

Consumer market developments in the first quarter featured a rebound in new auto sales, and continued growth in expenditures for services. Spending for food was up about in line with prices; while outlays for most other types of goods showed little change.

Auto sales improve

The \$1 billion rise in the annual rate of auto spending, to \$18 billion in the first quarter, reflected some catching up as the supply shortages of late 1959 were overcome. For the first 4 months of 1960, unit sales were above the year-earlier period by 15 percent. The effect of this improvement on total GNP was not so great as the figures would suggest; the gain centered in the new compact models, which generate less business for the supplier industries.

Production was stepped up in the early months of this year, in order to bring retail stocks of cars up to the desired volume. By the end of the quarter auto inventories had been built up to record levels, and subsequently they have been held even. The size of stocks reflects the dealers' need to carry a wider variety of models this year, and

the industry's desire to post a large sales gain over 1959.

Demand for furniture and household appliances has shown little change since new residential activity turned down after the middle of last year.

Food and apparel

Food consumption about matched the fourth quarter in real volume. Current dollar outlays, however, spirted late in the winter as prices rose. Most of the price advance was traceable to supply factors affecting hogs, poultry and eggs, as weather losses reinforced the effects of the 1958-59 price decline on production.

First-quarter sales of clothing and shoes were about even with the final quarter of last year on a seasonally adjusted basis, the total being held down by a dip late in the winter though this was apparently made up in April.

Capital Investment

Residential construction activity, which moved downward last year after reaching an all-time high in the spring

quarter, has declined from month to month so far in 1960 though remaining at relatively high levels. The recent course of housing starts and of applications for Government backing indicates a continuation of this movement for the immediate future.

While the decline in expenditures from last year's peak has amounted to 8 percent, the fall in starts has been considerably sharper. Outlay per unit has risen, reflecting an increase in the proportion of higher priced housing built as well as a general advance in construction costs; and expenditures for additions and alterations have held up.

Business fixed investment rose. Part of the immediate gain reflected a recovery from the strike-caused slowdowns, but the underlying influence was the continuing cyclical upswing in demand for plant and equipment. Data from the OBE-SEC survey of business capital plans indicate a continued improvement during 1960.

The scheduled gains from the fourth quarter to the first, while industrially widespread, were concentrated in areas where recovery in investment had lagged. Outlays in manufacturing rose

Table 5.—Gross National Product in Current and Constant Dollars

[Seasonally adjusted, at annual rates]

	Billions of current dollars								Billions of 1954 dollars							
	1957	1958	1959	1959				1960	1957	1958	1959	1959				1960
				I	II	III	IV					I	II	III	IV	
Gross national product	442.5	441.7	479.5	470.4	484.8	478.6	483.5	509.2	408.3	399.0	426.0	420.7	432.1	424.3	426.8	439.3
Personal consumption expenditures	284.8	293.0	311.6	303.9	311.2	313.3	317.0	321.1	270.8	273.3	287.6	282.3	288.3	288.8	291.1	293.5
Durable goods.....	40.3	37.6	43.0	41.3	44.1	43.6	42.8	43.7	38.5	35.7	40.2	38.8	41.2	40.6	40.2	41.1
Nondurable goods.....	137.7	141.9	147.9	145.3	147.7	148.0	150.1	151.1	132.6	133.7	139.3	137.3	139.7	139.4	140.7	141.3
Services.....	106.7	113.4	120.7	117.4	119.4	121.6	124.1	126.3	99.8	103.8	108.2	106.2	107.4	108.8	110.2	111.1
Gross private domestic investment	66.6	54.9	71.1	70.0	77.7	67.0	69.7	79.2	58.5	47.3	60.2	59.8	66.0	56.4	58.8	66.3
New construction.....	36.1	35.8	40.2	39.7	41.0	41.0	39.2	40.4	31.9	31.5	34.4	34.3	35.1	34.9	33.3	34.0
Residential nonfarm.....	17.0	18.0	22.2	21.9	23.1	22.6	21.3	21.3	15.4	16.2	19.4	19.3	20.2	19.7	18.4	18.2
Other.....	19.0	17.7	18.0	17.8	17.9	18.3	17.9	19.1	16.5	15.2	15.0	15.0	14.9	15.2	14.9	15.7
Producers' durable equipment.....	28.5	22.9	26.1	23.9	26.0	27.0	27.5	28.1	24.6	19.3	21.5	19.8	21.3	22.1	22.7	23.1
Change in business inventories.....	2.0	-3.8	4.8	6.3	10.7	-1.0	3.0	10.6	2.0	-3.5	4.4	5.7	9.5	-6	2.8	9.2
Nonfarm.....	1.2	-4.9	3.9	5.4	9.8	-1.8	2.3	10.1	1.1	-4.4	3.5	4.7	8.6	-1.4	2.1	8.6
Net exports of goods and services (GNP basis)	4.9	1.2	-8	-9	-1.8	.0	-6	1.2	3.8	.0	-2.6	-2.7	-3.5	-1.9	-2.2	-7
Exports.....	26.2	22.6	22.8	21.5	22.1	24.1	23.4	24.8	24.4	21.6	21.7	20.4	20.9	23.1	22.4	23.3
Imports.....	21.3	21.3	23.6	22.4	23.9	24.1	24.1	23.6	20.6	21.6	24.3	23.1	24.5	25.0	24.7	24.0
Government purchases of goods and services	86.2	92.6	97.6	97.4	97.7	98.4	97.4	98.8	75.1	78.4	80.7	81.3	81.4	81.0	79.1	80.2
Federal.....	49.4	52.2	53.5	53.8	53.9	53.6	52.7	52.3	42.8	44.1	44.2	44.9	45.0	44.1	42.7	42.4
National defense.....	44.3	44.5	45.8	45.8	46.2	45.9	45.3	44.8								
Other.....	5.5	8.1	8.1	8.3	8.0	8.1	7.8	7.8								
Less: Government sales.....	.4	.5	.4	.3	.3	.4	.4	.4								
State and local.....	36.8	40.5	44.1	43.6	43.8	44.8	44.7	46.5	32.3	34.4	36.5	36.4	36.4	36.9	36.3	37.7

NOTE.—For back data see Tables I-3 and I-5 in the July 1959 Survey, and for years prior to 1956, in U.S. Income and Output.

weakened as sales tapered, inventories rose and it became necessary to accelerate merchandising efforts.

Investment trends mixed

Residential construction activity was reported substantially unchanged for the spring quarter. Business fixed investment was up somewhat, as equipment spending held even or advanced in nearly all major industries. The spurt in inventory accumulation which accounted for more than \$11 billion of the first-quarter annual rate of GNP subsided, but stocking still absorbed about 1 percent of total output.

Outlays for residential construction have shown signs of leveling off recently, at an annual rate down \$2 billion, or close to 10 percent, from the alltime peak reached a year ago. Not much new strength is yet apparent, however, in the course of reported starts or of applications for government loan backing.

Capital market conditions have eased considerably since the turn of the year; yields on long-term Treasury bonds, for example, have moved down about half a percentage point. The competitive

position of conventional mortgages in particular has improved accordingly, with some favorable effects apparent on activity. Investor demand for government-backed mortgages with their statutory interest rate ceilings, however, continues restricted; open market discounts on FHA home mortgages have declined only fractionally since the turn of the year.

Business investment purchases of construction and durable equipment continue as a strong element in the economy, registering a gain on the order of \$2 billion in the second quarter. Following a like increase in the opening quarter of the year, this brought fixed investment outlays for the first half to a rate \$5 billion or over 10 percent above the same period of 1959.

Nearly all of the industries distinguished in the OBE-SEC Plant and Equipment Survey report higher outlays so far this year by comparison with either the first-half or yearend rates of 1959. Investment has been stepped up most sharply in primary metals and other durable goods groups. Chemicals and textile manufacturing have registered the largest of the gains

which have characterized most non-durables industries. Advances in air and rail transportation and in communication have also been substantial.

Inventory buildup slows

The temporary spurt in production to refill the inventory pipelines was over in a relatively short period and markets no longer feel demand pressures from this source. The increase in inventories, at a \$5 billion annual rate, was considerably less than in the first quarter, but was about the same as the accumulation during 1959. The slowing rate of accumulation is traceable for the most part to the major steel-using industries and to durable goods distributors—the same groups that had required heavy restocking. In durables manufacturing, the value of stocks held has shown little change in recent months apart from the continued expansion in primary metals. In trade, dealers' stocks of autos have continued to rise on a seasonally adjusted basis, but at a rate far under that of the first quarter.

Inventory changes elsewhere continued mixed and generally limited. Holdings of food and beverage produ-

Table 2.—Gross National Product in Current and Constant Dollars (I-3, I-5)

[Seasonally adjusted, at annual rates]

	Billions of current dollars								Billions of 1954 dollars							
	1957	1958	1959	1959			1960		1957	1958	1959	1959			1960	
				II	III	IV	I	II				II	III	IV	I	II
Gross national product.....	442.8	444.2	482.1	487.9	481.4	486.4	501.3	505.0	408.6	401.0	428.0	434.2	426.3	429.1	440.5	442.2
Personal consumption expenditures.....	285.2	293.5	313.8	313.6	316.0	319.6	323.3	329.0	271.2	273.6	289.4	290.0	290.8	292.8	294.8	298.3
Durable goods.....	40.4	37.3	43.4	44.4	44.0	43.5	44.2	44.5	38.5	35.6	40.8	41.6	41.2	41.1	41.8	41.9
Nondurable goods.....	137.7	142.0	147.6	147.7	148.0	149.6	150.5	153.5	132.6	133.7	139.3	139.8	139.5	140.5	141.1	143.2
Services.....	107.1	114.2	122.8	121.4	124.1	126.6	128.6	130.9	100.1	104.3	109.3	108.6	110.1	111.2	112.0	113.3
Gross private domestic investment.....	66.1	56.0	72.0	78.9	67.5	70.8	79.3	75.5	58.1	48.3	60.9	66.7	56.7	59.4	66.2	62.8
New construction.....	36.1	35.4	40.3	41.3	41.1	39.4	40.8	40.7	31.8	31.0	34.4	35.2	35.0	33.4	34.0	33.8
Residential nonfarm.....	17.0	18.0	22.3	23.5	22.6	21.3	21.4	21.3	15.3	16.2	19.4	20.4	19.6	18.3	18.3	18.2
Other.....	19.0	17.4	18.0	17.8	18.5	18.1	19.3	19.4	16.5	14.9	15.0	14.8	15.4	15.0	15.7	15.6
Producers' durable equipment.....	28.5	23.1	25.8	26.1	26.5	26.8	27.1	29.5	24.6	19.4	21.3	21.5	21.7	22.2	22.4	24.2
Change in business inventories.....	1.6	-2.5	5.9	11.5	-1	4.7	11.4	5.3	1.6	-2.2	5.2	10.1	.0	3.8	9.8	4.8
Nonfarm.....	.8	-3.6	5.4	11.0	-5	4.3	11.0	5.0	.7	-3.1	4.9	9.7	-1	4.0	9.4	4.5
Net exports of goods and services.....	4.9	1.2	-1.0	-2.2	-2	-4	1.2	2.0	3.8	-2	-2.4	-3.8	-1.7	-1.5	-1	.7
Exports.....	26.2	22.7	22.9	22.2	24.0	23.5	25.2	26.4	24.4	21.4	21.9	21.2	23.1	22.5	23.8	25.2
Imports.....	21.3	21.5	23.8	24.4	24.2	23.9	23.9	24.4	20.6	21.6	24.3	25.0	24.8	24.0	24.0	24.5
Government purchases of goods and services.....	86.5	93.5	97.1	97.7	98.1	96.4	97.5	98.6	75.5	79.3	80.2	81.2	80.5	78.5	79.6	80.3
Federal.....	49.7	52.6	53.3	53.7	53.6	52.5	51.8	51.7	43.2	44.5	43.6	44.4	43.5	42.3	41.8	41.8
National defense.....	44.4	44.8	46.0	46.4	46.1	45.5	44.9	44.7								
Other.....	5.7	8.3	7.8	7.8	8.0	7.5	7.5	7.6								
Less: Government sales.....	.4	.5	.5	.5	.5	.5	.5	.6								
State and local.....	36.8	40.8	43.9	44.0	44.5	43.9	45.7	46.9	32.2	34.8	36.6	36.8	37.0	36.2	37.8	38.6

with the goods portion down and services up. Consumer prices moved up a little, with the overall movement the result of divergent tendencies again in the markets for commodities and services.

