1969	12.1	14.4	9.8	13.6	13.0
1970	5.2	4.4	- 0.1	0.4	- 0.8
1971	10.9	13.4	5.5	10.4	8.3
1972	9.8	11.2	4.9	7.9	6.3
1973	13.2	14.2	7.1	9.6	7.9
1974	5.8	1.2	- 9.5	-12.1	-13.8
1975	1.5	-8.3	-10.1	-10.8	-18.4
1976	15.4	15.6	- 0.1	- 0.1	- 0.9
1977	12.9	11.9	- 0.6	- 2.2	- 2.3

Metal goods not elsewhere specified

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	16.3	18.0	13.5	15.2	14.9
1962	15.1	16.7	12.7	14.1	14.0
1963	15.2	16.8	13.3	14.7	14.6
1964	17.1	19.2	13.4	15.5	15.2
1965	15.9	18.0	12.6	14.8	14.5
1966	14.1	16.2	11.0	13.2	12.9
1967	13.6	15.6	11.3	13.1	12.9
1968	14.0	16.5	8.8	11.2	10.7
1969	14.4	17.5	9.1	11.7	11.4
1970	14.8	18.2	8.8	12.1	11.0
1971	15.8	18.9	9.1	12.2	10.7
1972	15.5	19.4	6.5	9.1	8.7
1973	18.0	22.6	2.7	4.8	5.4
1974	20.8	25.9	2.9	7.2	5.4
1975	16.4	19.0	4.5	10.5	5.6
1976	17.5	19.8	2.5	4.3	3.6
1977	14.0	15.3	3.7	5.1	4.1

Table 1 (continued)

Textiles

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	12.5	14.0	10.1	11.8	11.3
1962	10.5	11.8	8.3	9.5	9.2
1963	12.4	14.2	8.7	9.8	10.0
1964	13.5	15.8	11.6	14.4	13.4
1965	14.0	16.6	10.8	13.5	12.8
1966	11.8	13.9	9.4	11.5	10.9
1967	11.7	13.6	9.9	11.8	11.3
1968	14.2	17.7	9.7	13.2	12.2
1969	12.2	15.4	8.7	11.9	10.8
1970	11.0	13.2	6.6	9.8	7.6
1971	12.2	14.9	5.8	8.8	7.1
1972	15.9	19.5	4.2	5.7	6.1
1973	20.4	25.0	5.8	8.2	8.3
1974	17.0	19.6	4.8	8.5	5.9
1975	9.5	9.8	- 0.3	3.5	- 0.6
1976	15.0	17.2	- 1.0	0.3	- 0.5
1977	13.9	16.0	2.9	4.5	3.3

Leather, leather goods and fur

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	9.1	11.0	6.5	9.1	7.7
1962	7.7	8.9	5.9	7.3	6.6
1963	13.0	16.7	8.9	11.3	11.6
1964	14.2	17.9	9.0	12.0	11.6
1965	15.5	18.0	8.6	9.8	10.1
1966	12.1	14.8	7.4	9.3	9.2
1967	9.5	10.5	9.6	11.3	10.0
1968	15.5	19.1	9.5	12.5	11.9
1969	14.4	18.5	9.4	12.8	12.2
1970	14.1	19.7	13.5	23.3	17.2
1971	17.6	26.1	9.7	17.6	15.6
1972	21.9	34.7	1.4	2.6	10.8
1973	24.9	36.8	19.2	32.8	27.9
1974	21.7	26.2	19.3	33.6	21.9
1975	22.0	27.4	10.5	21.8	13.3
1976	25.7	31.3	6.0	8.4	8.8
1977	23.5	27.6	12.9	16.6	14.4

Table 1 (continued)

Clothing and footwear

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	18.6	22.7	16.4	20.7	19.8
1962	14.3	17.3	15.1	19.6	18.9
1963	12.3	14.7	12.5	16.2	16.3
1964	14.4	17.1	15.3	20.5	19.3
1965	14.0	17.7	14.6	21.1	19.5
1966	11.9	14.8	14.4	22.2	20.1
1967	12.1	15.2	16.7	27.4	25.5
1968	13.2	16.7	14.3	25.3	23.6
1969	12.8	16.5	14.7	25.7	23.6
1970	11.7	14.5	11.4	19.6	17.0
1971	14.0	18.3	13.0	23.6	20.3
1972	14.1	17.6	12.5	21.8	20.8
1973	14.1	16.9	11.2	20.3	19.1
1974	11.2	11.7	5.7	13.5	8.0
1975	10.2	10.5	4.7	14.2	6.0
1976	10.4	10.6	3.0	6.3	3.7
1977	10.4	10.5	3.4	5.4	3.9

Bricks, pottery, glass, cement, etc.

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	18.8	20.3	15.1	16.5	16.3
1962	16.3	18.1	13.6	15.1	15.0
1963	16.8	19.0	14.2	16.1	16.1
1964	19.3	21.9	16.5	19.3	18.8
1965	17.0	19.5	14.4	17.1	16.7
1966	14.4	16.6	12.1	14.6	14.1
1967	15.1	17.4	13.2	15.4	15.2
1968	14.6	17.3	12.4	16.2	14.9
1969	12.2	15.1	9.5	12.9	11.9
1970	12.9	15.9	9.2	13.4	11.4
1971	16.0	20.1	8.4	12.2	11.1
1972	18.4	23.1	12.0	16.2	15.0
1973	18.4	22.9	10.8	15.2	13.5
1974	13.4	15.3	1.9	5.7	2.8
1975	13.5	14.8	2.0	6.1	2.3
1976	16.5	18.6	4.5	6.5	5.3
1977	16.5	18.1	4.7	5.9	5.3

Table 1 (continued)

Timber, furniture, etc.

