Westward Expansion

WESTERN business activity speeded up in the summer and early fall months, despite strikes in copper, autos, and several other industries. Payroll employment, which had moved sideways during the first half of the year, increased about 0.5 percent in the third quarter—equalling the gain elsewhere—and the regional jobless rate meanwhile slid from 5.0 percent in the second quarter to a September level of 4.8 percent.

Mine employment was affected severely by the strike of 20,000 copper miners in Utah, Arizona, and other District states. Manufacturing employment was hurt also by the auto strike and by weather-delayed harvests. (California canning and preserving plants recorded a far-below-seasonal gain in August, but then turned around and posted a gain rather than the usual decline in September.) All other industries, however, recorded significant employment gains during this period.

The major manufacturing industry, aerospace, showed continued strength with a 2-percent quarterly gain in employment to 723,000. Budget reductions for the space program curtailed some projects, but the rising backlog of orders for commercial aircraft and the expansion of military orders imparted a strong tone to industry activity. Much of this strength resulted from the first-half '67 increase in the dollar volume (and the District's share) of defense contract awards.

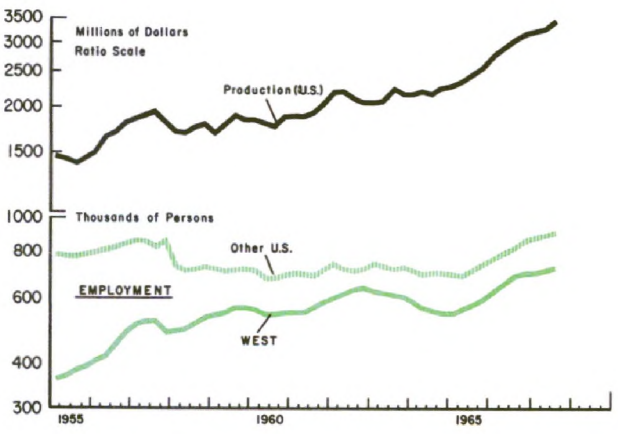
Construction and its suppliers

Housing construction also stimulated general business activity as it surged ahead on the comeback trail. In fact, the housing pace quickened even more in the West than elsewhere, as the regional industry benefited from the increased availability of mortgage credit and the sharp reduction in the inventory of vacant units. Housing starts in the West rose by about one-third over the quarter, to a 273,000-unit annual rate, and residential awards were half again as large as they were during the severe slump of late 1966.

But while housing moved upwards, other segments of the construction industry tailed off. Nonresidential and heavy engineering contracts both declined 9 percent during the quarter, reflecting a reduction in outlays for commercial buildings, hospitals, schools, and other public works. The dollar volume of construction activity still remained substantially above the levels reached prior to the 1966 peak, but the margin was smaller in real terms because of the sharp increases recently in labor and other costs.

The lumber supply situation tightened sharply in late summer, not only because of the improvement in the housing market but also because of shortages created by serious fire damage in the Northwest woods. Lumber and plywood prices rose as much as $15 per thousand board (or square) feet between early July and early September, but most of these increases disappeared dur-

Defense production jumps sharply, but jobs rise more slowly than in '66



ing the following month as price quotations encountered stiff buyers' resistance.

Western steel producers escaped most of the impact of the nationwide auto and steel-haulers' strikes, but their output still lagged about 5 percent below year-ago levels because of the nationwide slowdown in industrial and heavy construction. Meanwhile, despite the reduced level of production and the continued import threat from foreign steel, domestic mills in August posted price increases of as much as 3.6 percent on products comprising about one-third of total industry shipments.

Aluminum potlines operated at peak levels during the third quarter, partly in order to supply demands that had previously been met from government stockpiles. Yet, by early fall, industry sources reported concern over the possibility of overproduction and general price weakness.

Other industry trends

Western oilmen produced more and also imported more crude in the aftermath of June's Middle East crisis. Consequently, sufficient supplies were available to support a moderate growth of refinery activity throughout most of the summer months. In fact, refinery activity eventually was curtailed in late September as excess inventories began to accumulate.