Increases have continued in shelter outlays, coming from the improved supply of housing and the rise in rents, and in such associated items as telephone and utility services. Volume gains as well as some price advances, have occurred in these areas of demand.

Drop in durables

Purchases of consumer durable goods were reduced by 4 percent, almost \$2 billion at an annual rate, in the third quarter, as auto buying fell back from its poststrike peak while furniture and appliance sales moved downward for the third consecutive quarter.

The decrease in purchasing of new cars was the major element in the lowering of durables spending. Allowances for seasonal variation cannot be precise, particularly as last summer's auto market was influenced by the unusually early changeover to the new models and by the prospect of additional lines of compact cars to be introduced in the fall. It appears, however, that consumer auto purchases in the third

quarter approximated a seasonally adjusted annual rate between \$17 and \$18 billion. This was a billion or two under the highs established in the first half of the year, which had owed something to the poststrike backlog of demand.

The easing in sales of household durables since 1960 opened has been more noticeable in major appliances than in furniture. The course of demand in these markets is affected by changes in the rate at which new houses are being completed and occupied.

Several of the principal shifts in consumer buying since midyear have been of types which are often accompanied by short-run changes in the flow of saving. The decline in spending for durable goods was reflected in a slowing of consumer credit expansion and some lessening of pressure on the liquid asset position of consumers. Changes in buying of items of longer life among the nondurables, such as clothing, probably have a similar though less marked effect; and on several occasions changes in food costs have also been associated with inverse movements in consumer saving.

Lessened buying with income maintained resulted in an advanced rate of saving in the third quarter, though in relation to disposable income it is still

not much higher than the average rates of 1951-53 and 1956-58.

Fixed Investment and Inventories

The largest change in the third quarter came from the shift in business inventory policy, with a resultant cessation of the earlier strong demand from this source. Producers' equipment outlays and private construction activity were little changed.

Residential building continued to move down. A moderate easing of interest rates has occurred, but lead series such as permits issued and applications for FHA and VA backing indicated little if any strengthening of demand.

Outlays for current residential work are now off about one-tenth from the high reached in the spring of 1959, and the cut in the number of housing units started has been more pronounced. The decrease centered mainly in one-family dwellings, as apartment-building activity has not declined so much and is strong in comparison with earlier postwar years.

Fixed investment high

Business fixed investment approached a seasonally adjusted annual rate of \$50 billion in the third quarter. This important segment is \$10 billion higher,

Table 10.—Gross National Product In Current and Constant Dollars (1-3, 1-5)

[Seasonally adjusted at annual rates]

	Billions of current dollars								Billions of 1954 dollars							
	1957	1958	1959	1959		1960			1957	1958	1959	1959		1960		
				III	IV	I	II	III				III	IV	I	II	III
Gross national product	442.8	444.2	482.1	481.4	486.4	501.3	505.0	503.5	408.6	401.0	428.0	426.3	429.1	440.5	442.2	438.0
Personal consumption expenditures	285.2	293.5	313.8	316.0	319.6	323.3	329.0	328.3	271.2	273.6	289.4	290.8	292.8	294.8	298.3	296.9
Durable goods.....	40.4	37.3	43.4	44.0	43.5	44.2	44.5	42.7	38.5	35.6	40.8	41.2	41.1	41.8	41.9	40.2
Nondurable goods.....	137.7	142.0	147.6	148.0	149.6	150.5	153.5	152.7	132.6	133.7	139.3	139.5	140.5	141.1	143.2	142.3
Services.....	107.1	114.2	122.8	124.1	126.6	128.6	130.9	132.9	100.1	104.3	109.3	110.1	111.2	112.0	113.3	114.4
Gross private domestic investment	66.1	56.0	72.0	67.5	70.8	79.3	75.5	70.8	58.1	48.3	60.9	56.7	59.4	66.2	62.8	58.6
New construction.....	36.1	35.4	40.3	41.1	39.4	40.8	40.7	40.5	31.8	31.0	34.4	35.0	33.4	34.0	33.8	33.6
Residential nonfarm.....	17.0	18.0	22.3	22.6	21.3	21.4	21.3	21.1	15.3	16.2	19.4	19.6	18.3	18.3	18.2	18.0
Other.....	19.0	17.4	18.0	18.5	18.1	19.3	19.4	19.5	16.5	14.9	15.0	15.4	15.0	15.7	15.6	15.6
Producers' durable equipment.....	28.5	23.1	25.8	26.5	26.8	27.1	29.5	29.7	24.6	19.4	21.3	21.7	22.2	22.4	24.2	24.4
Change in business inventories.....	1.6	-2.5	5.9	-1	4.7	11.4	5.3	.6	1.6	-2.2	5.2	.0	3.8	9.8	4.8	.6
Nonfarm.....	.8	-3.6	5.4	-5	4.3	11.0	5.0	.3	.7	-3.1	4.9	-1	4.0	9.4	4.5	.3
Net exports of goods and services	4.9	1.2	-1.0	-2	-4	1.2	2.0	3.7	3.8	-2	-2.4	-1.7	-1.5	-1	.7	2.2
Exports.....	26.2	22.7	22.9	24.0	23.5	25.2	26.4	27.3	24.4	21.4	21.9	23.1	22.5	23.8	25.2	25.8
Imports.....	21.3	21.5	23.8	24.2	23.9	23.9	24.4	23.5	20.6	21.6	24.3	24.8	24.0	24.0	24.5	23.6
Government purchases of goods and services	86.5	93.5	97.1	98.1	96.4	97.5	98.6	100.7	75.5	79.3	80.2	80.5	78.5	79.6	80.3	80.3
Federal.....	49.7	52.6	53.3	53.6	52.5	51.8	51.7	52.7	43.2	44.5	43.6	43.5	42.3	41.8	41.8	41.2
National defense.....	44.4	44.8	46.0	46.1	45.5	44.9	44.7	45.1	-----	-----	-----	-----	-----	-----	-----	-----
Other.....	5.7	8.3	7.8	8.0	7.5	7.5	7.6	8.2	-----	-----	-----	-----	-----	-----	-----	-----
Less: Government sales.....	.4	.5	.5	.5	.5	.5	.6	.6	-----	-----	-----	-----	-----	-----	-----	-----
State and local.....	36.8	40.8	43.9	44.5	43.9	45.7	46.9	48.0	32.2	34.8	36.6	37.0	36.2	37.8	38.6	39.1

The 1960-61 decline was matched in overall mildness by the advance which preceded it. Plant and equipment spending topped out last year, as earlier noted, without matching its 1957 peak volume. The shortfall was pronounced in the sensitive durable goods manufacturing industries and the railroad and mining groups, where the current cyclical cuts have been sharpest, as well as in nondurables manufacturing and public utilities. (See text table.) Net declines from peak to peak in these industries were substantially offset by the continuing uptrend in capital outlays of commercial firms and by the 1959-60 bulge in air transportation as the carriers rapidly converted their longer through routes to jet operations.

Plant and Equipment Expenditures

(Percent change)

	Peak to 3d quarter after peak		Peak to peak
	1960 II to 1961 I	1957 III to 1958 II	1957 III to 1960 II
Durable goods manufactur- ing, mining, and railroads	-14	-34	-13
Nondurable goods manu- facturing and public util- ities	-1	-19	-12
Commercial and other	-1	-4	+14
Airlines and other nonrail	-12	-23	+19
Total	-5	-20	-4

Inventory selloff accelerates

The inventory movement proceeded along cyclical lines, with liquidation accelerated in the first quarter to a seasonally adjusted annual rate well above \$4 billion. This compares with \$3 billion in the fourth quarter, the difference comprising nearly half the decline in total GNP in this period. Accumulation had slowed progressively from early 1960 through mid-year, and turned to liquidation in the second half. The swing in inventories since GNP topped out in the second quarter has meant a \$10 billion annual rate decrease in demand from this source. Notwithstanding the resultant cut in earnings from production, major categories of final purchases have held up well, for the reasons earlier pointed out.

the past year reflected in part a natural tapering in the need to add to stocks as the expansionary phase of the business cycle matured. In part it was a reaction to the unusual pattern traced by business holdings in 1959 and early 1960 because of the steel strike. With increased productive capacity, and the steel stock rebuilding proving short-lived, changes in the outlook for material supplies came to be recognized rather abruptly, and there followed a large cutback in orders and a move to draw down stocks in a number of lines.

As has been the case in other postwar business swings, the reduction in inventories has been most notable in durable goods producing and handling industries, where demand for final output dropped, and the especially marked shift in the supply outlook for steel reinforced this cyclical tendency.

Since 1961 opened, the sharpest cuts in inventories have centered in finished stocks, auto dealers' holdings of new cars in particular having been worked down at a time when they usually increase. This pattern is in

contrast to that recorded for the second half of last year, when a piling up of finished goods partially offset the continuing reductions in working stocks of producers.

Government and Export Demand Strong

The continued expansion in government purchases and transfers at a time when revenues have been falling has been one of the chief sustaining factors in the economy recently, making a substantial net contribution to the strength of the markets for private business output. At a \$145 billion annual rate for the winter quarter, total expenditures shown by the national income accounts for Federal, State and local governments (table 5) were up \$3½ billion from the fourth quarter of 1960 and \$9 billion from the spring of last year. At the same time revenues from corporate profit taxes in particular have dropped markedly.

The continued postwar uptrend in State and local buying and the turnaround of Federal outlays since mid-

Table 1.—Gross National Product in Current and Constant Dollars (I-3, I-5)