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	12.3	14.2	10.1	12.4	11.5
1962	9.8	10.8	8.4	9.7	9.2
1963	11.9	13.7	10.3	12.2	12.0
1964	14.5	18.1	10.9	14.9	14.4
1965	14.1	17.3	11.9	16.2	15.2
1966	11.6	13.7	10.2	13.3	12.3
1967	12.4	14.6	11.3	14.0	13.5
1968	13.8	16.9	9.4	12.9	12.2
1969	11.5	13.8	7.3	9.5	8.9
1970	11.7	14.0	5.9	9.1	7.1
1971	17.3	23.7	10.9	17.7	15.2
1972	29.6	42.9	19.1	28.9	28.7
1973	30.4	42.6	7.8	12.1	18.0
1974	17.3	19.9	6.3	13.2	8.3
1975	18.5	21.7	11.1	19.4	13.1
1976	21.8	25.2	4.4	6.4	6.2
1977	18.4	21.9	8.8	12.4	10.7

Paper, printing and publishing

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	15.2	17.5	12.1	14.4	13.8
1962	13.8	16.2	11.3	13.4	13.1
1963	13.7	16.2	11.2	13.2	13.1
1964	15.3	18.3	11.6	14.5	13.8
1965	15.2	18.2	12.0	15.0	14.2
1966	13.2	16.0	10.2	12.9	12.3
1967	12.3	15.0	9.8	12.2	11.8
1968	13.7	17.6	10.0	14.4	13.0
1969	12.7	16.2	8.5	11.7	10.9
1970	11.1	13.5	5.6	8.6	7.0
1971	11.5	14.1	6.1	9.5	7.3
1972	15.8	20.3	8.9	12.6	11.3
1973	19.3	25.0	8.7	13.1	11.9
1974	20.0	25.9	2.9	7.8	5.7
1975	14.1	16.7	2.2	8.6	2.8
1976	18.0	22.2	4.8	8.4	6.2
1977	18.7	23.3	8.2	11.7	9.7

Table 1 (continued)

Other manufacturing industries

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	12.3	15.0	9.4	12.3	11.4
1962	11.3	14.0	9.0	11.3	10.9
1963	12.9	16.4	10.2	12.9	12.7
1964	14.6	18.6	11.4	15.5	14.4
1965	13.2	16.4	9.9	13.2	12.3
1966	12.1	14.9	9.3	12.2	11.4
1967	12.1	14.8	10.7	13.6	12.8
1968	13.5	17.4	9.6	14.3	13.1
1969	11.5	14.9	7.9	11.7	10.8
1970	11.8	15.5	6.7	11.9	9.9
1971	12.9	17.2	7.6	13.4	10.9
1972	12.9	16.7	7.6	12.3	10.5
1973	13.3	16.5	2.5	5.2	4.9
1974	14.9	17.5	-0.7	3.4	1.0
1975	14.2	16.7	3.1	11.8	4.6
1976	18.0	21.8	3.6	7.2	6.1
1977	14.3	16.6	2.6	4.9	4.2

Distribution and services

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	16.4	19.4	13.9	17.0	16.2
1962	16.3	19.3	14.1	16.9	16.5
1963	16.0	19.2	13.8	16.6	16.4
1964	16.7	19.8	14.0	17.4	16.7
1965	16.0	19.0	13.9	17.3	16.5
1966	14.9	17.4	13.2	16.1	15.5
1967	14.7	17.5	13.1	16.2	15.9
1968	15.5	19.0	13.0	17.6	16.4
1969	15.2	19.2	12.2	16.6	15.8
1970	15.5	20.0	11.3	16.8	15.0
1971	16.8	21.7	12.6	18.9	16.5
1972	18.7	24.4	13.8	20.2	18.7
1973	18.7	23.9	10.8	16.5	15.3
1974	16.2	19.4	6.5	12.7	8.5
1975	15.9	18.7	7.7	15.1	8.8
1976	17.8	21.3	8.0	11.9	9.4
1977	18.7	22.1	8.7	11.5	10.0

Table 1 (continued)

Construction

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	14.4	17.2	12.9	16.5	15.2
1962	14.9	17.7	13.8	16.9	16.3
1963	15.9	19.0	14.3	17.3	17.0
1964	18.4	20.0	16.0	18.0	17.5
1965	17.8	19.4	15.1	17.0	16.5
1966	14.1	15.1	11.9	13.2	12.8
1967	15.7	19.2	12.8	15.9	16.0
1968	14.6	17.7	12.3	16.9	15.3
1969	14.6	18.1	10.7	14.6	14.3
1970	13.8	17.3	8.4	12.7	11.3
1971	16.3	20.7	11.7	17.6	15.4
1972	19.8	26.1	8.9	13.1	14.2
1973	19.6	25.5	2.2	3.9	7.4
1974	16.1	18.5	2.3	7.0	4.4
1975	17.0	18.8	8.0	14.7	9.0
1976	20.2	22.3	11.1	13.8	12.2
1977	18.6	19.7	8.6	9.8	9.0

