



Chronicling 100 Years of the U.S. Economy

February 2021

Volume 101, Number 2

Returns for Domestic Nonfinancial Business

By Justin Harper and Bonnie A. Retus

Once a year, the Bureau of Economic Analysis (BEA) reports on sector rates of return for domestic nonfinancial corporations, for nonfinancial industries, and for 14 major nonfinancial industry sectors, including mining, utilities, construction, manufacturing, wholesale trade, and retail trade. These broad measures of profitability, based on returns on produced assets, may be useful to economists and policymakers. Industry sector and corporate business rates of return are available through 2019; these rates of return reflect revised statistics from both the 2020 annual update of the National Income and Product Accounts (NIPAs) and the 2020 annual update of the Industry Economic Accounts (IEAs).¹ Various Tobin's Q ratios, which compare the financial market value of assets with the replacement-cost value of produced assets, are also presented in this article.

The rates of return presented in this article are calculated as the ratio of the net operating surplus to the net stock of produced assets.² The net operating surplus reflects the return to capital and is presented in table A. Produced assets are presented in table B. For nonfinancial corporations, the net operating surplus reflects statistics from the NIPAs and is defined as the sum of corporate profits from current production, net interest payments, and net business current transfer payments.³ The net operating surplus for nonfinancial industries reflects statistics from the IEAs and is a broader concept that includes proprietors' income. For both nonfinancial corporations and nonfinancial industries, the statistics on net stock of produced assets are from BEA's fixed assets accounts. To calculate the Q ratios, additional statistics on financial market values are drawn from the Federal Reserve Board's Financial Accounts of the United States.

Table A. Net Operating Surplus of Domestic Nonfinancial Corporations and Nonfinancial Industries, 2000–2019—Continues

[Billions of dollars]

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nonfinancial corporations	728.0	660.8	728.9	822.5	980.2	1,144.6	1,281.7	1,237.6	1,180.3	1,050.7
Total nonfinancial industries	1,422.5	1,394.2	1,512.8	1,717.5	1,959.3	2,106.0	2,256.0	2,295.1	2,400.0	2,270.7
Agriculture, forestry, fishing, and hunting	57.3	57.4	43.0	63.4	84.3	77.5	61.0	70.7	70.8	52.4
Mining	16.5	20.8	7.0	26.6	40.0	70.3	83.7	104.9	151.6	62.7
Utilities	51.9	55.1	41.1	46.3	54.2	46.8	63.2	58.5	57.1	69.1
Construction	125.0	131.4	135.6	157.4	192.4	226.7	235.3	232.2	170.2	153.9
Manufacturing	320.4	268.2	292.4	344.5	393.8	442.9	499.6	510.7	456.0	438.2
Durable goods manufacturing	123.5	56.9	83.8	117.6	133.1	160.4	174.7	176.7	144.7	99.9
Nondurable goods manufacturing	196.9	211.3	208.6	226.8	260.7	282.5	324.9	333.9	311.3	338.3
Wholesale trade	115.2	105.8	104.7	118.9	142.9	163.6	181.6	200.9	220.7	215.5
Retail trade	113.7	116.0	121.4	130.2	126.0	134.1	132.9	111.6	96.2	114.5
Transportation and warehousing	29.0	30.6	24.5	40.3	53.7	63.7	85.0	68.0	78.4	70.2
Information	60.1	73.0	134.3	145.7	188.6	199.5	193.5	228.5	264.2	247.6
Real estate and rental and leasing ¹	154.4	159.2	183.1	205.2	214.4	200.6	222.3	204.0	253.5	257.7
Professional and business services ²	162.3	182.0	211.6	229.5	246.1	255.5	260.0	287.7	348.4	324.0
Educational services, health care, and social assistance	62.3	70.7	72.1	76.0	82.5	75.9	80.5	74.4	105.2	133.1
Arts, entertainment, recreation, accommodation, and food services	75.2	65.6	77.7	78.9	84.7	86.0	92.4	87.4	83.3	86.5
Other services, except government	79.3	58.4	64.5	54.5	55.7	63.0	65.0	55.5	44.3	45.3

1. The housing component of real estate and rental and leasing is excluded from these estimates to allow for better comparison with nonfinancial corporate returns.

2. To preserve the nonfinancial focus of this article, management of companies and enterprises is excluded from this sector.

Table A. Net Operating Surplus of Domestic Nonfinancial Corporations and Nonfinancial Industries, 2000–2019—Table Ends

[Billions of dollars]