				1960				1961				1960				1961
	1958	1959	1960	I	II	III	IV	I	1958	1959	1960	I	II	III	IV	I
Seasonally adjusted at annual rates								Seasonally adjusted at annual rates								
Billions of current dollars									Billions of 1954 dollars							
Gross national product	444.2	482.1	503.2	501.3	505.0	503.5	503.5	499.8	401.0	428.0	439.2	440.5	442.2	438.0	437.0	432.4
Personal consumption expenditures	293.5	313.8	327.8	323.3	329.0	328.3	330.8	328.8	273.6	289.4	296.8	294.8	298.3	296.9	297.6	294.7
Durable goods	37.3	43.4	43.6	44.2	44.5	42.7	43.2	39.2	35.6	40.8	41.2	41.8	41.9	40.2	41.2	37.5
Nondurable goods	142.0	147.6	152.4	150.5	153.5	152.7	152.9	153.0	133.7	139.3	141.9	141.1	143.2	142.3	141.3	141.1
Services	114.2	122.8	131.7	128.6	130.9	132.9	134.7	136.6	104.3	109.3	113.7	112.0	113.3	114.4	115.2	116.1
Gross private domestic investment	56.0	72.0	72.8	79.3	75.5	70.8	66.0	61.0	48.3	60.9	60.5	66.2	62.8	58.6	54.9	50.6
New construction	35.4	40.3	40.4	40.8	40.7	40.5	40.3	39.0	31.0	34.4	33.6	34.0	33.8	33.6	33.5	32.4
Residential nonfarm	18.0	22.3	21.1	21.4	21.3	21.1	20.5	19.2	16.2	19.4	18.0	18.3	18.2	18.0	17.6	16.5
Other	17.4	18.0	19.3	19.3	19.4	19.5	19.8	19.9	14.9	15.0	15.6	15.7	15.6	15.6	15.9	16.0
Producers' durable equipment	23.1	25.8	28.8	27.1	29.5	29.7	28.7	26.5	19.4	21.3	23.7	22.4	24.2	24.4	23.8	21.9
Change in business inventories	-2.5	5.9	3.6	11.4	5.3	.6	-3.0	-4.5	-2.2	5.2	3.2	9.8	4.8	.6	-2.4	-3.8
Nonfarm	-3.6	5.4	3.2	11.0	5.0	.3	-3.4	-4.8	-3.1	4.9	2.8	9.4	4.5	.3	-2.8	-4.0
Farm	1.0	.5	.4	.4	.3	.3	.4	.2	.9	.3	.4	.4	.3	.3	.5	.2
Net exports of goods and services	1.2	-1.0	3.0	1.2	2.0	3.7	4.6	5.3	-2.2	-2.4	1.6	-1.1	.7	2.2	3.4	3.8
Exports	22.7	22.9	26.5	25.2	26.4	27.3	27.0	27.4	21.4	21.9	25.2	23.8	25.2	25.8	25.8	26.2
Imports	21.5	23.8	23.5	23.9	24.4	23.5	22.4	22.1	21.6	24.3	23.6	24.0	24.5	23.6	22.4	22.3
Government purchases of goods and services	93.5	97.1	99.7	97.5	98.6	100.7	102.1	104.7	79.3	80.2	80.3	79.6	80.3	80.3	81.1	83.3
Federal	52.6	53.3	52.4	51.8	51.7	52.7	53.3	54.7	44.5	43.6	41.6	41.8	41.8	41.2	41.4	42.0
National defense	44.8	46.0	45.1	44.9	44.7	45.1	45.7	47.2	-----	-----	-----	-----	-----	-----	-----	-----
Other	8.3	7.8	7.9	7.5	7.6	8.2	8.2	8.1	-----	-----	-----	-----	-----	-----	-----	-----
Less: Government sales	.5	.5	.6	.5	.6	.6	.6	.6	-----	-----	-----	-----	-----	-----	-----	-----
State and local	40.8	43.9	47.3	45.7	46.9	48.0	48.8	50.0	34.8	36.6	38.7	37.8	38.6	39.1	39.7	40.7

contrast to the usual sharp seasonal rise. With the coming of spring, sales rose more than seasonally and the higher levels continued into the second quarter. Stocks declined slightly but somewhat less than expected in this period of the year. In spite of the second quarter improvement, automobile sales and production were substantially below a year ago.

Support from Government

The bulk of the second quarter increase in GNP came in private expenditures, but the role of the Federal Government in stimulating business activity was important. In addition to the \$2 billion annual rate increase in direct purchases of goods and services, the Federal Government instituted several programs swelling the flow of income in the economy, notably the feed grain and the temporary unemployment insurance programs. Measures affecting the supply of money and credit designed to stimulate economic activity will be noted later.

Consumption expenditures up

Personal consumption expenditures, which had turned down in the opening quarter of the year with the decline in auto and other durable goods purchases, moved up in the second quarter. The \$5½ billion increase to an annual rate of \$336 billion was concentrated in expenditures for automobiles and services. (See chart.) Sales of durable goods other than autos—mainly furniture and appliances—showed only modest increases which were not enough to bring them back to the highs of late 1959.

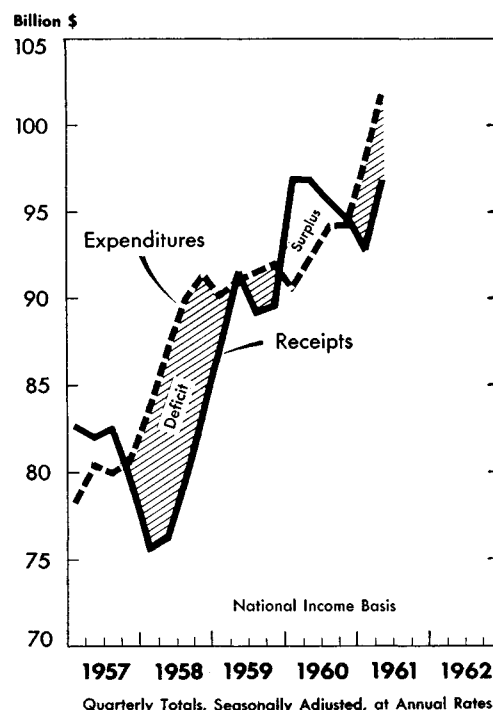
Small changes were the rule for all the major categories of nondurable goods. Spending for food and beverages, which was up only slightly in current dollars, went up more in real terms as retail food prices—principally of meat and dairy products—declined from their first quarter average.

Swing in inventories

The inventory swing from the first to the second quarter featured changes in stocks of automobile producers and

FEDERAL GOVERNMENT

Expenditures Exceed Receipts in First Half Of 1961



U. S. Department of Commerce, Office of Business Economics 61-8-7

Table 1.—Gross National Product in Current and Constant Dollars (1-3, 1-5)

[Seasonally adjusted, at annual rates]

	1958	1959	1960	1960			1961		1958	1959	1960	1960			1961	
				II	III	IV	I	II				II	III	IV	I	II
	Billions of current dollars								Billions of 1954 dollars							
Gross national product.....	444.5	482.8	504.4	506.4	505.1	504.5	500.8	516.1	401.3	428.4	440.8	443.4	440.2	438.4	433.2	445.5
Personal consumption expenditures.....	293.2	314.0	328.9	329.9	329.7	332.3	330.7	336.1	273.2	289.3	298.3	299.5	298.6	299.6	297.0	301.6
Durable goods.....	37.3	43.5	44.3	45.3	43.4	43.8	39.4	42.0	35.5	41.0	41.8	42.5	40.8	41.6	37.6	39.8
Nondurable goods.....	141.6	147.3	152.4	153.3	152.7	153.1	153.7	154.1	133.3	138.8	141.8	142.9	142.0	141.3	141.6	142.6
Services.....	114.3	123.2	132.2	131.2	133.6	135.4	137.5	139.9	104.4	109.5	114.7	114.2	115.8	116.6	117.8	119.2
Gross private domestic investment.....	56.6	72.4	72.4	74.6	70.5	65.6	59.8	68.8	49.0	61.1	60.6	62.3	58.6	54.9	49.6	57.3
New construction.....	35.5	40.2	40.7	40.7	40.4	40.7	39.6	41.3	31.1	34.3	33.9	33.9	33.6	33.9	32.9	34.1
Residential nonfarm.....	18.0	22.3	21.1	21.2	21.0	20.5	19.3	20.6	16.2	19.4	18.0	18.1	17.9	17.5	16.5	17.6
Other.....	17.4	17.9	19.6	19.5	19.4	20.2	20.4	20.7	14.8	14.8	16.0	15.9	15.7	16.4	16.4	16.6
Producers' durable equipment.....	23.1	25.9	27.5	28.6	27.7	26.7	24.2	24.7	19.4	21.3	22.7	23.4	22.7	22.1	19.9	20.3
Change in business inventories.....	-2.0	6.3	4.2	5.4	2.4	-1.9	-4.0	2.8	-1.5	5.5	4.0	4.9	2.3	-1.1	-3.2	2.9
Nonfarm.....	-2.9	6.2	4.0	5.1	2.0	-2.2	-4.3	2.4	-2.4	5.6	3.8	4.7	2.0	-1.3	-3.5	2.4
Farm.....	.9	.1	.3	.3	.4	.3	.3	.4	.8	-.0	.2	.2	.3	.2	.3	.4
Net exports of goods and services.....	1.2	-.7	3.0	2.3	3.0	5.1	5.3	3.9	-.2	-2.1	1.7	1.0	1.6	3.5	3.3	1.9
Exports.....	22.7	23.1	26.7	26.7	26.8	27.6	27.6	26.4	21.4	22.2	25.3	25.4	25.4	26.1	25.7	24.5
Imports.....	21.5	23.8	23.6	24.4	23.8	22.4	22.3	22.5	21.6	24.3	23.6	24.4	23.7	22.6	22.4	22.6
Government purchases of goods and services.....	93.5	97.1	100.1	99.6	101.9	101.6	105.0	107.3	79.3	80.1	80.2	80.6	81.3	80.3	83.3	84.7
Federal.....	52.6	53.5	52.9	52.9	54.0	53.0	54.7	56.6	44.5	43.9	42.3	42.7	42.9	41.6	43.1	44.7
National defense.....	44.8	46.2	45.5	45.5	45.4	45.7	47.2	48.8	-----	-----	-----	-----	-----	-----	-----	-----
Other.....	8.3	7.8	8.0	7.9	9.1	7.9	8.0	8.3	-----	-----	-----	-----	-----	-----	-----	-----
Less: Government sales.....	.5	.5	.6	.6	.6	.6	.5	.5	-----	-----	-----	-----	-----	-----	-----	-----
State and local.....	40.8	43.6	47.2	46.8	48.0	48.6	50.3	50.6	34.8	36.2	38.0	37.8	38.4	38.7	40.2	40.0

distributors; these accounted for the bulk of the inventory liquidation in the first quarter and for about one-fourth of the buildup in the second. The second quarter increase in nonautomotive stocks centered in trade. Manufacturers' stocks outside of the automotive industry were reduced somewhat as a continued liquidation in the stocks of durable goods' producers was only partly offset by accumulation in nondurable goods lines.

Business fixed investment stable

The second quarter increase in fixed investment expenditures by business was minor in total, and individual industry changes were likewise small. The latest OBE-SEC survey of capital spending plans indicates a modest pickup in the second half of the year. Largely because of the presence of excess capacity, businessmen are usually reluctant to expand fixed capital outlays in the early stages of recovery. Thus, business fixed investment continued to decline in the initial phase of the 1958 upturn and was stable during 1954 after total production had started to rise.

Rise in National Income and Product

Review of National Accounts in Third Quarter

THE expansion in economic activity continued through the third quarter with Gross National Product increasing about \$10 billion at an annual rate to a new high of \$526 billion. The third quarter rise in output, though not so large as in the preceding quarter, was more widely diffused than in the initial months of the advance. With changes in inventory investment playing a continuing but lesser role in the third quarter advance, the increase in final purchases was of about the same magnitude—\$8 billion—as in the preceding quarter.

Most of the GNP increase in the third quarter, as in the second, reflected a higher physical volume of output, as prices continued relatively stable. Real GNP thus rose approximately 4 percent above the recession low and was 2 percent above the prerecession high in the second quarter of 1960.

About one-half of the third quarter gain in GNP, \$5 billion, was in consumer buying. In contrast with the spring quarter, when automobiles had accounted for a large proportion of the gain, the third quarter increase in consumer buying was about equally divided between nondurable goods and services, with durables showing little change. Lesser gains in residential construction, business fixed investment, inventories, and government purchases—principally State and local—all contributed to the increase in GNP. Net exports of goods and services declined again in this quarter by approximately \$1½ billion.

Comparable increases in income flows accompanied the third quarter rise in output. Employee compensation rose approximately \$6 billion, compared with the \$7½ billion increase in the preceding quarter. Other distributive shares also went up, although on the basis of preliminary data it appears that the profit increase was not so large

as the \$5 billion (annual rate) reported for the initial quarter of cyclical revival.

Consumer purchases rise

Total personal consumption expenditures increased about \$5 billion in the third quarter to \$341 billion at seasonally adjusted rates, roughly matching the second quarter increase. Over the past two quarters about \$10½ billion of the \$13½ billion increase in disposable income has been translated into consumption expenditures. This rate of expenditure of additional income is about in line with the experience of the two quarters after the low point in the 1957–58 recovery.

Durable goods outlays rose only ¼

billion in the third quarter, with an advance in furniture and appliance buying offsetting a small decline in auto purchases. Auto buying showed the influence of the model changeover and remained relatively low. At an annual rate of \$16.5 billion, it was about \$3 billion less than in the second quarter of last year, despite a \$15 billion advance in disposable personal income over this period. Sales were picking up at the end of the quarter, and auto production and sales may be expected to contribute a substantial increase to GNP in the final quarter.