Transport and communication (excluding shipping)

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	11.2	11.9	7.9	8.6	8.3
1962	13.6	14.3	9.6	10.0	10.0
1963	14.2	15.0	10.7	11.3	11.3
1964	13.2	13.9	10.2	11.1	10.8
1965	12.5	12.5	9.6	9.7	9.6
1966	11.5	11.5	9.4	9.5	9.3
1967	13.3	13.5	10.4	10.6	10.5
1968	13.8	13.7	10.4	10.4	10.2
1969	14.0	14.6	8.8	9.2	8.9
1970	16.1	16.7	9.2	9.9	9.3
1971	13.3	13.7	7.6	8.2	7.7
1972	12.0	11.6	7.9	7.9	7.4
1973	15.4	15.7	10.9	12.0	11.0
1974	12.8	12.2	4.9	5.6	4.2
1975	14.7	14.0	6.7	7.9	5.9
1976	15.8	17.2	3.8	5.2	3.8
1977	18.2	20.6	2.9	3.7	3.1

Table 1 (continued)

Wholesale distribution

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	13.0	15.2	11.0	13.8	12.9
1962	12.0	14.2	10.7	13.0	12.5
1963	13.2	16.0	11.4	14.0	13.7
1964	14.7	18.0	11.3	14.8	14.1
1965	14.3	17.5	11.6	15.3	14.4
1966	12.8	15.6	10.7	13.9	13.1
1967	12.1	14.5	9.7	11.9	11.8
1968	13.9	17.1	10.5	14.9	13.7
1969	13.0	16.2	9.7	13.4	12.5
1970	15.0	19.6	9.8	15.2	13.3
1971	15.1	20.0	9.8	16.2	13.7
1972	17.2	23.4	10.9	17.1	16.0
1973	20.5	27.6	8.0	13.6	14.2
1974	19.1	23.5	6.4	13.8	9.9
1975	16.7	20.0	7.4	18.1	9.5
1976	18.7	23.4	5.5	10.2	8.1
1977	18.0	22.5	9.0	13.9	11.4

Retail distribution

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	19.1	22.4	18.4	22.5	21.7
1962	19.4	22.7	18.7	22.3	21.9
1963	17.7	21.1	17.2	20.9	20.6
1964	18.5	22.0	18.0	22.5	21.7
1965	18.0	21.4	18.3	23.3	22.4
1966	17.3	20.3	17.8	22.2	21.7
1967	16.7	19.5	17.7	21.8	21.4
1968	17.7	21.5	16.5	22.0	20.9
1969	16.7	21.4	14.7	20.4	19.5
1970	17.6	22.6	14.2	20.5	18.8
1971	19.8	25.1	16.4	23.2	21.2
1972	22.6	28.0	20.1	26.7	25.2
1973	21.0	25.6	17.7	23.8	21.7
1974	18.3	21.8	9.3	14.7	11.8
1975	18.6	21.5	10.3	15.6	12.0
1976	19.3	22.2	10.0	13.0	11.5
1977	20.0	22.7	10.4	12.7	11.7

Table 1 (concluded)

Miscellaneous services

Per cent

	Recorded rates of return		Real rates of return		
	Trading assets	Equity	Trading assets	Equity ('natural' gearing adjustment)	Equity (SSAP 16 gearing adjustment)
1961	19.1	23.8	12.3	15.0	14.4
1962	17.1	21.8	11.5	14.0	13.8
1963	16.9	21.5	12.0	14.6	14.5
1964	15.9	19.9	10.7	13.5	12.8
1965	14.0	17.6	9.6	12.3	11.4
1966	14.1	16.9	10.4	12.6	12.0
1967	13.6	17.3	10.4	13.1	12.7
1968	14.5	19.5	11.3	16.8	14.9
1969	15.5	21.0	12.7	18.5	17.0
1970	12.9	17.3	9.3	14.8	12.2
1971	13.6	18.4	9.7	15.9	12.5
1972	14.3	20.1	10.5	17.4	14.3
1973	14.7	19.6	7.8	13.6	10.6
1974	12.2	14.1	5.0	12.6	5.2
1975	10.8	11.8	4.1	14.1	3.3
1976	13.9	17.7	5.1	10.0	5.4
1977	17.2	22.7	6.7	10.5	7.8

Table 2

Capital gearing of trading assets

Per cent

	Manufacturing, distribution and services		Manufacturing		Food	
	Recorded	Replacement cost	Recorded	Replacement cost	Recorded	Replacement cost
1961	20.6	19.2	20.7	19.0	20.6	19.0
1962	21.6	20.2	21.9	20.2	20.0	18.6
1963	22.2	20.9	22.4	20.7	19.2	18.0
1964	22.7	21.5	23.0	21.3	22.0	20.6
1965	23.7	22.5	23.8	22.2	22.3	20.8
1966	25.4	24.3	25.7	24.1	18.5	17.5
1967	26.8	25.9	27.0	25.5	26.3	25.0
1968	28.8	27.8	28.9	27.3	30.7	29.0
1969	31.5	29.9	31.4	29.3	33.3	29.7
1970	32.9	30.2	33.2	30.0	33.5	28.0
1971	32.3	28.8	32.7	28.5	31.6	25.3
1972	32.0	28.5	32.3	28.0	31.1	24.7
1973	30.9	27.2	30.6	26.2	33.0	26.5
1974	31.8	26.8	31.6	25.9	36.0	28.1
1975	30.8	24.3	30.5	23.6	32.9	24.6
1976	27.7	21.1	27.1	20.5	28.3	20.9
1977	25.9	19.5	25.4	19.1	26.8	19.2