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Nonfinancial corporations	1,318.9	1,402.8	1,525.5	1,584.7	1,644.2	1,662.2	1,576.6	1,617.3	1,651.8	1,603.5
Total nonfinancial industries	2,518.8	2,618.4	2,648.9	2,842.9	2,894.8	2,906.0	2,916.4	3,023.2	3,209.9	3,296.3
Agriculture, forestry, fishing, and hunting	68.8	99.5	88.2	119.8	95.9	76.3	59.5	64.2	68.3	69.8
Mining	83.7	109.4	82.8	99.7	97.3	-47.0	-60.4	-7.6	47.3	24.9
Utilities	84.4	84.6	73.6	74.3	80.9	77.3	72.6	75.5	78.2	80.6
Construction	140.1	135.8	144.6	154.6	167.1	186.5	208.2	222.2	231.8	237.2
Manufacturing	516.9	537.1	547.6	580.5	582.9	616.1	574.8	595.2	658.2	638.6
Durable goods manufacturing	177.0	188.4	200.7	223.6	220.3	238.8	237.1	237.8	247.9	250.4
Nondurable goods manufacturing	339.9	348.8	346.9	356.9	362.6	377.4	337.7	357.4	410.3	388.2
Wholesale trade	252.0	257.2	287.6	308.8	327.3	357.7	344.4	340.1	348.1	353.4
Retail trade	122.8	114.8	125.4	136.4	131.1	142.8	152.8	152.1	150.2	160.5
Transportation and warehousing	96.2	96.6	98.6	103.3	114.2	127.4	125.2	124.3	134.3	142.0
Information	275.2	257.1	235.5	278.3	259.0	290.6	329.5	324.6	324.3	347.1
Real estate and rental and leasing ¹	242.4	272.9	299.0	330.9	365.2	363.7	362.0	368.6	379.7	411.6
Professional and business services ²	345.2	355.1	361.8	349.5	359.1	374.5	391.5	407.7	425.3	445.1
Educational services, health care, and social assistance	141.0	142.7	136.6	133.1	132.1	141.5	153.5	149.1	147.3	154.5
Arts, entertainment, recreation, accommodation, and food services	99.7	109.4	119.7	126.2	132.2	148.9	156.0	158.8	164.0	171.0
Other services, except government	50.1	46.2	47.9	47.4	50.8	49.7	46.8	48.3	52.9	59.9

1. The housing component of real estate and rental and leasing is excluded from these estimates to allow for better comparison with nonfinancial corporate returns.

2. To preserve the nonfinancial focus of this article, management of companies and enterprises is excluded from this sector.

Table B. Produced Assets of Domestic Nonfinancial Corporations and Nonfinancial Industries, 2000–2019—Continues

[Billions of dollars]

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nonfinancial corporations	9,081.2	9,548.8	9,864.7	10,177.8	10,770.8	11,701.7	12,680.9	13,546.9	14,306.2	14,448.4
Total nonfinancial industries	12,034.1	12,500.5	12,944.0	13,403.4	14,557.4	15,877.2	17,162.7	18,198.6	19,197.2	18,604.0
Agriculture, forestry, fishing, and hunting	470.3	473.7	492.3	520.5	556.5	596.4	622.0	661.8	676.0	646.7
Mining	588.2	666.3	739.4	793.6	947.3	1,242.3	1,441.3	1,532.3	1,669.4	1,513.9
Utilities	1,059.6	1,113.2	1,152.7	1,202.7	1,332.7	1,425.3	1,524.8	1,648.2	1,803.2	1,789.1
Construction	183.8	190.9	200.6	206.6	229.2	252.6	276.4	290.0	304.2	279.9
Manufacturing	2,791.1	2,823.8	2,861.1	2,908.7	3,059.7	3,242.5	3,414.6	3,648.4	3,800.8	3,756.5
Durable goods manufacturing	1,581.2	1,600.8	1,601.3	1,608.8	1,679.3	1,768.6	1,858.9	1,951.7	2,046.3	1,985.0
Nondurable goods manufacturing	1,209.9	1,223.0	1,259.8	1,299.8	1,380.4	1,473.9	1,555.6	1,696.7	1,754.5	1,771.5
Wholesale trade	705.4	688.0	698.8	719.1	784.6	864.8	940.4	998.6	1,033.6	969.6
Retail trade	1,057.8	1,088.4	1,152.6	1,212.7	1,338.0	1,432.2	1,536.4	1,617.3	1,668.3	1,571.2
Transportation and warehousing	820.7	853.1	859.5	867.8	917.2	957.4	1,005.6	1,036.8	1,098.4	1,072.5
Information	1,201.0	1,268.3	1,289.2	1,303.2	1,380.0	1,470.8	1,603.8	1,656.3	1,722.2	1,722.9
Real estate and rental and leasing ¹	928.3	965.0	995.8	1,023.5	1,122.1	1,231.2	1,350.2	1,435.4	1,518.0	1,442.5
Professional and business services ²	464.2	493.6	519.9	551.9	597.2	648.4	700.6	742.7	787.8	795.3
Educational services, health care, and social assistance	911.4	969.0	1,032.0	1,093.4	1,203.2	1,324.2	1,456.3	1,559.7	1,669.1	1,650.8
Arts, entertainment, recreation, accommodation, and food services	505.6	537.6	562.4	588.4	639.3	696.1	756.4	809.5	862.4	835.6
Other services, except government	346.7	369.5	387.7	411.3	450.4	492.9	533.9	561.6	583.8	557.5

1. The housing component of real estate and rental and leasing is excluded from these estimates to allow for better comparison with nonfinancial corporate returns.

2. To preserve the nonfinancial focus of this article, management of companies and enterprises is excluded from this sector.