The third quarter rise in furniture and appliances—\$½ billion at annual rates—matched the increase in the

Table 1.—Gross National Product in Current and Constant Dollars (I-3, I-5)

[Seasonally adjusted at annual rates]

	1958	1959	1960	1960		1961			1958	1959	1960	1960		1961				
				III	IV	I	II	III				III	IV	I	II	III		
	Billions of current dollars									Billions of 1954 dollars								
Gross national product.....	444.5	482.8	504.4	505.1	504.5	500.8	516.1	525.8	401.3	428.4	440.8	440.2	438.4	433.2	445.5	451.8		
Personnal consumption expenditures.....	293.2	314.0	328.9	329.7	332.3	330.7	336.1	341.0	273.2	289.3	298.3	298.6	299.6	297.0	301.6	305.0		
Durable goods.....	37.3	43.5	44.3	43.4	43.8	39.4	42.0	42.3	35.5	41.0	41.8	40.8	41.6	37.6	39.8	39.9		
Nondurable goods.....	141.6	147.3	152.4	152.7	153.1	153.7	154.1	156.2	133.3	138.8	141.8	142.0	141.3	141.6	142.6	144.5		
Services.....	114.3	123.2	132.2	133.6	135.4	137.5	139.9	142.4	104.4	109.5	114.7	115.8	116.6	117.8	119.2	120.6		
Gross private domestic investment.....	56.6	72.4	72.4	70.5	65.6	59.8	68.8	73.2	49.0	61.1	60.6	58.6	54.9	49.6	57.3	60.4		
New construction.....	35.5	40.2	40.7	40.4	40.7	39.6	41.3	42.7	31.1	34.3	33.9	33.6	33.9	32.9	34.1	35.1		
Residential nonfarm.....	18.0	22.3	21.1	21.0	20.5	19.3	20.6	22.1	16.2	19.4	18.0	17.9	17.5	16.5	17.6	18.7		
Other.....	17.4	17.9	19.6	19.4	20.2	20.4	20.7	20.6	14.8	14.8	16.0	15.7	16.4	16.4	16.6	16.4		
Producers' durable equipment.....	23.1	25.9	27.5	27.7	26.7	24.2	24.7	26.0	19.4	21.3	22.7	22.7	22.1	19.9	20.3	21.4		
Change in business inventories.....	-2.0	6.3	4.2	2.4	-1.9	-4.0	2.8	4.5	-1.5	5.5	4.0	2.3	-1.1	-3.2	2.9	3.9		
Nonfarm.....	-2.9	6.2	4.0	2.0	-2.2	-4.3	2.4	4.1	-2.4	5.6	3.8	2.0	-1.3	-3.5	2.4	3.5		
Farm.....	.9	.1	.3	.4	.3	.3	.4	.4	.8	-.0	.2	.3	.2	.3	.4	.4		
Net exports of goods and services.....	1.2	-7.7	3.0	3.0	5.1	5.3	3.9	2.6	-2.2	-2.1	1.7	1.6	3.5	3.3	1.9	.6		
Exports.....	22.7	23.1	26.7	26.8	27.6	27.6	26.4	27.0	21.4	22.2	25.3	25.4	26.1	25.7	24.5	25.2		
Imports.....	21.5	23.8	23.6	23.8	22.4	22.3	22.5	24.3	21.6	24.3	23.6	23.7	22.6	22.4	22.6	24.5		
Government purchases of goods and services.....	93.5	97.1	100.1	101.9	101.6	105.0	107.3	109.0	79.3	80.1	80.2	81.3	80.3	83.3	84.7	85.7		
Federal.....	52.6	53.5	52.9	54.0	53.0	54.7	56.6	57.4	1.5	43.9	42.3	42.9	41.6	43.1	44.7	45.0		
National defense.....	44.8	46.2	45.5	45.4	45.7	47.2	48.8	49.0	-----	-----	-----	-----	-----	-----	-----	-----		
Other.....	8.3	7.8	8.0	9.1	7.9	8.0	8.3	8.9	-----	-----	-----	-----	-----	-----	-----	-----		
Less: Government sales.....	.5	.5	.6	.6	.6	.5	.5	.6	-----	-----	-----	-----	-----	-----	-----	-----		
State and local.....	40.8	43.6	47.2	48.0	48.6	50.3	50.6	51.6	34.8	36.2	38.0	38.4	38.7	40.2	40.0	40.8		

Investment Rise Small

Overall investment increased only \$½ billion in the quarter to reach an annual rate of \$77 billion. The increase over the past 4 quarters amounted to about \$17 billion, at an annual rate. This represents 36 percent of the rise in GNP over the period, as compared with 42 and 47 percent, respectively, for the initial 4 quarters of the 1958-59 and 1954-55 recoveries.

Rise in inventory accumulation

The first quarter increase in business inventory investment—\$1½ billion—reflected mixed trends in the economy. There was a step-up of nearly \$3 billion in durable goods factories, where steel consumers were hedging against a strike in that industry. In addition, industries holding nondurable goods stocks stepped up the rate of accumulation by about \$1¼ billion in this period. A sharp rise in auto sales in the later weeks of the quarter was not fully reflected in higher production schedules; in consequence, there was a net decline of \$1¼ billion in the rate of accumulation of auto stocks at retail, and other durable goods holdings in trade also fell.

To date the inventory buildup has contributed some \$11 billion to the \$48 billion expansion in GNP. The proportion was significantly higher in 1958-59 and somewhat higher in the initial four recovery quarters in 1954-55. The first quarter 1962 rate of accumulation was affected by the threat to future steel production and was the highest in recent years except for two quarters preceding and one following the 1959 steel strike. In general, inventories appear to be under close control by buyers. Liquidation of abnormal steel stocks accumulated during the first quarter are currently resulting in a lowering of steel output.

Business fixed investment weak but moving up

Business capital outlays are programmed to be higher this year but here, as elsewhere, there was an adverse weather element in the first quarter. While the cumulative advance since early 1961 has carried these outlays to about the 1960 peak in dollars, in

Table 1.—Gross National Product in Current and Constant Dollars (I-3, I-5)

	1959	1960	1961	1961				1962	1959	1960	1961	1961				1962	
				I	II	III	IV	I				I	II	III	IV	I	
Seasonally adjusted at annual rates								Seasonally adjusted at annual rates									
Billions of current dollars									Billions of 1954 dollars								
Gross national product.....	482.8	504.4	521.3	500.8	516.1	525.8	542.2	548.3	428.4	440.8	448.8	433.2	445.5	451.8	464.6	468.2	
Personal consumption expenditures.....	314.0	328.9	339.0	330.7	336.1	341.0	348.4	352.0	289.3	298.3	303.6	297.0	301.6	305.0	310.8	312.8	
Durable goods.....	43.5	44.3	42.3	39.4	42.0	42.3	45.5	44.8	41.0	41.8	40.1	37.6	36.8	39.9	43.1	42.6	
Nondurable goods.....	147.3	152.4	155.5	153.7	154.1	156.2	158.1	159.8	138.8	141.8	143.6	141.6	142.6	144.5	145.9	147.0	
Services.....	123.2	132.2	141.2	137.5	139.9	142.4	144.9	147.3	109.5	114.7	119.9	117.8	119.2	120.6	121.9	123.2	
Gross private domestic investment.....	72.4	72.4	69.6	59.8	68.8	73.2	76.6	77.0	61.1	60.6	57.7	49.6	57.3	60.4	63.5	63.7	
New construction.....	40.2	40.7	41.7	39.6	41.3	42.7	43.3	41.8	34.3	33.9	34.4	32.9	34.1	35.1	35.6	34.2	
Residential nonfarm.....	22.3	21.1	21.2	19.3	20.6	22.1	23.0	21.4	19.4	18.0	18.1	16.5	17.6	18.7	19.5	18.1	
Other.....	17.9	19.6	20.5	20.4	20.7	20.6	20.3	20.5	14.8	16.0	16.4	16.4	16.6	16.4	16.2	16.1	
Producers' durable equipment.....	25.9	27.5	25.7	24.2	24.7	26.0	28.0	28.5	21.3	22.7	21.2	19.9	20.3	21.4	23.1	23.4	
Change in business inventories.....	6.3	4.2	2.2	-4.0	2.8	4.5	5.3	6.8	5.5	4.0	2.1	-3.2	2.9	3.9	4.7	6.1	
Nonfarm.....	6.2	4.0	1.8	-4.3	2.4	4.1	5.1	6.6	5.6	3.8	1.7	-3.5	2.4	3.5	4.5	5.9	
Farm.....	.1	.3	.3	.3	.4	.4	.2	.2	-0.0	.2	.3	.3	.4	.4	.2	.2	
Net exports of goods and services.....	-7	3.0	4.0	5.3	3.9	2.6	4.0	3.5	-2.1	1.7	2.0	3.3	1.9	.6	2.0	1.3	
Exports.....	23.1	26.7	27.4	27.6	26.4	27.0	28.5	28.2	22.2	25.3	25.5	25.7	24.5	25.2	26.7	26.2	
Imports.....	23.8	23.6	23.4	22.3	22.5	24.3	24.5	24.7	24.3	23.6	23.5	22.4	22.6	24.5	24.7	24.9	
Government purchases of goods and services.....	97.1	100.1	108.7	105.0	107.3	109.0	113.2	115.9	80.1	80.2	85.5	83.3	84.7	85.7	88.3	90.3	
Federal.....	53.5	52.9	57.3	54.7	56.6	57.4	60.0	61.5	43.9	42.3	44.9	43.1	44.7	45.0	46.8	48.4	
National defense.....	46.2	45.5	49.2	47.2	48.8	49.0	51.7	52.8	-----	-----	-----	-----	-----	-----	-----	-----	
Other.....	7.8	8.0	8.6	8.0	8.3	8.9	9.0	9.4	-----	-----	-----	-----	-----	-----	-----	-----	
Less: Government sales.....	.5	.6	.6	.5	.5	.6	.7	.7	-----	-----	-----	-----	-----	-----	-----	-----	
State and local.....	43.6	47.2	51.4	50.3	50.6	51.6	53.2	54.3	36.2	38.0	40.6	40.2	40.0	40.8	41.4	41.9	

Table 2.—Personal Income and Its Use (II-2)

[Billions of dollars]

	1959	1960	1961	1961				1962
				I	II	III	IV	I
				Seasonally adjusted at annual rates				
Personal income.....	383.3	402.2	416.7	404.7	413.2	420.3	428.6	432.9
Wage and salary disbursements.....	258.5	271.3	279.7	270.1	277.3	282.7	288.7	292.5
Commodity-producing industries.....	107.2	110.4	111.2	106.1	110.7	112.8	115.2	115.7
Manufacturing.....	84.7	87.4	87.8	83.8	87.5	88.9	90.8	91.8
Distributive industries.....	68.2	71.8	73.4	71.8	72.8	74.3	74.8	76.0
Service industries.....	37.7	40.7	43.1	41.8	42.5	43.6	44.7	45.4
Government.....	45.3	48.4	51.9	50.4	51.3	52.1	54.0	55.3
Other labor income.....	10.3	10.9	11.1	10.8	10.8	11.2	11.5	11.9
Proprietors' income.....	46.3	48.2	49.6	48.9	49.2	49.4	50.8	50.6
Business and professional.....	35.0	36.2	36.5	36.0	36.3	36.6	37.2	37.6
Farm.....	11.3	12.0	13.1	12.9	12.9	12.8	13.6	13.0
Rental income of persons.....	11.9	11.7	11.5	11.5	11.5	11.5	11.5	11.5
Dividends.....	13.4	14.1	14.4	14.2	14.2	14.3	15.0	15.0
Personal interest income.....	23.6	26.2	27.3	26.8	27.0	27.4	28.0	28.7
Transfer payments.....	27.2	29.1	32.9	32.0	32.9	33.5	33.2	33.3
Old-age and survivors insurance benefits.....	10.2	11.1	12.6	11.8	12.5	12.7	13.4	13.7
State unemployment insurance benefits.....	2.5	2.8	4.0	3.8	4.5	4.0	3.8	3.4
Veterans' benefits.....	4.5	4.6	4.8	4.7	4.8	4.8	4.8	4.7
Other.....	10.0	10.6	11.5	11.7	11.1	11.9	11.3	11.5
Less: Personal contributions for social insurance.....	7.9	9.3	9.7	9.5	9.7	9.8	10.0	10.5
Less: Personal tax and nontax payments.....	46.0	50.4	51.8	50.3	51.4	52.5	53.1	54.7
Federal.....	39.6	43.2	43.9	42.6	43.6	44.5	44.8	46.0
State and local.....	6.4	7.2	8.0	7.7	7.8	8.0	8.3	8.7
Equals: Disposable personal income.....	337.3	351.8	364.9	354.3	361.8	367.7	375.6	378.2
Less: Personal consumption expenditures.....	314.0	328.9	339.0	330.7	336.1	341.0	348.4	352.0
Equals: Personal saving.....	23.4	22.9	25.8	23.7	25.8	26.8	27.1	26.2
Addendum: Disposable personal income in constant (1954) dollars.....	310.6	319.0	326.8	318.4	324.8	329.0	335.0	336.2

until recently made a quicker and significantly greater contribution to economic expansion than during the early stages of the 1954-55 recovery. This was owing less to the vigor of the 1960-61 growth in capital outlays than to the fact that revival in capital goods demand occurred early in the present business cycle. The current expansion in business capital outlays continues to compare relatively favorably with the late and halting 1958-59 revival, though in real terms the totals are still below 1957 peak rates.