	Drink		Tobacco	
	Recorded	Replacement cost	Recorded	Replacement cost
1961	25.6	18.7	40.7	39.3
1962	25.4	19.1	39.5	38.1
1963	27.6	20.9	38.4	37.1
1964	28.2	21.8	37.2	36.0
1965	28.9	23.3	36.6	35.5
1966	25.3	21.1	35.0	33.9
1967	31.3	27.2	28.2	27.3
1968	34.7	30.3	24.6	23.8
1969	37.1	31.8	28.0	27.7
1970	37.3	32.2	31.4	31.4
1971	36.5	30.6	30.3	30.1
1972	33.3	26.3	41.0	37.3
1973	31.5	22.6	49.1	43.3
1974	31.4	21.1	48.9	41.8
1975	31.0	20.0	44.4	36.8
1976	28.2	17.7	38.0	30.6
1977	25.4	15.5	34.9	27.5

Table 2 (continued)

Per cent

	Chemicals and allied industries		Metal manufacture		Non-electrical engineering	
	Recorded	Replacement cost	Recorded	Replacement cost	Recorded	Replacement cost
1961	21.8	21.3	22.9	19.3	16.9	15.6
1962	22.7	21.7	24.2	20.6	19.5	18.1
1963	23.0	21.8	25.2	21.5	20.2	18.8
1964	22.4	21.7	26.4	22.5	19.9	18.6
1965	22.9	22.5	27.6	23.4	20.4	19.3
1966	24.5	23.7	28.3	23.9	21.8	20.4
1967	26.8	25.9	19.0	16.6	22.4	20.9
1968	29.0	28.1	21.1	18.1	23.7	22.0
1969	30.5	29.0	26.8	22.6	28.1	25.7
1970	31.6	28.5	31.3	25.5	32.1	29.1
1971	33.3	28.7	30.4	23.9	31.9	28.5
1972	35.9	30.5	35.0	27.3	31.0	27.6
1973	33.0	27.3	38.9	30.0	28.4	25.4
1974	31.5	24.5	40.0	29.8	29.5	26.1
1975	31.0	23.0	40.9	28.3	27.6	24.0
1976	27.5	20.4	36.7	24.6	21.2	18.1
1977	26.4	19.6	33.9	22.8	18.1	15.1

	Electrical engineering		Shipbuilding and marine engineering	
	Recorded	Replacement cost	Recorded	Replacement cost
1961	24.1	22.4	- 2.6	- 1.9
1962	24.1	22.4	1.8	1.3
1963	26.2	24.2	6.2	4.6
1964	23.2	21.7	2.1	1.5
1965	24.3	23.2	- 6.6	- 4.7
1966	26.5	25.8	9.7	6.9
1967	28.8	28.3	19.1	13.6
1968	32.3	32.0	16.1	11.4
1969	33.3	33.3	18.7	13.0
1970	33.1	32.6	28.2	16.2
1971	31.0	30.1	30.0	14.0
1972	24.7	23.7	17.4	8.5
1973	18.9	17.8	-17.0	- 6.5
1974	20.2	18.6	-29.7	- 9.1
1975	18.1	16.2	-14.5	- 7.0
1976	11.5	10.2	-11.9	- 4.6
1977	7.1	6.3	-13.9	- 4.4

Table 2 (continued)

Per cent

	Vehicles		Metal goods not elsewhere specified		Textiles	
	Recorded	Replacement cost	Recorded	Replacement cost	Recorded	Replacement cost
1961	18.0	22.5	11.6	11.0	14.7	13.2
1962	20.2	24.8	12.0	11.4	18.2	16.4
1963	20.3	24.5	12.1	11.5	18.8	16.9
1964	23.0	27.1	14.0	13.3	20.8	18.8
1965	22.9	26.4	15.6	14.8	22.6	20.5
1966	29.1	33.5	18.4	17.6	23.8	21.6
1967	29.9	34.2	18.7	17.5	25.5	23.1
1968	30.5	34.3	21.3	19.4	30.2	27.3
1969	29.6	32.5	24.8	22.4	34.2	30.3
1970	33.5	35.7	26.0	22.5	34.6	29.7
1971	38.3	39.3	26.3	21.8	32.6	27.0
1972	36.6	36.6	28.9	24.2	29.6	24.1
1973	27.0	26.3	29.5	24.7	26.3	21.4
1974	30.8	28.8	32.9	26.8	24.6	19.7
1975	40.6	36.1	28.5	23.1	25.3	19.5
1976	40.2	35.1	24.3	19.9	28.2	20.8
1977	40.3	35.2	24.3	19.7	28.8	20.8

	Leather, leather goods and fur		Clothing and footwear	
	Recorded	Replacement cost	Recorded	Replacement cost
1961	36.3	32.6	22.0	20.3
1962	35.8	32.3	23.2	24.9
1963	31.0	27.8	23.3	26.9
1964	30.9	27.7	23.1	26.0
1965	30.6	27.4	28.4	31.1
1966	29.3	26.1	32.3	39.1
1967	31.0	27.8	34.0	45.2
1968	34.1	30.6	33.7	44.2
1969	37.3	34.0	34.9	44.4
1970	46.0	41.5	31.1	37.8
1971	47.2	42.5	33.3	38.9
1972	47.0	42.7	30.5	39.4
1973	45.9	42.1	27.9	37.4
1974	42.9	38.5	28.4	34.7
1975	40.1	34.7	28.4	31.8
1976	36.2	30.7	27.4	28.4
1977	33.7	27.5	25.1	25.9