Table B. Produced Assets of Domestic Nonfinancial Corporations and Nonfinancial Industries, 2000–2019—Table Ends

[Billions of dollars]

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Nonfinancial corporations	14,457.2	15,093.8	15,780.3	16,397.0	17,108.7	17,639.6	18,015.7	18,606.0	19,435.6	20,267.7
Total nonfinancial industries	19,249.9	20,233.2	20,506.6	21,861.3	22,849.4	23,093.0	23,730.2	24,672.0	25,921.1	26,877.4
Agriculture, forestry, fishing, and hunting	680.0	731.9	752.1	797.7	860.3	834.9	833.1	853.4	874.8	883.2
Mining	1,599.1	1,779.4	1,915.1	2,079.5	2,347.2	2,257.8	2,182.0	2,147.9	2,066.4	2,010.8
Utilities	1,918.3	2,039.3	2,129.0	2,184.4	2,282.3	2,330.7	2,445.2	2,515.5	2,693.3	2,821.9
Construction	272.8	277.3	284.5	295.2	306.4	317.9	333.1	345.2	370.5	389.8
Manufacturing	3,872.5	4,053.3	4,168.5	4,324.6	4,425.7	4,369.8	4,469.7	4,675.0	4,902.5	5,064.2
Durable goods manufacturing	2,031.5	2,127.4	2,191.6	2,269.7	2,331.5	2,307.6	2,332.6	2,418.1	2,536.7	2,608.8
Nondurable goods manufacturing	1,841.1	1,925.8	1,976.9	2,054.8	2,094.2	2,062.3	2,137.2	2,256.8	2,365.8	2,455.4
Wholesale trade	1,036.1	1,112.7	1,174.1	1,206.3	1,258.6	1,286.5	1,332.6	1,410.5	1,501.6	1,552.9
Retail trade	1,602.6	1,669.0	1,731.0	1,799.3	1,848.7	1,899.8	1,956.6	2,031.4	2,124.4	2,202.6
Transportation and warehousing	1,095.2	1,136.4	1,170.2	1,209.0	1,274.5	1,319.5	1,365.4	1,424.0	1,515.8	1,587.5
Information	1,829.8	1,908.3	1,948.4	2,007.6	2,073.9	2,109.1	2,188.2	2,313.9	2,461.0	2,590.5
Real estate and rental and leasing ¹	1,444.4	1,489.7	1,541.1	1,604.9	1,668.9	1,740.0	1,814.2	1,915.3	2,048.0	2,151.4
Professional and business services ²	820.9	853.9	882.2	860.0	941.3	950.3	988.3	1,036.2	1,109.5	1,175.1
Educational services, health care, and social assistance	1,689.9	1,765.4	1,820.8	1,913.4	1,974.7	2,031.3	2,082.5	2,177.1	2,311.3	2,414.6
Arts, entertainment, recreation, accommodation, and food services	831.0	848.4	871.8	920.4	965.3	1,007.9	1,073.7	1,141.4	1,227.2	1,298.8
Other services, except government	557.3	568.2	578.4	601.1	621.6	637.5	665.6	685.1	714.8	734.2

1. The housing component of real estate and rental and leasing is excluded from these estimates to allow for better comparison with nonfinancial corporate returns.

2. To preserve the nonfinancial focus of this article, management of companies and enterprises is excluded from this sector.

Corporate Returns

Nonfinancial corporate rates of return decreased on a before- and after-tax basis in 2019. The after-tax rate of return was 6.9 percent in 2019, a decrease of 0.6 percentage point from 2018 (chart 1 and table C). The before-tax rate of return was 7.9 percent in 2019, a decrease of 0.6 percentage point. Since 1970, before-tax rates of return have ranged from 6.9 percent in both 1982 and 2001 to 10.0 percent in 2006. In the 1960s, average rates of return were higher, peaking at 13.6 percent in 1965 and 1966. Net operating surplus as a share of net value added decreased on a before- and after-tax basis (table D) in 2019.

Other measures of profitability—such as BEA's measure of corporate profits from current production—increased in 2019. The measures presented in this article exclude the volatile financial sector and compare returns of nonfinancial corporations with their assets rather than with gross domestic product.

Chart 1. Rates of Return and Shares of Value Added for Nonfinancial Corporations, 1960–2019



Table C. Rates of Return for Domestic Nonfinancial Corporations and Nonfinancial Industries, 2000–2019—Continues

[Percent]