Government purchases of goods and services have played a significantly greater role in the current rise than in the two earlier periods of expansion under review. The impact of government purchases was concentrated in late 1961 and early 1962 and reflected mainly programs designed to meet the threat to Berlin and higher outlays in other areas of the defense program. In contrast defense outlays were rising slowly during the 1958-59 period and in 1954 they were still declining following the cessation of hostilities in Korea. On the other hand, State and

local government purchases have moved steadily ahead, though recent increases have been somewhat less than those recorded in the earlier periods.

Consumer Buying Continues Strong

Personal consumption expenditures increased to \$355 billion for the quarter, up \$4½ billion over the first quarter. So far this year the rate of increase in consumer buying has been lower than in 1961 because of durable goods spending. Last year hard goods purchases were stimulated by the sharp revival in residential construction, and the recovery of auto sales from their relatively low rate in the 1960-61 winter.

Auto sales improve—furniture and appliance sales off

The second quarter gain in consumer expenditures for autos and parts—\$1 billion—more than offset the minor drop in the first quarter, which was partly occasioned by poor weather, and the sales rate for the spring quarter was the best of recent years, even after

allowance for price changes. In real terms, it was still more than 10 percent short of the best quarters of 1955, when the widespread upgrading of lower priced models to which purchasers responded favorably encouraged a sharp rise in installment purchases which resulted in a record volume of car sales. The outstanding volume of automobile paper amounted to less than \$10 billion at the beginning of 1955 as compared with nearly \$17 billion at the beginning of 1962.

Sales of domestically produced cars approximated 6¼ million units, at an annual rate, in the spring quarter, up by almost half a million from the first quarter of the year. The proportion of compact cars sold in each quarter represented about two-fifths of total sales.

Sales trended down during the second quarter from the very high April sales peak. In June, it is very likely that sales were hurt by May's sharp decline in the stock market, but July was another good month with sales recovering to the second quarter level.

Consumer buying of furniture and appliances declined by almost \$½ billion, following a minor decline in the first quarter. Expenditures in this category are below the best quarterly rates of the last 3 years.

Consumer purchases of nondurable goods were up \$1½ billion for the quarter with food accounting for two-fifths of the increase—clothing purchases were unchanged. The cumulative increase since early 1961 now amounts to 6 percent for clothing, and 5 percent for food with purchases in other categories ranging downward from the latter figure.

Consumer expenditures for services continued to expand though at a slightly reduced rate as compared with earlier years, a tendency that showed up in 1961 as indicated in the July National Income Number of the *Survey*.

Moderate Rise in Investment

Gross private domestic investment increased \$1½ billion in the quarter, following a minor drop in the first quarter. A \$2¼ billion decline in the

Table 1.—Gross National Product in Current and Constant Dollars (I-3, I-5)

	1959	1960	1961	1961			1962		1959	1960	1961	1961			1962			
				II	III	IV	I	II				II	III	IV	I	II		
				Seasonally adjusted at annual rates								Seasonally adjusted at annual rates						
				Billions of current dollars								Billions of 1954 dollars						
Gross national product.....	482.7	503.4	518.7	513.1	522.3	538.6	545.0	552.0	428.6	440.2	447.9	443.9	450.4	463.4	467.4	470.8		
Personal consumption expenditures.....	313.5	328.5	338.1	335.5	340.1	346.1	350.2	354.9	288.9	298.3	304.3	302.5	306.0	310.6	313.9	316.9		
Durable goods.....	43.6	44.8	43.7	43.5	44.0	46.6	46.3	47.2	41.0	42.2	41.6	41.3	41.7	44.4	44.1	44.6		
Nondurable goods.....	147.1	151.8	155.2	153.9	156.2	157.2	159.9	161.3	138.7	141.4	143.3	142.3	144.4	144.9	147.0	148.1		
Services.....	122.8	131.9	139.1	138.0	139.9	142.3	144.1	146.3	109.2	114.7	119.4	118.8	120.0	121.4	122.8	124.1		
Gross private domestic investment.....	72.7	72.4	69.3	67.6	72.4	76.6	75.9	77.4	61.7	60.7	57.8	56.5	60.4	64.1	63.3	64.1		
New construction.....	40.2	40.7	41.6	41.0	42.6	43.2	41.6	44.5	34.4	34.3	34.8	34.3	35.6	36.1	34.6	36.7		
Residential nonfarm.....	22.3	21.1	21.0	20.1	21.9	22.8	21.2	23.3	19.5	18.2	18.2	17.4	18.8	19.7	18.2	19.9		
Other.....	17.9	19.7	20.5	20.8	20.7	20.4	20.5	21.2	14.9	16.1	16.6	16.9	16.7	16.4	16.4	16.8		
Producers' durable equipment.....	25.9	27.6	25.5	24.6	25.8	27.4	27.6	28.9	21.4	22.7	21.1	20.2	21.3	22.7	22.8	23.8		
Change in business inventories.....	6.6	4.1	2.1	2.1	4.0	6.0	6.7	4.0	5.9	3.7	2.0	2.0	3.5	5.4	5.9	3.7		
Nonfarm.....	6.5	3.7	1.9	1.8	3.8	5.9	6.6	3.9	5.9	3.4	1.8	1.9	3.4	5.3	5.8	3.6		
Farm.....	.1	.3	.2	.3	.2	.1	.1	.1	-.0	.3	.1	.2	.1	.1	.1	.1		
Net exports of goods and services.....	-.8	2.9	4.0	4.0	2.8	3.8	3.7	3.7	-2.1	1.5	1.8	1.7	.7	1.4	1.3	.7		
Exports.....	22.9	26.4	27.3	26.4	26.9	28.3	28.2	29.0	21.9	24.9	25.3	24.4	25.1	26.2	26.1	26.6		
Imports.....	23.6	23.5	23.3	22.4	24.1	24.5	24.5	25.3	24.1	23.4	23.5	22.7	24.4	24.8	24.8	25.9		
Government purchases of goods and services.....	97.2	99.7	107.4	106.0	106.9	112.1	115.2	116.0	80.1	79.8	84.0	83.3	83.3	87.2	88.9	89.2		
Federal.....	53.6	53.2	57.0	56.6	56.5	59.5	61.9	62.1	43.9	42.3	44.5	44.4	44.1	46.7	48.3	48.6		
National defense.....	46.2	45.7	49.0	49.0	48.4	50.8	53.0	53.2	-----	-----	-----	-----	-----	-----	-----	-----		
Other.....	7.0	8.1	8.7	8.5	8.7	9.2	9.6	9.5	-----	-----	-----	-----	-----	-----	-----	-----		
Less: Government sales.....	.5	.6	.6	.8	.6	.6	.6	.6	-----	-----	-----	-----	-----	-----	-----	-----		
State and local.....	43.6	46.5	50.4	49.4	50.4	52.6	53.3	54.0	36.2	37.4	39.4	38.9	39.2	40.5	40.6	40.6		

Gross National Product and Income in the Third Quarter

Final Purchases Move Ahead

THE gross national product increased by \$3½ billion in the third quarter, reaching a new high of \$555½ billion at a seasonally adjusted annual rate. This represents an expansion of over \$6 billion in final purchases, partly offset by a reduction in the rate of inventory accumulation. After allowance for price increases, there was a further rise in the volume of final purchases, but with the inventory offset, there was little increase in the volume of total output over the quarter. Compared with the third quarter of 1961, gross national product was up 6¼ percent, with real output up 4¾ percent, and the remainder reflecting some rise in prices.

Inventories continued to rise, but the decline in the annual rate of accumulation for the quarter was \$3 billion.

The most recent increase in final purchases, \$6¼ billion, compares with \$9½ billion for the second quarter and \$5¾ billion in the first quarter.

Net exports was the only major component of final purchases to decline. Personal consumption expenditures increased \$3 billion despite a temporary drop in auto purchases associated with the model changeover, followed in October by the highest volume of sales in history. Despite sharply expanded production in that month, there was a sizable decline in passenger car inventories.

Expenditures for fixed investment were up an additional \$2 billion with sharply higher construction activity accounting for most of the rise. Federal Government defense expenditures and State and local government outlays

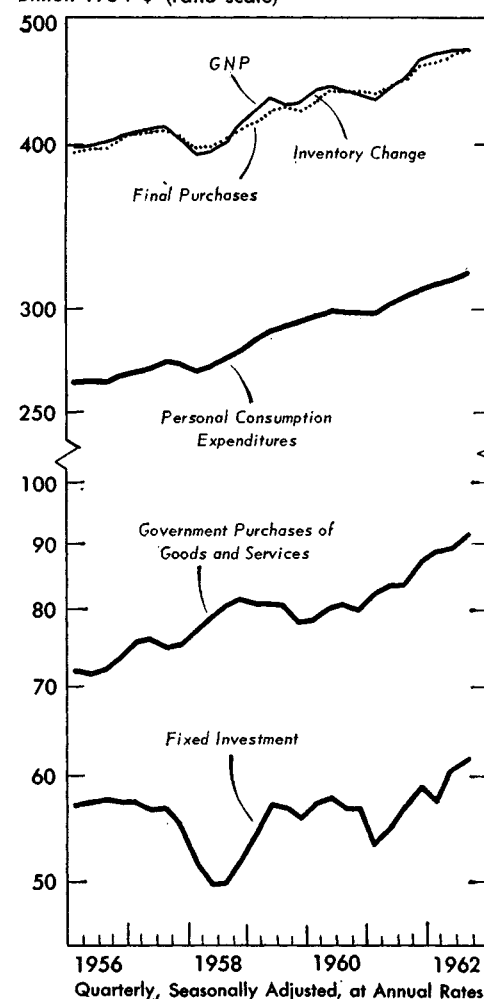
for goods and services continued to push upward on a programed expansion and together accounted for an increase of \$2 billion in the third quarter. The programed rise in government expenditures is summarized in another section which reviews the 1963 federal budget.

A minor rise in national income and related measures paralleled the third quarter GNP increase. Personal income was up \$3 billion for the period as a whole. Compared with a year ago personal income was up \$23 billion at an annual rate, or 5½ percent.