Table 2 (continued)

Per cent

	Bricks, pottery glass, cement, etc.		Timber, furniture, etc.		Paper, printing and publishing	
	Recorded	Replacement cost	Recorded	Replacement cost	Recorded	Replacement cost
1961	9.3	8.3	25.9	24.3	18.3	16.2
1962	12.2	11.1	24.5	23.3	21.2	19.0
1963	14.0	12.9	25.6	24.8	21.9	19.7
1964	14.2	13.5	30.6	30.2	22.5	20.1
1965	16.4	15.7	31.5	31.4	23.2	20.9
1966	20.0	19.2	31.9	31.6	27.0	24.6
1967	20.7	19.9	30.6	30.6	31.1	28.6
1968	24.1	23.3	31.9	31.1	33.5	30.8
1969	29.3	27.7	34.8	32.4	35.1	31.6
1970	30.6	27.6	42.4	38.7	34.7	30.0
1971	29.4	25.5	40.6	36.2	34.2	28.2
1972	28.0	23.9	37.2	33.1	33.6	27.5
1973	27.2	22.6	38.0	35.9	32.3	26.5
1974	27.9	22.7	38.2	35.8	33.8	27.0
1975	24.7	19.1	28.0	24.4	34.7	26.4
1976	20.8	15.6	26.7	22.6	35.0	26.4
1977	17.9	13.0	28.1	23.4	33.6	24.9

	Other manufacturing industries		Distribution and services	
	Recorded	Replacement cost	Recorded	Replacement cost
1961	25.7	23.0	20.3	18.5
1962	28.6	25.7	20.1	18.4
1963	29.3	26.4	21.6	20.0
1964	29.4	26.7	20.8	19.6
1965	29.7	26.9	22.1	21.2
1966	31.5	28.8	21.5	21.0
1967	33.0	31.0	25.9	25.3
1968	35.2	33.8	26.6	26.0
1969	37.3	35.8	29.8	28.4
1970	39.4	37.6	31.2	29.0
1971	38.8	36.1	30.6	28.0
1972	38.6	35.9	31.2	29.0
1973	36.8	33.9	31.9	29.2
1974	36.7	33.4	32.2	27.7
1975	36.2	32.2	30.6	24.5
1976	34.7	30.9	28.8	21.9
1977	34.3	30.7	26.6	19.9

Table 2 (concluded)

Per cent

	Construction		Transport and communication (excluding shipping)		Wholesale distribution	
	Recorded	Replacement cost	Recorded	Replacement cost	Recorded	Replacement cost
1961	26.9	25.6	11.2	9.4	23.6	22.4
1962	25.1	24.1	5.6	4.6	24.0	22.8
1963	22.8	22.0	6.3	5.4	25.3	23.9
1964	14.1	13.7	9.1	8.0	26.1	24.8
1965	16.9	16.5	6.3	5.6	27.6	26.4
1966	20.2	19.8	8.1	7.3	28.8	27.7
1967	29.9	29.1	9.0	8.0	30.0	29.0
1968	30.5	30.2	6.6	5.6	32.2	31.8
1969	30.4	30.1	14.6	11.7	34.1	32.9
1970	33.7	32.1	13.8	11.1	36.4	33.7
1971	31.7	29.8	10.5	8.9	36.2	33.7
1972	33.6	31.7	12.8	11.2	36.7	34.5
1973	37.5	36.0	13.8	12.0	37.3	35.4
1974	33.1	31.4	11.8	10.0	37.7	35.1
1975	27.6	24.4	12.1	9.2	37.9	33.7
1976	18.3	15.0	23.1	15.6	39.7	34.2
1977	15.8	12.5	25.0	15.5	37.9	32.4

	Retail distribution		Miscellaneous services	
	Recorded	Replacement cost	Recorded	Replacement cost
1961	18.0	17.8	23.6	17.5
1962	17.2	16.8	25.9	20.0
1963	19.7	19.6	26.7	21.4
1964	19.3	19.7	26.2	21.1
1965	20.0	21.3	29.0	23.4
1966	18.8	20.4	24.7	20.7
1967	20.3	21.9	34.5	29.9
1968	22.4	23.4	35.0	31.4
1969	26.6	26.6	36.7	33.7
1970	26.9	26.0	36.8	32.3
1971	25.5	24.2	38.0	32.5
1972	22.8	22.2	41.2	35.9
1973	22.3	20.9	41.6	35.4
1974	22.5	19.6	44.1	34.6
1975	19.5	15.8	47.8	34.1
1976	18.2	14.0	45.9	31.8
1977	16.9	12.8	42.3	29.0

Table 3

Post-tax real profitability[1]