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nonfinancial corporations—after tax	6.2	5.8	6.5	6.8	7.4	7.5	7.8	7.1	6.8	6.2
Nonfinancial corporations—before tax	8.0	6.9	7.4	8.1	9.1	9.8	10.1	9.1	8.3	7.3
Total nonfinancial industries	12.2	11.4	11.9	13.0	14.0	13.8	13.7	13.0	12.8	12.0
Agriculture, forestry, fishing, and hunting	12.4	12.2	8.9	12.5	15.7	13.4	10.0	11.0	10.6	7.9
Mining	2.9	3.3	1.0	3.5	4.6	6.4	6.2	7.1	9.5	3.9
Utilities	5.0	5.1	3.6	3.9	4.3	3.4	4.3	3.7	3.3	3.8
Construction	70.5	70.1	69.3	77.3	88.3	94.1	89.0	82.0	57.3	52.7
Manufacturing	11.7	9.6	10.3	11.9	13.2	14.1	15.0	14.5	12.2	11.6
Durable goods manufacturing	8.0	3.6	5.2	7.3	8.1	9.3	9.6	9.3	7.2	5.0
Nondurable goods manufacturing	16.6	17.4	16.8	17.7	19.5	19.8	21.5	20.5	18.0	19.2
Wholesale trade	16.8	15.2	15.1	16.8	19.0	19.8	20.1	20.7	21.7	21.5
Retail trade	11.1	10.8	10.8	11.0	9.9	9.7	9.0	7.1	5.9	7.1
Transportation and warehousing	3.6	3.7	2.9	4.7	6.0	6.8	8.7	6.7	7.3	6.5
Information	5.3	5.9	10.5	11.2	14.1	14.0	12.6	14.0	15.6	14.4
Real estate and rental and leasing ¹	17.3	16.8	18.7	20.3	20.0	17.0	17.2	14.6	17.2	17.4
Professional and business services ²	37.0	38.0	41.8	42.8	42.8	41.0	38.5	39.9	45.5	40.9
Educational services, health care, and social assistance	7.1	7.5	7.2	7.2	7.2	6.0	5.8	4.9	6.5	8.0
Arts, entertainment, recreation, accommodation, and food services	15.5	12.6	14.1	13.7	13.8	12.9	12.7	11.2	10.0	10.2
Other services, except government	23.7	16.3	17.4	13.7	12.9	13.3	12.7	10.1	7.7	7.9

1. The housing component of real estate and rental and leasing is excluded from these estimates to allow for better comparison with nonfinancial corporate returns.
2. To preserve the nonfinancial focus of this article, management of companies and enterprises is excluded from this sector.

Table C. Rates of Return for Domestic Nonfinancial Corporations and Nonfinancial Industries, 2000–2019—Table Ends

[Percent]

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Nonfinancial corporations—after tax	7.7	7.9	8.1	8.1	7.9	7.8	7.3	7.5	7.5	6.9
Nonfinancial corporations—before tax	9.1	9.3	9.7	9.7	9.6	9.4	8.8	8.7	8.5	7.9
Total nonfinancial industries	13.3	13.3	12.9	13.3	12.9	12.7	12.5	12.5	12.7	12.5
Agriculture, forestry, fishing, and hunting	10.4	14.1	11.9	15.5	11.6	9.0	7.1	7.6	7.9	7.9
Mining	5.4	6.5	4.5	5.0	4.4	-2.0	-2.7	-0.4	2.2	1.2
Utilities	4.6	4.3	3.5	3.4	3.6	3.4	3.0	3.0	3.0	2.9
Construction	50.7	49.4	65.5	53.3	55.6	59.7	64.0	65.5	64.8	62.4
Manufacturing	13.6	13.6	13.3	13.7	13.3	14.0	13.0	13.0	13.7	12.8
Durable goods manufacturing	8.8	9.1	9.3	10.0	9.6	10.3	10.2	10.0	10.0	9.7
Nondurable goods manufacturing	18.8	18.5	17.8	17.7	17.5	18.2	16.1	16.3	17.8	16.1
Wholesale trade	25.1	23.9	25.2	25.9	26.6	28.1	26.3	24.8	23.9	23.1
Retail trade	7.7	7.0	7.4	7.7	7.2	7.6	7.9	7.6	7.2	7.4
Transportation and warehousing	8.9	8.7	8.5	8.7	9.2	9.8	9.3	8.9	9.1	9.2
Information	15.5	13.8	12.2	14.1	12.7	13.9	15.3	14.4	13.6	13.7
Real estate and rental and leasing ¹	16.8	18.6	19.7	21.0	22.3	21.3	20.4	19.8	19.2	19.6
Professional and business services ²	42.7	42.4	41.7	38.8	38.6	39.6	40.4	40.3	39.6	39.0
Educational services, health care, and social assistance	8.4	8.3	7.6	7.1	6.8	7.1	7.5	7.0	6.6	6.5
Arts, entertainment, recreation, accommodation, and food services	12.0	13.0	13.9	14.1	14.0	15.1	15.0	14.3	13.9	13.5
Other services, except government	9.0	8.2	8.4	8.0	8.3	7.9	7.2	7.1	7.6	8.3

1. The housing component of real estate and rental and leasing is excluded from these estimates to allow for better comparison with nonfinancial corporate returns.
2. To preserve the nonfinancial focus of this article, management of companies and enterprises is excluded from this sector.