GNP REACHES NEW HIGH IN THIRD QUARTER

Continued Rise in Final Purchases Offset Partly by Reduced Inventory Accumulation
Fixed Investment Has Risen Less Than Other Final Purchases in Recent Years

Billion 1954 \$ (ratio scale)



U.S. Department of Commerce, Office of Business Economics 62-11-4

Table 6.—Gross National Product in Current and Constant Dollars (I-3, I-5)

				1961		1962						1961		1962			
	1959	1960	1961	III	IV	I	II	III	1959	1960	1961	III	IV	I	II	III	
				Seasonally adjusted at annual rates								Seasonally adjusted at annual rates					
				Billions of current dollars									Billions of 1954 dollars				
Gross national product.....	482.7	503.4	518.7	522.3	538.6	545.0	552.0	555.3	428.6	440.2	447.9	450.4	463.4	467.4	470.8	471.6	
Personal consumption expenditures.....	313.5	328.5	338.1	340.1	346.1	350.2	354.9	358.2	288.9	298.3	304.3	306.0	310.6	313.9	316.9	319.0	
Durable goods.....	43.6	44.8	43.7	44.0	46.6	46.3	47.2	47.1	41.0	42.2	41.6	41.7	44.4	44.1	44.6	44.6	
Nondurable goods.....	147.1	151.8	155.2	156.2	157.2	159.9	161.3	163.0	138.7	141.4	143.3	144.4	144.9	147.0	148.1	149.5	
Services.....	122.8	131.9	139.1	139.9	142.3	144.1	146.3	148.1	109.2	114.7	119.4	120.0	121.4	122.8	124.1	125.0	
Gross private domestic investment.....	72.7	72.4	69.3	72.4	76.6	75.9	77.4	76.3	61.7	60.7	57.8	60.4	64.1	63.3	64.1	62.4	
New construction.....	40.2	40.7	41.6	42.6	43.2	41.6	44.5	46.1	34.4	34.3	34.8	35.6	36.1	34.6	36.7	37.7	
Residential nonfarm.....	22.3	21.1	21.0	21.9	22.8	21.2	23.3	24.3	19.5	18.2	18.2	18.8	19.7	18.2	19.9	20.5	
Other.....	17.9	19.7	20.5	20.7	20.4	20.5	21.2	21.8	14.9	16.1	16.6	16.7	16.4	16.4	16.8	17.2	
Producers' durable equipment.....	25.9	27.6	25.5	25.8	27.4	27.6	28.9	29.2	21.4	22.7	21.1	21.3	22.7	22.8	23.8	24.0	
Change in business inventories.....	6.6	4.1	2.1	4.0	6.0	6.7	4.0	1.0	5.9	3.7	2.0	3.5	5.4	5.9	3.7	.8	
Nonfarm.....	6.5	3.7	1.9	3.8	5.9	6.6	3.9	1.0	5.9	3.4	1.8	3.4	5.3	5.8	3.6	.8	
Farm.....	.1	.3	.2	.2	.1	.1	.1	.0	-.0	.3	.1	.1	.1	.1	.1	.0	
Net exports of goods and services.....	-.8	2.9	4.0	2.8	3.8	3.7	3.7	2.5	-2.1	1.5	1.8	.7	1.4	1.3	.7	-.3	
Exports.....	22.9	26.4	27.3	26.9	28.3	28.2	29.0	28.3	21.9	24.9	25.3	25.1	26.2	26.1	26.6	26.2	
Imports.....	23.6	23.5	23.3	24.1	24.5	24.5	25.3	25.8	24.1	23.4	23.5	24.4	24.8	24.8	25.9	26.5	
Government purchases of goods and services.....	97.2	99.7	107.4	106.9	112.1	115.2	116.0	118.2	80.1	79.8	84.0	83.3	87.2	88.9	89.2	90.5	
Federal.....	53.6	53.2	57.0	56.5	59.5	61.9	62.1	62.7	43.9	42.3	44.5	44.1	46.7	48.3	48.6	49.0	
National defense.....	46.2	45.7	49.0	48.4	50.8	53.0	53.2	54.0	-----	-----	-----	-----	-----	-----	-----	-----	
Other.....	7.0	8.1	8.7	8.7	9.2	9.6	9.5	9.6	-----	-----	-----	-----	-----	-----	-----	-----	
Less: Government sales.....	.5	.6	.6	.6	.6	.6	.6	.8	-----	-----	-----	-----	-----	-----	-----	-----	
State and local.....	43.6	46.5	50.4	50.4	52.6	53.3	54.0	55.5	36.2	37.4	39.4	39.2	40.5	40.6	40.6	41.5	

Increase in real GNP and Components in Three Periods of Economic Expansion Indexes

	Quarters after Turn			
	0	4	6	8
Gross National Product				
1954-56.....	100	108	112	111
1958-60.....	100	108	109	112
1961-63.....	100	108	109	111
Personal Consumption Expenditures				
1954-56.....	100	107	111	112
1958-60.....	100	106	108	110
1961-63.....	100	105	107	109
Gross Private Domestic Investment				
1954-56.....	100	132	139	131
1958-60.....	100	127	124	143
1961-63.....	100	127	125	123
Government Outlays				
1954-56.....	100	97	97	95
1958-60.....	100	105	105	102
1961-63.....	100	108	110	116

1. Inventory accumulation abnormally high following resumption of production after the 1959 steel strike.

Consumer Expenditures Continue Rise

Outlays for consumer goods and services accounted for over half the GNP rise in the first quarter. At \$4½ billion, the latest increases were, however, off somewhat from the \$5½ billion increase recorded in the preceding quarter.

Auto expenditures stable

The first quarter gain in consumer outlays was made without any assistance from the auto sector, normally its most volatile element. After a fourth quarter rise of more than \$2 billion accompanying the introduction of the 1963 models, auto expenditures did well to hold at the high level of \$21½ billion in the first quarter of this year, especially since the weather was not particularly favorable to auto sales. The demand for both new and used cars showed no signs of slackening during the quarter and unit sales in April were at near-record levels.

Other expenditures up

Consumer outlays for furniture and household equipment showed a moderate increase during the quarter. In the nondurables field, higher expenditures for food, partly reflecting higher prices, accounted for the bulk of the increase.

Investment Little Changed

Gross private domestic investment in the first quarter was little changed from that of the closing quarter of 1962.

A moderate increase in the rate of inventory accumulation was approximately offset by a drop in residential construction activity, while business plant and equipment outlays were little changed over the period.

Inventory accumulation up

At a seasonally adjusted rate of \$3 billion, the first quarter buildup in stocks represented an advance over the \$1 billion rate recorded in each of the last two quarters of 1962, and accounted for one fourth of the GNP advance. It was, however, well below the \$6½ billion figure for the first quarter of 1962. Though there was considerable speculation as to the likelihood of a steel shutdown later in the year, the rise in stocks of steel consumers during the first quarter was modest—since it did not really start until March—and much smaller than the increase that took place a year ago. Still, much of the net increase in the rate of accumulation during the first quarter occurred among manufacturers and distributors of hard goods and reflected some precautionary buying.

Table 1.—Gross National Product in Current and Constant Dollars (I-3, I-5)

	1960	1961	1962	1962				1963	1960	1961	1962	1962				1963
				I	II	III	IV	I				I	II	III	IV	I
Seasonally adjusted at annual rates								Seasonally adjusted at annual rates								
Billions of current dollars									Billions of 1954 dollars							
Gross national product.....	503.4	518.7	553.9	545.0	552.0	555.3	563.5	571.8	440.2	447.9	471.9	467.4	470.8	471.6	477.7	482.7
Personal consumption expenditures.....	328.5	338.1	356.7	350.2	354.9	358.2	363.5	367.8	298.3	304.3	318.2	313.9	316.9	319.0	322.8	325.3
Durable goods.....	44.8	43.7	47.5	46.3	47.2	47.1	49.6	50.0	42.2	41.6	45.2	44.1	44.6	44.6	47.6	47.9
Nondurable goods.....	151.8	155.2	162.0	159.9	161.3	163.0	163.9	165.5	141.4	143.3	148.5	147.0	148.1	149.5	149.3	150.4
Services.....	131.9	139.1	147.1	144.1	146.3	148.1	150.1	152.3	114.7	119.4	124.5	122.8	124.1	125.0	126.0	127.0
Gross private domestic investment.....	72.4	69.3	76.6	75.9	77.4	76.3	76.2	76.8	60.7	57.8	63.3	63.3	64.1	62.4	62.8	63.4
New construction.....	40.7	41.6	44.5	41.6	44.5	46.1	45.0	43.6	34.3	34.8	36.5	34.6	36.7	37.7	36.8	35.5
Residential nonfarm.....	21.1	21.0	23.3	21.2	23.3	24.3	23.8	22.6	18.2	18.2	19.8	18.2	19.9	20.5	20.1	19.1
Other.....	19.7	20.5	21.2	20.5	21.2	21.8	21.3	21.0	16.1	16.6	16.8	16.4	16.8	17.2	16.7	16.4
Producers' durable equipment.....	27.6	25.5	28.9	27.6	28.9	29.2	29.9	30.1	22.7	21.1	23.8	22.8	23.8	24.0	24.8	25.0
Change in business inventories.....	4.1	2.1	3.2	6.7	4.0	1.0	1.2	3.0	3.7	2.0	2.9	5.9	3.7	.8	1.3	3.0
Nonfarm.....	3.7	1.9	3.2	6.6	3.9	1.0	1.1	2.7	3.4	1.8	2.8	5.8	3.6	.8	1.2	2.7
Farm.....	.3	.2	.1	.1	.1	.0	.1	.3	.3	.1	.1	.1	.1	.0	.1	.3
Net exports of goods and services.....	2.9	4.0	3.3	3.7	3.7	2.5	3.2	3.2	1.5	1.8	.5	1.3	.7	-.3	.5	.5
Exports.....	26.4	27.3	28.4	28.2	29.0	28.3	28.2	27.9	24.9	25.3	26.3	26.1	26.6	26.2	26.3	26.0
Imports.....	23.5	23.3	25.2	24.5	25.3	25.8	25.0	24.7	23.4	23.5	25.7	24.8	25.9	26.5	25.8	25.5
Government purchases of goods and services.....	99.7	107.4	117.3	115.2	116.0	118.2	120.7	124.0	79.8	84.0	89.9	88.9	89.2	90.5	91.6	93.4
Federal.....	53.2	57.0	62.4	61.9	62.1	62.7	63.4	65.9	42.3	44.5	48.7	48.3	48.6	49.0	49.3	50.7
National defense.....	45.7	49.0	53.4	53.0	53.2	54.0	54.2	56.6								
Other.....	8.1	8.7	9.7	9.6	9.5	9.6	10.1	10.2								
Less: Government sales.....	.6	.6	.8	.6	.6	.8	.9	.9								
State and local.....	46.5	50.4	55.0	53.3	54.0	55.5	57.3	58.1	37.4	39.4	41.2	40.6	40.6	41.5	42.3	42.7

ment tax credit enacted last year have increased corporate cash flow and tended to stimulate new plant and equipment spending. There was an abundance of credit available throughout the second quarter—especially in the home mortgage market—and long-term interest rates continued to show little change.

Supplementing these gains in fixed investment, net exports rose by more than \$1 billion in the spring, the first rise in a year. The gain reflected a spurt in exports which was influenced by the termination of the dock strike toward the end of the first quarter.

All told, demand in these two areas was up \$5 billion, in sharp contrast with a net decline of nearly \$2 billion in the previous quarter.

Consumer buying up slightly

On the other hand, consumer buying of both durable and nondurable goods advanced very little from the first quarter to the second; the increase in service outlays continued.