Per cent

	Manufacturing, distribution and services		Manufacturing		Food	
	Disposal basis[2]	Going concern basis[3]	Disposal basis	Going concern basis	Disposal basis	Going concern basis
1961	7.3	6.2	6.6	5.6	9.6	8.5
1962	6.5	5.9	5.8	5.2	9.3	8.6
1963	6.8	6.4	6.1	5.7	8.3	8.1
1964	7.9	6.9	6.6	5.6	10.4	8.9
1965	9.5	8.5	7.8	6.9	12.2	10.8
1966	6.7	6.0	4.7	4.1	6.4	5.8
1967	8.2	7.7	6.7	6.3	9.7	9.3
1968	3.9	2.6	2.3	1.2	4.0	2.7
1969	7.0	6.3	5.0	4.3	5.7	4.6
1970	5.7	3.9	4.8	3.1	3.5	1.9
1971	6.2	4.9	5.5	3.8	3.0	1.7
1972	8.7	7.3	6.4	5.8	5.2	4.6
1973	4.8	5.0	3.5	3.8	- 4.6	- 2.5
1974	1.4	0.7	-0.4	-0.4	7.5	2.2
1975	4.5	0.6	1.5	-1.1	2.7	- 0.4
1976	1.8	2.8	0.1	1.8	2.2	2.6
1977	4.0	3.8	2.9	3.1	1.7	2.0

	Drink		Tobacco	
	Disposal basis	Going concern basis	Disposal basis tax	Going concern basis
1961	- 4.3	-4.3	6.4	4.4
1962	- 4.0	-3.7	7.1	6.2
1963	- 0.7	-0.7	3.6	4.6
1964	4.8	3.3	8.8	6.6
1965	7.2	5.6	8.3	8.0
1966	5.1	4.2	4.8	4.3
1967	6.2	5.2	6.2	5.9
1968	2.1	0.1	- 3.9	- 3.9
1969	4.5	3.5	5.6	4.2
1970	8.3	4.8	8.4	6.5
1971	9.8	6.0	9.5	8.1
1972	10.0	7.1	10.0	7.6
1973	10.7	7.1	25.6	16.8
1974	4.9	2.3	- 2.0	- 1.4
1975	6.5	2.3	7.8	4.0
1976	6.5	4.7	18.2	11.3
1977	6.0	4.7	17.8	12.1

[1] Post-tax real rate of return on the equity stake in trading assets.
[2] With a 'natural' gearing adjustment.
[3] With an SSAP 16 gearing adjustment.

Table 3 (continued)

Per cent

	Chemicals and allied industries		Metal manufacture		Non-electrical engineering	
	Disposal basis	Going concern basis	Disposal basis	Going concern basis	Disposal basis	Going concern basis
1961	7.8	6.8	5.9	4.6	5.5	4.8
1962	6.7	6.1	3.4	2.7	4.4	4.1
1963	6.6	6.2	1.0	0.8	5.2	4.8
1964	8.8	7.6	3.7	2.6	4.1	3.5
1965	10.1	9.1	5.2	4.1	4.7	4.3
1966	6.5	5.7	0.8	0.2	3.3	3.0
1967	7.5	7.2	2.7	2.4	5.9	5.5
1968	0.7	-0.8	- 0.7	-1.3	0.6	-0.4
1969	3.6	2.2	- 0.8	-0.2	2.5	2.4
1970	5.0	3.4	3.4	1.7	0.9	0.2
1971	4.6	3.4	4.6	2.2	1.8	0.9
1972	5.5	4.7	3.1	1.8	5.2	4.5
1973	2.8	3.3	- 3.4	-1.5	5.3	4.7
1974	-1.7	-0.5	- 7.5	-6.3	-4.5	-2.5
1975	2.1	0.8	1.2	-4.4	1.0	-1.0
1976	-0.2	2.5	- 9.2	-4.7	0.6	2.6
1977	5.7	5.2	3.3	1.8	2.0	3.3

	Electrical engineering		Shipbuilding and marine engineering	
	Disposal basis	Going concern basis	Disposal basis	Going concern basis
1961	3.6	2.9	1.2	1.1
1962	5.6	4.9	- 0.4	- 0.3
1963	9.9	8.7	0.8	0.6
1964	1.0	1.5	- 1.6	- 1.4
1965	5.6	5.2	- 7.3	- 6.4
1966	4.3	4.1	- 3.8	- 3.4
1967	6.5	6.2	- 0.5	- 0.5
1968	0.2	- 0.5	2.9	2.0
1969	3.3	3.5	- 5.7	- 7.7
1970	6.4	5.1	5.5	3.4
1971	7.2	5.8	5.4	3.0
1972	11.3	11.3	7.4	7.2
1973	3.4	5.1	-22.4	-12.8
1974	1.0	2.9	- 4.4	3.3
1975	0.8	1.3	-10.3	- 5.7
1976	2.9	5.5	- 6.2	- 3.3
1977	3.9	6.6	- 2.8	- 0.9

Table 3 (continued)