Table D. Net Operating Surplus Share of Net Value Added for Domestic Nonfinancial Corporations and Nonfinancial Industries, 2000–2019—Continues

[Percent]

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nonfinancial corporations—after tax	11.8	11.8	13.5	14.2	15.2	15.6	16.4	15.5	15.7	15.4
Nonfinancial corporations—before tax	15.2	14.1	15.4	16.8	18.6	20.3	21.3	20.0	19.1	18.3
Total nonfinancial industries	22.3	20.1	21.0	23.0	24.8	24.6	24.2	22.9	22.7	21.2
Agriculture, forestry, fishing, and hunting	84.9	78.6	58.0	91.2	96.9	67.7	62.5	76.4	64.3	47.1
Mining	39.3	31.1	9.4	46.4	49.5	69.0	58.2	61.4	75.3	23.5
Utilities	37.5	40.1	30.0	35.0	39.3	31.0	43.0	34.0	33.0	39.1
Construction	31.5	30.0	29.3	33.6	38.5	40.7	37.8	34.9	25.0	25.1
Manufacturing	25.8	20.9	24.4	28.9	31.6	33.5	35.7	34.4	30.0	30.2
Durable goods manufacturing	17.2	7.5	12.7	17.9	19.3	22.0	22.6	21.7	17.4	12.7
Nondurable goods manufacturing	37.8	40.1	38.6	42.5	46.8	47.4	52.0	49.7	45.2	50.7
Wholesale trade	21.2	18.3	18.4	20.9	23.9	25.1	25.8	26.5	27.5	26.0
Retail trade	18.4	18.0	18.2	19.0	17.5	18.1	17.0	13.9	12.0	14.8
Transportation and warehousing	12.1	12.0	9.7	16.1	20.1	21.4	26.7	19.5	22.4	19.5
Information	16.0	21.2	36.9	35.8	44.8	42.2	39.5	46.6	49.2	43.7
Real estate and rental and leasing ¹	63.7	63.8	66.5	67.5	67.4	63.5	64.1	60.4	65.0	66.5
Professional and business services ²	19.8	20.3	22.5	23.6	24.2	23.5	22.1	22.9	25.8	22.3
Educational services, health care, and social assistance	10.3	11.0	10.4	10.2	10.3	8.8	9.0	7.8	10.5	12.2
Arts, entertainment, recreation, accommodation, and food services	22.5	17.9	21.0	20.1	20.6	19.6	20.2	18.0	16.5	16.9
Other services, except government	32.2	22.2	26.0	20.5	21.1	22.8	22.6	18.5	14.6	15.0

1. The housing component of real estate and rental and leasing is excluded from these estimates to allow for better comparison with nonfinancial corporate returns.
2. To preserve the nonfinancial focus of this article, management of companies and enterprises is excluded from this sector.

Table D. Net Operating Surplus Share of Net Value Added for Domestic Nonfinancial Corporations and Nonfinancial Industries, 2000–2019—Table Ends

[Percent]

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Nonfinancial corporations—after tax	11.8	11.8	13.5	14.2	15.2	15.6	16.4	15.5	15.7	15.4
Nonfinancial corporations—before tax	21.5	21.8	22.3	22.3	22.1	21.5	20.2	19.9	19.3	18.2
Total nonfinancial industries	24.2	24.1	23.2	23.6	23.0	21.9	21.0	21.1	21.3	20.5
Agriculture, forestry, fishing, and hunting	74.0	91.5	62.4	87.2	56.4	50.6	46.0	57.0	56.0	56.8
Mining	53.3	58.8	36.4	46.6	41.4	-19.2	-71.2	-14.6	43.6	14.2
Utilities	44.2	40.5	34.4	36.7	39.2	35.9	33.9	35.2	35.7	35.6
Construction	26.5	27.6	29.5	29.8	30.4	31.2	31.8	31.6	30.8	29.6
Manufacturing	38.3	37.3	36.5	37.6	36.5	37.6	33.7	35.6	37.9	34.5
Durable goods manufacturing	26.6	25.2	25.3	26.9	25.5	26.9	25.4	25.5	25.7	24.8
Nondurable goods manufacturing	49.7	50.4	49.1	50.1	49.5	50.2	43.5	48.2	52.9	46.4
Wholesale trade	32.4	30.8	32.7	32.9	33.4	34.9	31.9	31.9	31.8	31.0
Retail trade	16.3	14.7	15.7	16.4	15.1	16.0	16.4	15.8	15.2	15.8
Transportation and warehousing	28.5	26.3	25.7	25.7	27.3	28.7	26.0	25.1	26.0	25.6
Information	50.7	45.2	41.9	50.4	42.3	47.5	49.6	45.4	44.3	45.5
Real estate and rental and leasing ¹	66.4	68.2	69.3	69.9	71.2	69.8	68.3	68.0	67.2	67.5
Professional and business services ²	25.1	24.9	24.0	22.0	22.1	21.9	21.6	21.8	21.5	21.3
Educational services, health care, and social assistance	12.1	11.8	11.0	10.3	9.9	10.3	10.6	9.8	9.4	9.4
Arts, entertainment, recreation, accommodation, and food services	19.8	20.8	21.7	21.4	21.3	22.6	21.9	21.1	20.8	20.6
Other services, except government	16.8	15.4	15.8	14.9	15.6	14.4	13.1	13.3	14.0	15.0

1. The housing component of real estate and rental and leasing is excluded from these estimates to allow for better comparison with nonfinancial corporate returns.
2. To preserve the nonfinancial focus of this article, management of companies and enterprises is excluded from this sector.