Personal consumption expenditures for durable goods, at \$51 billion, have

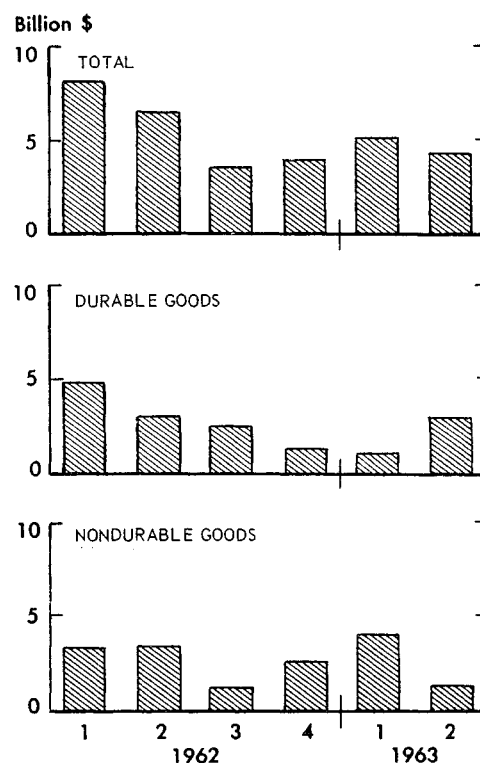
been about unchanged for the last three quarters. Automobile sales in the spring continued at the very high pace first reached last autumn, when the 1963 models were introduced. On a seasonally adjusted basis, quarterly unit sales of new cars (including imports) have been at about 7.5 million annual rate in each of the last three quarters.

The \$2 billion rise in auto expenditures from a year ago to a second quarter 1963 total of \$22½ billion, reflected a one-tenth gain in new unit sales, some upgrading in the mix of purchases toward larger models with more "extras," and strength in the used car market.

Although consumer purchases of durables other than autos, at nearly \$29 billion, have changed little since last autumn, they are up nearly \$1½ billion from a year ago.

Consumer purchases of nondurable goods at \$166 billion were little changed from the first quarter reflecting a drop in apparel buying and a gain in food. The second quarter gain in food spend-

CHANGE IN BUSINESS INVENTORIES



U.S. Department of Commerce, Office of Business Economics

63-B-2

Table 1.—Gross National Product in Current and Constant Dollars (1-3, 1-5)

	1960	1961	1962	1962			1963		1960	1961	1962	1962			1963	
				II	III	IV	I	II				II	III	IV	I	II
				Seasonally adjusted at annual rates								Seasonally adjusted at annual rates				
				Billions of current dollars								Billions of 1954 dollars				
Gross national product	502.6	518.2	554.9	552.4	556.8	565.2	571.8	579.6	439.9	447.7	474.8	474.0	475.6	481.4	485.3	489.4
Personal consumption expenditures	328.2	336.8	355.4	352.9	356.7	362.9	367.4	370.4	298.1	303.6	317.6	315.9	318.6	322.9	325.5	327.0
Durable goods	44.9	43.6	48.2	47.5	47.7	50.5	50.6	51.0	42.2	41.5	45.6	44.7	45.0	47.8	48.1	48.0
Nondurable goods	151.8	155.1	161.4	160.6	162.5	163.6	165.3	165.9	141.4	143.3	147.8	147.4	148.8	148.9	150.1	150.5
Services	131.5	138.0	145.7	144.8	146.6	148.9	151.4	153.5	114.5	118.9	124.3	123.8	124.8	126.2	127.3	128.5
Gross private domestic investment	71.8	69.0	78.8	79.6	78.9	78.8	77.8	80.7	60.2	57.5	65.2	66.0	64.8	65.2	64.6	66.4
New construction	40.7	41.6	44.4	44.5	46.0	45.0	43.7	45.8	34.4	34.7	36.7	36.8	37.8	36.9	35.7	37.3
Residential nonfarm	21.1	21.0	23.2	23.3	24.2	23.7	22.7	24.8	18.2	18.2	19.8	19.9	20.6	20.2	19.2	20.9
Other	19.7	20.5	21.2	21.2	21.7	21.2	21.0	21.0	16.2	16.6	16.8	16.9	17.2	16.8	16.5	16.4
Producers' durable equipment	27.6	25.5	28.8	28.7	29.3	29.9	29.0	30.7	22.7	21.0	23.8	23.6	24.2	24.8	24.0	25.3
Change in business inventories	3.5	1.9	5.5	6.5	3.6	4.0	5.1	4.3	3.1	1.7	4.8	5.7	2.9	3.4	4.9	3.8
Nonfarm	3.2	1.5	4.9	5.8	2.8	3.2	4.3	3.6	2.9	1.6	4.3	5.2	2.4	2.9	4.1	3.1
Farm . . . . .	.3	.3	.7	.7	.8	.8	.8	.6	.3	.2	.5	.5	.6	.6	.8	.6
Net exports of goods and services	3.0	4.4	3.8	4.4	4.1	3.3	3.6	4.8	1.7	2.3	1.8	2.6	2.3	1.4	1.8	2.8
Exports	26.3	27.5	28.9	29.5	29.4	28.8	28.6	30.7	24.9	25.5	27.0	27.6	27.6	26.9	26.7	28.7
Imports	23.3	23.1	25.1	25.0	25.3	25.5	24.9	25.9	23.2	23.3	25.2	25.1	25.3	25.5	24.9	25.9
Government purchases of goods and services	99.6	107.9	117.0	115.5	117.0	120.2	123.0	123.8	79.9	84.3	90.2	89.5	89.9	91.9	93.4	93.2
Federal	53.1	57.4	62.4	61.9	62.4	63.6	65.5	66.5	42.3	44.8	49.0	48.8	48.8	49.6	50.6	51.0
National defense	45.7	49.0	53.3	52.9	53.5	54.3	56.4	56.7	-----	-----	-----	-----	-----	-----	-----	-----
Other	8.0	8.9	10.0	9.8	9.8	9.7	10.4	10.1	10.6	-----	-----	-----	-----	-----	-----	-----
Less: Government sales . . . . .	.6	.6	.8	.8	.8	.8	1.1	1.0	.8	-----	-----	-----	-----	-----	-----	-----
State and local	46.5	50.6	54.6	53.6	54.6	56.6	57.5	57.3	37.6	39.5	41.2	40.7	41.1	42.3	42.9	42.1

ing was another in a series of advances that have been registered in each quarter since early 1962. During this period, food purchases have gone up by nearly 6 percent, to reach a seasonally adjusted annual rate of \$86½ billion. With food prices rising about 2 percent since the start of 1962, there was a gain in real consumption of about 4 percent.

Government up slightly

Federal and State and local government outlays—possibly because of temporary factors—were also up only a little. Government buying at all levels had risen substantially during the autumn-winter slowdown in fixed investment, and had sustained the moderate economic advance during that period. The second quarter leveling off in State and local purchases resulted from a drop in construction outlays—after two quarters of vigorous advance—which approximately offset the continued uptrend in payrolls. Highway building, in particular, fell back sharply.

A \$1 billion increase in Federal outlays to \$66½ billion was only half as

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Table 1.—Gross National Product in Current and Constant Dollars (1-3, 1-5)

	1960	1961	1962	1962		1963			1960	1961	1962	1962		1963					
				III	IV	I	II	III				III	IV	I	II	III			
				Seasonally adjusted at annual rates								Seasonally adjusted at annual rates							
				Billions of current dollars								Billions of 1954 dollars							
Gross national product.....	502.6	518.2	554.9	556.8	565.2	571.8	579.6	588.7	439.9	447.7	474.8	475.6	481.4	485.3	489.4	495.1			
Personal consumption expenditures.....	328.2	336.8	355.4	356.7	362.9	367.4	370.4	374.9	298.1	303.6	317.6	318.6	322.9	325.5	327.0	330.1			
Durable goods.....	44.9	43.6	48.2	47.7	50.5	50.6	51.0	50.8	42.2	41.5	45.6	45.0	47.8	48.1	48.0	48.0			
Nondurable goods.....	151.8	155.1	161.4	162.5	163.6	165.3	165.9	168.6	141.4	143.3	147.8	148.8	148.9	150.1	150.5	152.6			
Services.....	131.5	138.0	145.7	146.6	148.9	151.4	153.5	155.5	114.5	118.9	124.3	124.8	126.2	127.3	128.5	129.6			
Gross private domestic investment.....	71.8	69.0	78.8	78.9	78.8	77.8	80.7	83.7	60.2	57.5	65.2	64.8	65.2	64.6	66.4	68.6			
New construction.....	40.7	41.6	44.4	46.0	45.0	43.7	45.8	47.9	34.4	34.7	36.7	37.8	36.9	35.7	37.3	38.6			
Residential nonfarm.....	21.1	21.0	23.2	24.2	23.7	22.7	24.8	25.9	18.2	18.2	19.8	20.6	20.2	19.2	20.9	21.6			
Other.....	19.7	20.5	21.2	21.7	21.2	21.0	21.0	22.0	16.2	16.6	16.8	17.2	16.8	16.5	16.4	17.0			
Producers' durable equipment.....	27.6	25.5	28.8	29.3	29.9	29.0	30.7	31.6	22.7	21.0	23.8	24.2	24.8	24.0	25.3	26.1			
Change in business inventories.....	3.5	1.9	5.5	3.6	4.0	5.1	4.3	4.2	3.1	1.7	4.8	2.9	3.4	4.9	3.8	4.0			
Nonfarm.....	3.2	1.5	4.9	2.8	3.2	4.3	3.6	3.7	2.9	1.6	4.3	2.4	2.9	4.1	3.1	3.5			
Farm.....	.3	.3	.7	.8	.8	.8	.6	.5	.3	.2	.5	.6	.6	.8	.6	.5			
Net exports of goods and services.....	3.0	4.4	3.8	4.1	3.3	3.6	4.8	4.3	1.7	2.3	1.8	2.3	1.4	1.8	2.8	2.3			
Exports.....	26.3	27.5	28.9	29.4	28.8	28.6	30.7	31.4	24.9	25.5	27.0	27.6	26.9	26.7	28.7	29.4			
Imports.....	23.3	23.1	25.1	25.3	25.5	24.9	25.9	27.1	23.2	23.3	25.2	25.3	25.5	24.9	25.9	27.1			
Government purchases of goods and services.....	99.6	107.9	117.0	117.0	120.2	123.0	123.8	125.7	79.9	84.3	90.2	89.9	91.9	93.4	93.2	94.1			
Federal.....	53.1	57.4	62.4	62.4	63.6	65.5	66.5	66.4	42.3	44.8	49.0	48.8	49.6	50.6	51.0	50.7			
National defense.....	45.7	49.0	53.3	53.5	54.3	56.4	56.7	56.7	-----	-----	-----	-----	-----	-----	-----	-----			
Other.....	8.0	8.9	10.0	9.7	10.4	10.1	10.6	10.8	-----	-----	-----	-----	-----	-----	-----	-----			
Less: Government sales.....	.6	.6	.8	.8	1.1	1.0	.8	1.2	-----	-----	-----	-----	-----	-----	-----	-----			
State and local.....	46.5	50.6	54.6	54.6	56.6	57.5	57.3	59.4	37.6	39.5	41.2	41.1	42.3	42.9	42.1	43.4			

Source: U.S. Department of Commerce, Office of Business Economics.