Per cent

	Vehicles		Metal goods not elsewhere specified		Textiles	
	Disposal basis	Going concern basis	Disposal basis	Going concern basis	Disposal basis	Going concern basis
1961	12.1	13.5	6.7	6.3	5.5	4.6
1962	10.6	12.2	6.6	6.3	3.9	3.4
1963	16.3	19.1	7.0	6.7	3.5	3.4
1964	14.4	15.0	6.2	5.7	8.0	6.5
1965	11.6	12.0	7.4	6.9	7.9	6.9
1966	7.9	8.2	5.7	5.3	5.0	4.2
1967	7.0	7.3	6.1	5.7	7.2	6.3
1968	8.6	7.7	0.0	-0.5	3.3	2.1
1969	8.1	8.4	3.5	3.4	6.2	5.1
1970	- 0.4	- 1.6	5.4	4.3	6.3	4.2
1971	6.2	4.8	6.7	5.7	5.6	3.5
1972	3.3	3.2	3.2	3.8	0.5	1.7
1973	6.1	6.8	-4.1	-1.3	1.7	2.8
1974	-18.5	-14.5	-2.7	-1.0	4.1	1.8
1975	-16.9	-20.7	5.5	2.0	0.6	-3.3
1976	- 4.7	- 0.5	-4.0	0.6	-6.0	-3.9
1977	- 9.7	- 4.1	1.7	1.5	0.5	-0.2

	Leather, leather goods and fur		Clothing and footwear	
	Disposal basis	Going concern basis	Disposal basis	Going concern basis
1961	3.3	1.7	10.2	8.7
1962	3.2	2.2	8.7	8.4
1963	2.3	2.4	5.4	6.1
1964	3.1	2.5	8.7	8.3
1965	3.3	3.4	12.5	11.7
1966	1.7	1.4	7.5	6.5
1967	5.2	3.6	13.6	15.2
1968	0.6	- 0.1	4.3	3.7
1969	6.2	5.6	10.4	10.7
1970	15.4	8.2	7.8	6.4
1971	7.9	6.5	11.0	9.1
1972	-10.7	- 0.6	8.2	10.4
1973	20.6	15.6	6.1	8.8
1974	27.9	12.6	4.1	1.2
1975	13.5	4.8	7.6	1.1
1976	- 4.3	3.4	0.6	0.8
1977	9.6	10.1	1.2	0.7

Table 3 (continued)

Per cent

	Bricks, pottery, glass, cement, etc.		Timber, furniture, etc.		Paper, printing and publishing	
	Disposal basis	Going concern basis	Disposal basis	Going concern basis	Disposal basis	Going concern basis
1961	9.2	8.4	6.1	5.0	8.1	6.9
1962	8.8	8.2	4.6	4.0	7.6	6.8
1963	9.6	9.1	5.8	5.5	7.3	6.6
1964	10.9	10.1	6.2	5.5	10.2	8.8
1965	10.5	9.8	9.6	8.5	10.6	9.3
1966	8.0	7.4	6.2	5.1	5.2	4.3
1967	9.2	8.9	8.6	8.0	7.6	6.9
1968	4.1	2.8	- 0.2	- 0.9	2.9	1.4
1969	7.3	6.2	2.6	2.5	6.5	5.6
1970	8.9	6.8	2.3	0.5	5.2	3.1
1971	4.9	4.9	9.0	6.5	5.4	3.1
1972	11.6	10.7	16.1	16.4	8.0	6.4
1973	9.6	9.1	- 8.4	0.8	6.7	5.5
1974	- 0.4	- 0.3	3.6	1.6	- 1.3	- 0.1
1975	0.4	- 2.3	14.3	7.1	3.8	- 1.8
1976	3.2	2.7	- 1.6	2.6	5.0	4.3
1977	2.1	1.7	7.5	5.6	6.1	4.3

	Other manufacturing industries		Distribution and services	
	Disposal basis	Going concern basis	Disposal basis	Going concern basis
1961	6.5	5.2	9.0	7.7
1962	5.8	4.9	8.8	7.9
1963	7.0	6.4	8.7	8.1
1964	8.9	7.2	8.7	7.7
1965	8.7	7.3	10.2	9.2
1966	6.6	5.5	7.9	7.3
1967	10.9	9.7	8.1	7.7
1968	2.8	1.5	2.8	1.6
1969	4.5	4.2	6.6	6.2
1970	4.9	2.9	8.1	6.3
1971	7.3	4.8	10.2	7.9
1972	6.5	5.8	12.3	11.1
1973	0.5	1.7	7.6	7.8
1974	- 4.2	- 3.1	6.1	3.1
1975	6.6	- 1.2	10.9	4.3
1976	- 1.2	- 0.8	6.5	5.4
1977	- 0.8	- 0.8	6.6	5.3

Table 3 (concluded)

Per cent

	Construction		Transport and communication (excluding shipping)		Wholesale distribution	
	Disposal basis	Going concern basis	Disposal basis	Going concern basis	Disposal basis	Going concern basis
1961	9.4	7.8	4.4	3.7	6.8	5.7
1962	9.5	8.6	5.2	4.6	6.3	5.5
1963	9.6	9.1	6.4	5.8	6.6	6.1
1964	9.2	8.5	6.3	5.5	6.2	5.3
1965	9.8	9.2	5.5	5.1	8.5	7.4
1966	6.1	5.6	6.5	6.0	6.4	5.4
1967	10.7	10.5	7.0	6.5	5.5	5.3
1968	3.2	1.6	5.8	5.1	2.1	0.9
1969	6.2	6.0	3.8	4.0	5.3	5.1
1970	7.3	5.9	3.5	4.3	7.0	5.1
1971	9.9	8.1	6.3	6.3	7.4	5.0
1972	4.3	7.3	4.9	6.3	9.3	8.4
1973	- 7.9	1.5	6.1	8.3	2.1	4.0
1974	- 1.4	0.9	0.9	1.7	4.4	3.1
1975	8.7	4.7	3.5	2.4	15.0	5.6
1976	7.3	8.4	-0.2	0.6	3.0	6.2
1977	4.3	6.1	-1.8	0.6	11.3	8.7