Industry Returns

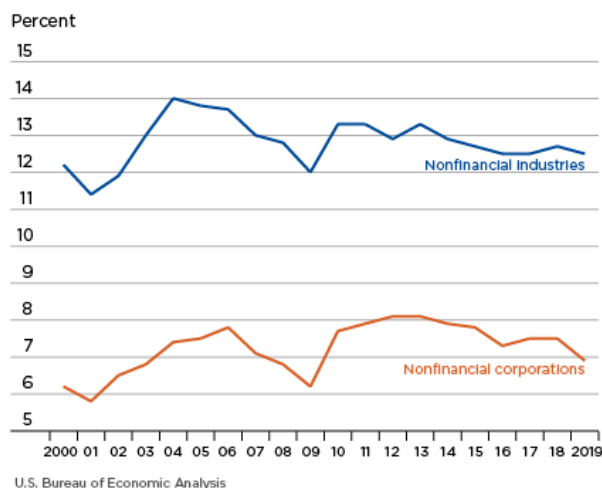
Rates of return can also be calculated for industry sectors using statistics from the IEAs, which provide annual statistics for 71 industries that together account for all U.S. economic activity. Similar to the method used to calculate the rates for nonfinancial corporations, the rates of return for industry sectors are calculated as the net operating surplus divided by the net stock of produced assets. For nonfinancial industries, net operating surplus as a share of net value added is calculated as net operating surplus divided by net value added. The balance for each published sector represents the share of net value added attributable to compensation of employees and taxes on production and imports less subsidies.

Similar to the net operating surplus of nonfinancial corporations, the net operating surplus of nonfinancial industries reflects corporate profits from current production, business transfer payments (net), and net interest payments. However, as noted, it also reflects proprietors' income, which includes the income of sole proprietorships and partnerships. For this article, the housing component of the real estate sector, which includes owner-occupied housing, is excluded from the nonfinancial industry statistics to allow for a better comparison with the nonfinancial corporate returns data, which do not reflect home ownership.

Much of the difference between the sum of the nonfinancial industries rates of return and the corresponding corporate rates of return can be attributed to the inclusion of proprietors' income in the industry net operating surplus. However, several statistical differences between the IEAs and the NIPAs also affect the estimates. Notably, all IEA statistics are presented on an establishment basis, whereas the NIPA measure of corporate nonfinancial net operating surplus is presented on a company basis. As a result, the nonfinancial industry measures reflect adjustments that (1) exclude the financial services-producing establishments of primarily nonfinancial corporations and (2) include the nonfinancial services-producing establishments of primarily financial corporations. In addition, the IEA net operating statistics also include a share of the NIPA statistical discrepancy. Despite the differences between the IEA nonfinancial industries aggregate rate of return and the NIPA nonfinancial corporate rate of return, the annual patterns of change of each are similar (chart 2).

The overall rate of return for nonfinancial industries in 2019 was 12.5 percent, decreasing slightly from the 2018 rate (table C). Net operating surplus as a share of net value added decreased 0.8 percentage point to 20.5 percent, after a 0.2 percentage point increase in 2018 (table D).

Chart 2. Rates of Return for Domestic Nonfinancial Industries and Corporations, 2000–2019



Specific Industry Groups

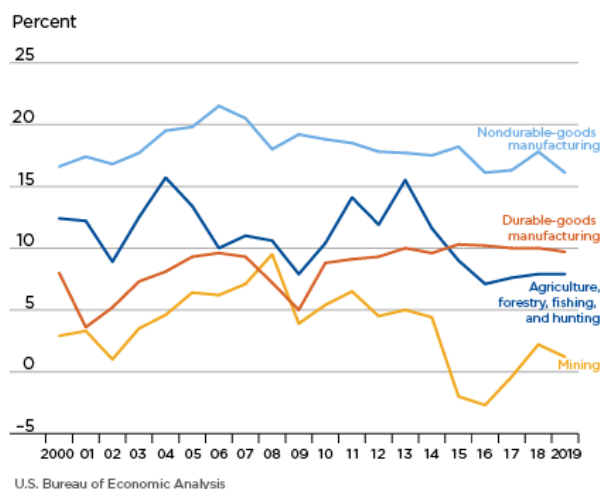
This article presents a disaggregation of the rates of return for several industry groups—for example, manufacturing, transportation and warehousing, information, and professional and business services, among others (table C).

The statistics show that 7 of the 14 industry groups had lower rates of return in 2019 compared to 2018, while 4 groups had higher rates of return, and 3 groups remained at the same level. The largest decrease of 2.4 percentage points came in construction, while mining decreased by 1.0 percentage point, manufacturing decreased by 0.9 percentage point, and wholesale trade decreased by 0.8 percentage point. Returns for other services except government increased 0.7 percentage point, while returns for real estate and rental and leasing increased 0.4 percentage point. Highlights include the following (chart 3):

- The mining industry, which includes oil and gas extraction, had negative rates of return from 2015 through 2017 of -2.0 percent, -2.7 percent, and -0.4 percent, respectively. The rate turned positive in 2018 at 2.2 percent, but decreased to 1.2 percent in 2019, which was the second-largest decrease among the 14 industry groups.
- Returns to nondurable-goods manufacturing, which includes petroleum refineries and pharmaceuticals manufacturers, were 16.1 percent in 2019, which tied the 2016 series low. The decrease of 1.6 percentage points in 2019 followed increases of 0.2 and 1.5 percentage points in 2017 and 2018, respectively.
- In comparison, the rate of return to durable-goods manufacturing of 9.7 percent has been relatively unchanged in the last several years. After rebounding from a low of 5.0 percent in 2009 to 10.0 percent in 2013, the rate of return for this industry group has remained stable between 9.6 and 10.3 percent.⁴
- The rate of return for agriculture, forestry, fishing, and hunting was 7.9 percent in 2019, which was unchanged from 2018. The rate of return for this industry group has not decreased since 2016, when it reached its lowest point in the available time series beginning in 1998.