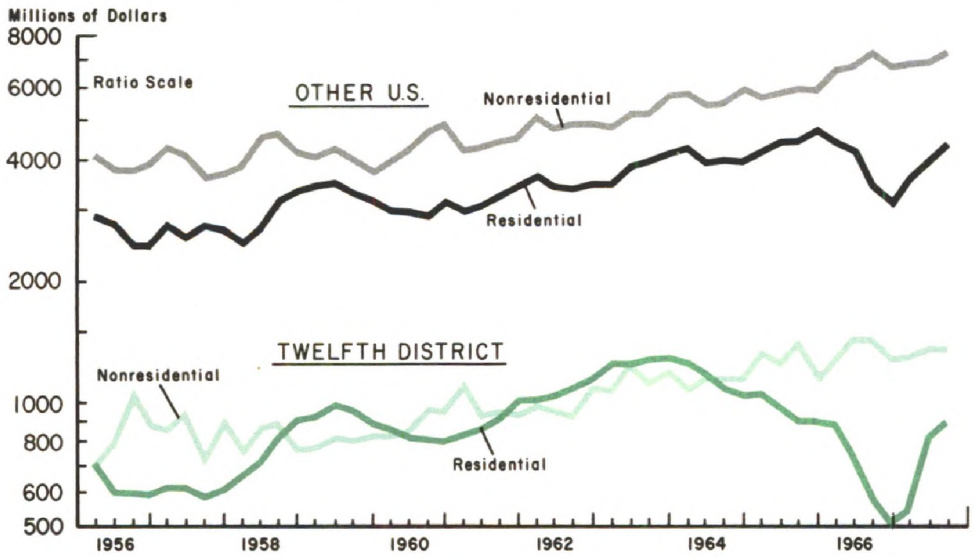
Part of the gap in crude supplies caused by the temporary loss of Mid-East production was filled by increased imports from Sumatra and (especially) Canada. The rest of the gap was filled by increased production from California and the new fields in Alaska and Arizona. Between mid-May and late-September, the production rate in Western oil fields rose from 1.02 million to 1.10 million barrels per day.

By summer's end, however, the most worrisome regional development was the prolonged 3½-month-long strike involving some 25,000 copper mine and smelter workers. The two sides were still far apart at the end of October, with the union holding out for a 98-cents-an-hour rise in basic pay over a three-year period and the industry standing by its original 51-cents package.

As strike losses mounted to about 450,000 tons, copper mine production for the year to date lagged about one-fourth below the comparable 1966 figure. Despite these losses, and despite the dim prospects for an immediate settlement, relatively few shortages developed until the latter part of October. At that point, however, the dealer price for refined copper shot up to 64 cents a pound — almost 20 cents above the pre-strike level.

Early third-quarter returns showed a strengthening of Western farm receipts, but total returns for the year to date—in Dis-

While housing moves upward, other segments of the construction industry level off



trict states as well as elsewhere — lagged slightly behind the record 1966 pace. The good third-quarter performance was based on increased prices of some products and increased marketings of others. Thus, Arizona vegetable growers reported higher prices, Northwest wheat farmers reported larger marketings, and most livestock producers registered heavier sales despite declining prices of beef and poultry.

The cold, wet weather of last spring created harvest labor problems this fall, as the concentration of *plantings* during the brief periods of good spring weather led to a concentration of *harvests* within a relatively short timespan. In this situation, California tomato producers obtained Labor Department authorization to import 8,100 Mexican fieldhands to harvest tomatoes, but domestic farm-worker groups attempted to block this action and the harvest was inevitably delayed. Then, as shortages developed because of consequent crop losses, canners posted a 5-percent price increase on several tomato products.

Consumers and their costs

As business activity continued to surge ahead in most areas of the West, personal income at summer's end was running a respectable 6½ percent above the year-ago figure—roughly in line with the over-all national performance. Retail sales meanwhile increased faster in the West than elsewhere, especially in the durable-goods category. Among other reasons, late-model used car sales were quite strong during the summer period, and new-car sales held up much better in the West than in the rest of the country.

Consumer prices reflected this relatively good sales performance, as most Western cities posted increases greater than the 0.9-percent national increase over the quarter. In some cases, however, rising indexes indicated the pressure of both political tax measures and household buying decisions. California price indexes, for example, went up in tandem with the increases voted by the Legislature this summer in cigarette, liquor, and retail sales taxes.

Because of sharp gains in living costs over the past year, the Labor Department's recent estimates of the cost of a "modest but adequate" family budget were outdated as soon as they were published. But either before or after adjustment, these estimates—which represent the average cost of a moderate living standard for a family of four—show the Western cities clustered at the upper end of the spectrum. Honolulu, where budget expenses top $11,500 in 1967 prices, is the most costly city in the United States. Metropolitan New York and Boston are next (almost $10,400), followed by San Francisco and Hartford—both over $10,200—and Seattle (just short of $10,000). In contrast, Los Angeles' budget of slightly over $9,700 is about tenth on the list, and San Diego ranks about fifteenth, although both cities are somewhat higher than the national urban average of $9,430.

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