	Retail distribution		Miscellaneous services	
	Disposal basis	Going concern basis	Disposal basis	Going concern basis
1961	11.3	10.4	9.2	7.1
1962	11.2	10.6	8.3	6.8
1963	10.3	10.1	8.9	7.6
1964	10.8	10.1	8.2	6.3
1965	12.8	12.4	9.0	7.2
1966	9.9	9.8	7.5	6.3
1967	9.8	9.8	6.6	5.7
1968	1.2	0.1	5.0	2.9
1969	7.2	6.9	8.3	7.5
1970	9.1	7.6	8.2	5.4
1971	11.9	10.0	9.8	6.1
1972	16.5	15.1	12.3	9.0
1973	13.5	11.9	8.4	6.4
1974	6.5	4.3	10.6	2.6
1975	9.2	6.1	14.8	0.8
1976	6.9	6.6	7.4	1.7
1977	6.8	6.2	6.4	2.6

Table 4

Influences on real profitability: growth in costs

Per cent

	Manufacturing	of which: Food	Chemicals and allied industries	Metal manufacture	Non-electrical engineering	Electrical engineering	Vehicles	Metal goods not elsewhere specified	Textiles	Paper, printing and publishing
1961	4.6	1.3	3.3	7.1	3.9	3.6	8.8	9.3	6.3	7.4
1962	2.0	2.0	- 1.8	2.9	2.5	2.4	0.0	4.6	0.1	1.3
1963	0.1	3.1	0.4	- 0.8	- 0.7	- 0.6	- 0.2	0.8	0.6	16.2
1964	1.0	4.5	- 0.3	1.0	0.9	1.7	1.8	- 0.5	0.9	- 0.7
1965	4.8	2.8	3.7	4.1	7.3	7.7	7.6	2.4	1.0	6.7
1966	4.2	3.5	0.3	5.0	1.5	2.9	4.9	8.9	5.4	2.5
1967	- 1.4	- 0.4	- 4.6	1.3	- 2.2	- 2.9	- 0.1	2.0	- 3.0	- 2.8
1968	2.6	3.6	- 0.1	1.1	2.2	3.9	1.4	- 1.5	- 1.7	5.5
1969	6.0	5.0	6.4	6.9	4.8	5.8	6.3	5.8	6.0	7.4
1970	10.7	9.7	8.8	13.2	11.7	10.4	17.6	15.9	4.9	10.2
1971	8.5	9.9	8.4	4.3	9.0	6.9	9.2	13.2	5.6	10.1
1972	4.6	3.2	1.4	2.6	3.0	3.0	8.0	5.4	6.9	2.9
1973	12.4	16.9	5.9	12.9	4.4	7.3	12.6	9.5	25.7	8.2
1974	31.7	22.0	33.9	36.0	22.8	23.2	22.9	30.3	18.7	29.1
1975	27.4	24.5	32.9	26.4	30.0	24.1	36.1	31.5	20.6	36.0
1976	18.2	18.5	6.8	13.9	19.8	20.3	19.0	19.0	17.2	15.2
1977	13.0	15.7	12.7	14.3	14.9	14.6	9.2	11.5	13.9	9.5

Table 4 (continued)

Influences on real profitability: capacity utilisation

Per cent

	Manufacturing	of which: Food	Chemicals and allied industries	Metal manufacture	Non-electrical engineering	Electrical engineering	Vehicles	Metal goods not elsewhere specified	Textiles	Paper, printing and publishing
1961	94.2	96.4	91.1	87.1	93.6	89.8	85.6	87.5	87.5	91.7
1962	90.9	97.0	89.3	78.5	90.4	89.7	83.3	82.4	84.6	89.5
1963	91.5	96.1	91.2	79.7	87.8	90.3	84.6	83.7	87.9	90.1
1964	97.4	93.8	95.7	90.1	93.0	93.1	89.4	95.6	92.0	95.9
1965	97.3	94.1	96.4	94.2	95.0	86.7	86.0	97.7	92.5	94.9
1966	96.1	95.2	94.8	89.1	97.4	89.8	83.4	90.4	90.0	94.7
1967	93.9	94.6	93.3	84.2	94.7	91.5	80.0	85.0	86.4	92.1
1968	97.6	94.1	93.9	89.7	95.8	90.2	85.8	90.9	97.5	93.6
1969	98.4	94.2	93.0	92.7	98.3	92.9	88.2	94.6	97.5	94.6
1970	96.0	93.1	91.6	92.5	98.5	90.6	81.3	89.7	94.3	93.0
1971	92.8	91.8	87.7	83.1	93.5	88.8	81.1	82.7	92.7	88.5
1972	93.3	95.0	88.1	82.3	87.9	90.2	85.7	83.9	93.4	92.1
1973	99.4	96.4	95.2	90.4	93.5	98.8	90.5	90.0	96.7	98.9
1974	96.1	94.1	97.7	83.3	94.9	95.5	87.4	89.0	85.9	94.2
1975	88.8	91.5	86.7	71.6	90.9	85.0	82.1	81.1	79.8	81.4
1976	88.5	94.3	92.5	78.4	83.3	80.6	80.7	80.2	82.2	82.8
1977	88.2	97.7	92.4	74.8	78.8	81.0	83.8	84.3	78.3	85.4

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