- The rate of return for construction decreased 2.4 percentage points to 62.4 percent in 2019, which was the largest decrease among the 14 industry groups.
- Returns to retail trade are consistent, ranging from 7.1 percent to 7.9 percent since 2009.
- After increasing for 4 consecutive years and reaching a high point of 28.1 percent in 2015, the rate of return for wholesale trade has decreased for the last 4 years, reaching 23.1 percent in 2019, which is the lowest level since 2009.

Chart 3. Rates of Return for Selected Domestic Nonfinancial Industry Groups, 2000-2019



Q Ratios

Tobin's Q, or simply "Q" is the ratio of financial-market valuation of corporate assets to the current-cost value of the assets. A Q ratio above 1 indicates that financial markets value corporate assets above their replacement cost; as a Q ratio rises above 1, companies may be more inclined to make direct investments in plant and equipment. A value of Q below 1 indicates that the financial markets value corporate assets below the replacement cost; as Q falls below 1, companies may be more inclined to buy other companies for their capacity rather than make direct investments.

The three Q-type ratios for domestic nonfinancial corporations presented here are defined as follows:

- Q1 is calculated as the market value of outstanding equity divided by the net stock of produced assets.
- Q2 adds the book value of outstanding corporate bonds to the numerator used in Q1. The inclusion of bonds makes Q2 a more complete measure of invested capital but including them at historical cost is clearly inconsistent with the underlying rationale for Q, which is to provide a comparison of market valuation with replacement cost.
- Q3 adds an estimate of the market value of outstanding corporate bonds and net liquid assets to the numerator used in Q1.⁵

All three Q ratios increased in 2019 (chart 4 and table E) after decreasing the year before, remaining above their decade lows reached in 2008, when they fell below 1, partly reflecting recession-related stock market declines.

Chart 4. Q-Type Ratios and Market Capitalization of Domestic Nonfinancial Corporations, 1960-2019

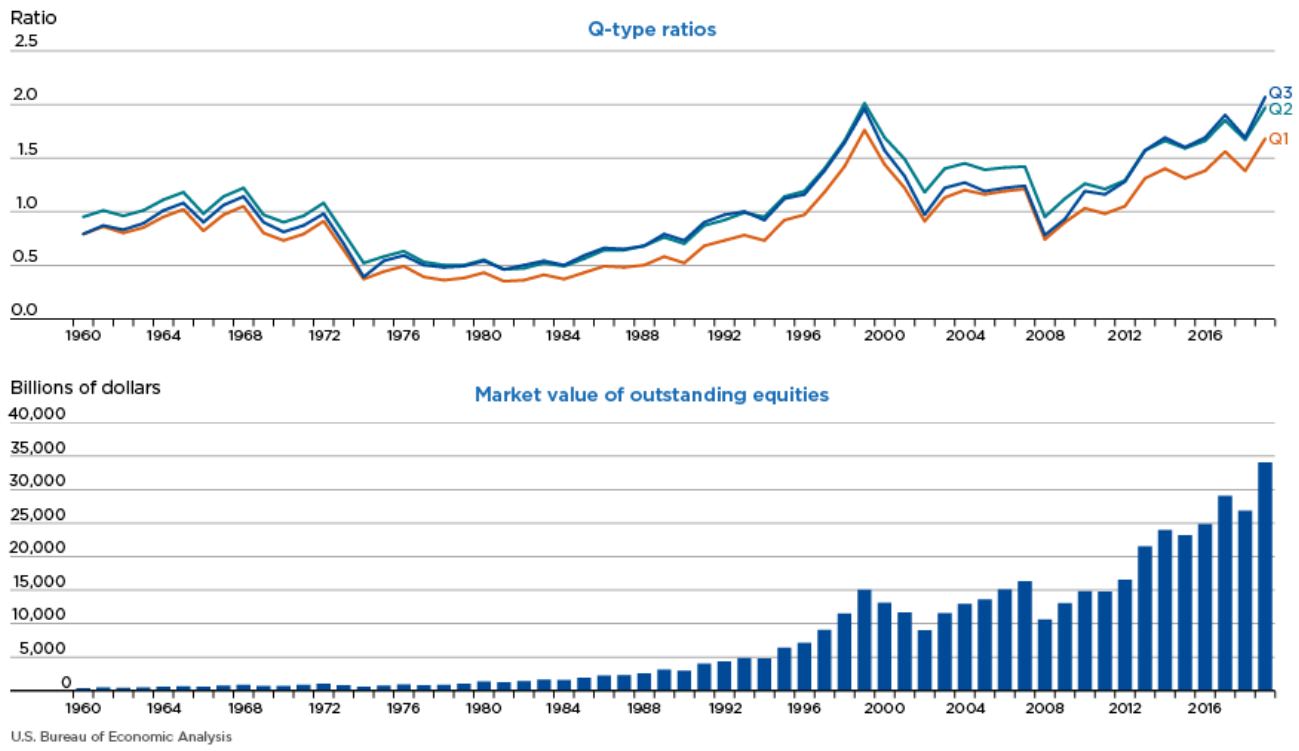


Table E. Q-type ratios, 1960–2019

Year	Q1 ¹	Q2 ²	Q3 ³	Year	Q1 ¹	Q2 ²	Q3 ³
1960	0.79	0.95	0.79	1990	0.52	0.70	0.73
1961	0.86	1.01	0.87	1991	0.68	0.87	0.90
1962	0.80	0.96	0.83	1992	0.73	0.92	0.97
1963	0.85	1.01	0.89	1993	0.78	0.99	1.00
1964	0.95	1.11	1.01	1994	0.73	0.95	0.92
1965	1.02	1.18	1.08	1995	0.92	1.14	1.12
1966	0.82	0.98	0.90	1996	0.97	1.19	1.16
1967	0.97	1.14	1.06	1997	1.18	1.40	1.38
1968	1.05	1.22	1.14	1998	1.42	1.66	1.64
1969	0.80	0.97	0.90	1999	1.76	2.01	1.96
1970	0.73	0.90	0.81	2000	1.44	1.69	1.57
1971	0.79	0.96	0.87	2001	1.22	1.49	1.33
1972	0.91	1.08	0.98	2002	0.91	1.18	0.97
1973	0.64	0.80	0.70	2003	1.13	1.40	1.22
1974	0.37	0.52	0.39	2004	1.20	1.45	1.27
1975	0.44	0.58	0.54	2005	1.16	1.39	1.19
1976	0.49	0.63	0.59	2006	1.19	1.41	1.22
1977	0.39	0.53	0.50	2007	1.21	1.42	1.24
1978	0.36	0.50	0.48	2008	0.74	0.95	0.78
1979	0.38	0.50	0.49	2009	0.90	1.12	0.93
1980	0.43	0.55	0.54	2010	1.03	1.26	1.19
1981	0.35	0.46	0.46	2011	0.98	1.21	1.16
1982	0.36	0.47	0.50	2012	1.05	1.29	1.28
1983	0.41	0.52	0.54	2013	1.31	1.57	1.57
1984	0.37	0.49	0.50	2014	1.40	1.66	1.69
1985	0.43	0.56	0.59	2015	1.31	1.59	1.60
1986	0.49	0.64	0.66	2016	1.38	1.66	1.69
1987	0.48	0.64	0.65	2017	1.56	1.85	1.90
1988	0.50	0.68	0.68	2018	1.38	1.67	1.69
1989	0.58	0.76	0.79	2019	1.68	1.97	2.07

1. Q1 is the market value of outstanding equity divided by the net stock of produced assets valued at current cost.
2. Q2 is the market value of outstanding equity plus book value of outstanding corporate bonds divided by the net stock of produced assets valued at current cost.
3. Q3 is the market value of outstanding equity plus market value of outstanding corporate bonds plus net liquid assets divided by the net stock of produced assets valued at current cost.

-
1. See Stephanie H. McCulla and Jessica R. Nicholson, “[The 2020 Annual Update of the National Income and Product Accounts](#),” *Survey of Current Business* 100 (August 2020) and Connor Franks and Robert Omohundro, “[The 2020 Annual Update of the Industry Economic Accounts](#),” *Survey* 100 (October 2020)
 2. Produced assets refer to the net stock of capital plus inventories valued at current (replacement) cost.
 3. Corporate profits and net interest are based on tabulations of “company” data rather than “establishment” data. As a result, net operating surplus of nonfinancial corporations includes the income earned by the corporation’s financial services-producing establishments, and it excludes income earned by the nonfinancial establishments of financial corporations.
 4. The National Bureau of Economic Research (NBER) Business Cycle Dating Committee has determined the peak to trough of the last three business cycles: December 2007–June 2009, March 2001–November 2001, and July 1990–March 1991. The NBER business cycle reference dates are available on [NBER’s website](#).
 5. The market value of bonds outstanding is approximated by a procedure developed by James Tobin and Dan Sommers. In brief, the process begins with published book values of bonds outstanding and the assumption that a bond matures in 10 years and carries a coupon rate equal to the Baa rate that prevailed in the year the bond was issued. Net liquid assets are estimated as financial assets less liabilities other than municipal securities, corporate bonds, and mortgages. The data are from the Board of Governors of the Federal Reserve System, *Flow of Funds Accounts of the United States*, [statistical release Z.1](#) and [Moody’s Seasoned Baa Corporate Bond Yield \[BAA\]](#), retrieved from FRED, Federal Reserve Bank of St. Louis.