Table 2.—National Income by Type of Income (1-3, 1-9)

[Billions of dollars]

	1960	1961	1962	1962		1963		
				III	IV	I	II	III
				Seasonally adjusted at annual rates				
National income.....	414.5	426.1	453.7	455.5	462.2	466.7	474.6	¹ 481.9
Compensation of employees.....	293.6	302.1	322.9	325.3	327.7	332.0	338.7	342.8
Wages and salaries.....	271.3	278.8	297.1	299.4	301.5	304.5	310.8	314.6
Private.....	222.9	227.0	241.6	243.7	244.7	246.7	252.2	255.1
Military.....	9.9	10.2	10.8	10.7	10.5	10.7	10.8	10.8
Government civilian.....	38.5	41.6	44.7	45.0	46.3	47.1	47.8	48.7
Supplements to wages and salaries.....	22.3	23.3	25.9	25.9	26.2	27.5	27.9	28.2
Employer contributions for social insurance.....	11.3	11.9	13.7	13.8	13.8	15.0	15.3	15.5
Other labor income.....	11.0	11.4	12.1	12.2	12.3	12.4	12.6	12.7
Employer contributions to private pension and welfare funds.....	8.6	8.9	9.5	-----	-----	-----	-----	-----
Other.....	2.4	2.4	2.6	-----	-----	-----	-----	-----
Proprietors' income.....	46.2	48.1	49.8	49.8	50.3	50.7	50.0	50.5
Business and professional.....	34.2	35.3	36.5	36.6	36.9	37.2	37.4	37.8
Income of unincorporated enterprises.....	34.2	35.3	36.5	-----	-----	-----	-----	-----
Inventory valuation adjustment.....	-.1	.0	.0	-----	-----	-----	-----	-----
Farm.....	12.0	12.8	13.3	13.2	13.4	13.5	12.6	12.7
Rental income of persons.....	12.1	12.1	12.0	12.0	12.0	12.0	12.0	12.1
Corporate profits and inventory valuation adjustment.....	44.5	43.8	47.0	46.1	49.3	48.8	50.1	¹ 52.0
Profits before tax.....	44.3	43.8	46.8	46.2	48.4	48.3	51.0	52.0
Profits tax liability.....	22.3	22.0	22.2	21.9	22.9	22.9	24.2	24.7
Profits after tax.....	22.0	21.8	24.6	24.3	25.5	25.4	26.8	27.4
Dividends.....	14.5	15.3	16.6	16.5	17.1	17.1	17.6	17.6
Undistributed profits.....	7.5	6.5	8.1	7.8	8.4	8.3	9.2	9.7
Inventory valuation adjustment.....	.2	.0	.2	-.1	.9	.4	-.9	.0
Net interest.....	18.0	20.0	22.0	22.3	23.0	23.3	23.7	24.3

1. Third quarter national income total and the corporate profits share are based on preliminary estimates and are subject to revision in next month's SURVEY.

The third quarter increase in State and local purchases and in consumer demand for nondurable goods, which had lagged in the preceding period, was unusually large—nearly \$5 billion for the two groups combined as compared with less than $\frac{1}{2}$ billion in the second quarter. The overall increase from first to the third quarters was about on trend.

By type of output, the summer rise in GNP was concentrated to an unusual extent in construction and nondurable goods, each of which rose \$3½ billion. Durable goods production was down only slightly, while total service output continued to rise about as usual—at a \$3 billion annual rate.

By the end of the summer, the factors that had held back durable goods output had largely spent themselves. After leveling in the summer, auto production was increasing rapidly. In addition, steel consumers had made considerable progress in reducing their large stocks; any slowdown from the third quarter pace of steel inventory

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Table 1.—Gross National Product in Current and Constant Dollars (1-3, 1-5)

	1961	1962	1963	1963					1964	1961	1962	1963	1963				1964	
				I	II	III	IV	I					I	II	III	IV		I
Seasonally adjusted at annual rates								Seasonally adjusted at annual rates										
Billions of current dollars									Billions of 1954 dollars									
Gross national product.....	518.2	554.9	585.1	571.8	579.6	588.7	690.1	608.0	447.7	474.8	492.9	485.3	489.4	495.1	501.7	506.4		
Personal consumption expenditures.....	336.8	355.4	373.1	367.4	370.4	374.9	379.9	387.9	303.6	317.6	328.9	325.5	327.0	330.1	332.8	339.0		
Durable goods.....	43.6	48.2	51.5	50.6	51.0	50.8	53.6	55.5	41.5	45.6	48.6	48.1	48.0	48.0	50.4	52.5		
Nondurable goods.....	155.1	161.4	167.1	165.3	165.9	168.6	168.7	172.4	143.3	147.8	151.3	150.1	150.5	152.6	151.9	154.8		
Services.....	138.0	145.7	154.5	151.4	153.5	155.5	157.7	160.0	118.9	124.3	129.0	127.3	128.5	129.6	130.6	131.7		
Gross private domestic investment.....	69.0	78.8	82.3	77.8	80.7	83.7	87.1	84.8	57.5	65.2	67.7	64.6	66.4	68.6	71.1	68.9		
New construction.....	41.6	44.4	46.6	43.7	45.8	47.9	49.2	49.7	34.7	36.7	37.8	35.7	37.3	38.6	39.5	39.8		
Residential nonfarm.....	21.0	23.2	25.0	22.7	24.8	25.9	26.8	27.1	18.2	19.8	21.0	19.2	20.9	21.6	22.2	22.3		
Other.....	20.5	21.2	21.6	21.0	21.0	22.0	22.4	22.6	16.6	16.8	16.8	16.5	16.4	17.0	17.3	17.4		
Producers' durable equipment.....	25.5	28.8	30.9	29.0	30.7	31.6	32.5	32.9	21.0	23.8	25.5	24.0	25.3	26.1	26.8	27.0		
Change in business inventories.....	1.9	5.5	4.7	5.1	4.3	4.2	5.4	2.1	1.7	4.8	4.4	4.9	3.8	4.0	5.0	2.1		
Nonfarm.....	1.5	4.9	4.2	4.3	3.6	3.7	5.1	1.9	1.6	4.3	3.9	4.1	3.1	3.5	4.7	1.8		
Farm.....	.3	.7	.5	.8	.6	.5	.3	.2	.2	.5	.6	.8	.6	.5	.3	.2		
Net exports of goods and services.....	4.4	3.8	4.5	3.6	4.8	4.3	5.4	6.6	2.3	1.8	2.6	1.8	2.8	2.3	3.3	4.5		
Exports.....	27.5	28.9	30.7	28.6	30.7	31.4	32.3	33.6	25.5	27.0	28.8	26.7	28.7	29.4	30.3	31.5		
Imports.....	23.1	25.1	26.2	24.9	25.9	27.1	26.9	27.0	23.3	25.2	26.2	24.9	25.9	27.1	26.9	27.0		
Government purchases of goods and services.....	107.9	117.0	125.1	123.0	123.8	125.7	127.7	128.8	84.3	90.2	93.7	93.4	93.2	94.1	94.2	94.1		
Federal.....	57.4	62.4	66.3	65.5	66.5	66.4	66.6	66.9	44.8	49.0	50.5	50.6	51.0	50.7	49.8	49.3		
National defense.....	49.0	53.3	56.7	56.4	56.7	56.7	57.2	57.1										
Other.....	8.9	10.0	10.5	10.1	10.6	10.8	10.4	10.9										
Less: Government sales.....	.6	.8	1.0	1.0	.8	1.2	1.0	1.1										
State and local.....	50.6	54.6	58.8	57.5	57.3	59.4	61.2	61.9	39.5	41.2	43.2	42.9	42.1	43.4	44.4	44.7		

Table 2.—National Income by Type of Income (1-3, 1-9)

(Billions of dollars)

	1961	1962	1963	1963				1964
				I	II	III	IV	I
				Seasonally adjusted at annual rates				
National income.....	426.1	453.7	478.1	466.7	474.6	482.0	489.1	496.9
Compensation of employees.....	302.1	322.9	340.4	332.0	338.7	342.8	347.9	352.5
Wages and salaries.....	278.8	297.1	312.3	304.5	310.8	314.6	319.4	323.6
Private.....	227.0	241.6	253.0	246.7	252.2	255.1	258.1	261.1
Military.....	10.2	10.8	11.0	10.7	10.8	10.8	11.8	11.8
Government civilian.....	41.6	44.7	48.3	47.1	47.8	48.7	49.5	50.7
Supplements to wages and salaries.....	23.3	25.7	28.0	27.5	27.9	28.2	28.5	28.8
Employer contribution for social insurance.....	11.9	13.7	15.4	15.0	15.3	15.5	15.7	16.0
Other labor income.....	11.4	12.1	12.6	12.4	12.6	12.7	12.8	12.9
Employer contributions to private pension and welfare funds.....	8.9	9.5						
Other.....	2.4	2.6						
Proprietors' income.....	48.1	49.8	50.5	50.7	50.0	50.5	50.8	50.8
Business and professional.....	35.3	36.5	37.7	37.2	37.4	37.8	38.2	38.6
Income of unincorporated enterprises.....	35.3	36.5						
Inventory valuation adjustment.....	.0	.0						
Farm.....	12.8	13.3	12.8	13.5	12.6	12.7	12.6	12.2
Personal income of persons.....	12.1	12.0	12.1	12.0	12.0	12.1	12.2	12.3
Corporate profits and inventory valuation adjustment.....	43.8	47.0	51.1	48.8	50.1	52.2	53.2	55.8
Profits before tax.....	43.8	46.8	51.5	48.3	51.0	52.2	54.3	56.0
Profits tax liability.....	22.0	22.2	24.4	22.9	24.2	24.7	25.8	24.9
Profits after tax.....	21.8	24.6	27.1	25.4	26.8	27.5	28.6	31.1
Dividends.....	15.3	16.6	17.8	17.1	17.6	17.6	18.8	19.1
Undistributed profits.....	6.5	8.1	9.3	8.3	9.2	9.8	9.7	12.0
Inventory valuation adjustment.....	.0	.2	-.4	.4	-.9	.0	-1.1	-.2
Net interest.....	20.0	22.0	24.1	23.3	23.7	24.3	25.0	25.6

1. First-quarter national income total and the corporate profits share are based on preliminary estimates and are subject to revision in next month's SURVEY.

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Federal Reserve Bank of St. Louis

August 1964

SURVEY OF CURRENT BUSINESS

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The Tax Cut

The direct income effects of the 1964 Federal tax reduction are shown in the accompanying two charts on personal and corporate income. In addition to raising disposable personal income and after-tax profits of the business sector, the tax law revisions also, of course, affected the Federal fiscal position.

Personal income and taxes

Since the tax cut became effective on March 5, its direct effects on disposable personal income can be traced most clearly by examining changes from the fourth quarter of 1963 to the second quarter of 1964. Over this period personal income rose by \$13½ billion, an advance not much different from the rise in the second half of 1963. Disposable income had advanced by an average of \$6 billion per quarter in the second half of last year, and—in the absence of the tax law changes—the increase in disposable income would have continued at roughly this rate in the opening two quarters of this year, given the actual increase in personal income.

In fact, spendable income was up much more sharply: by more than \$8 billion in the first quarter and by \$12 billion in the second quarter, or more than \$20 billion at an annual rate for the 6-month period. It is estimated that the tax reduction directly increased spendable income by roughly \$9 billion (annual rate) in the first half. The 2½ percent advance in disposable income, in the spring quarter, it may be noted, was the sharpest in the current expansion and the second largest quarterly advance since the end of the Korean War.

Due to a number of offsets the actual decline in total personal taxes (including State and local) over the half year was only \$6¼ billion rather than approximately \$9 billion. As economic activity and income continued to rise, State and local taxes increased by one-half of a billion dollars. The impact of rising incomes also tended to limit the decline in Federal personal taxes, which fell \$7¼ billion over the half year. The decrease in withheld income taxes was somewhat larger than this but other Federal taxes (especially payments under the quarterly declarations system) continued to rise.

Personal spending and saving

The tax cut has stimulated consumption expenditures this year although it is difficult to make a precise estimate of

the size of this increase. It is also evident that so far a good part of the tax cut has been saved.

As pointed out above, personal con-

Table 1.—Gross National Product in Current and Constant Dollars (I-3, I-5)

	1961	1962	1963	1963			1964		1961	1962	1963	1963			1964	
				II	III	IV	I	II				II	III	IV	I	II
				Seasonally adjusted at annual rates								Seasonally adjusted at annual rates				
				Billions of current dollars								Billions of 1954 dollars				
Gross national product.....	518.7	556.2	583.9	577.4	587.2	599.0	608.8	618.6	447.9	476.4	492.6	487.9	494.8	502.0	508.0	513.5
Personal consumption expenditures.....	337.3	356.8	375.0	372.0	377.4	381.3	390.0	396.1	303.8	318.5	330.6	328.6	332.4	334.4	340.9	345.0
Durable goods.....	43.7	48.4	52.1	51.5	52.2	53.6	55.9	57.0	41.4	45.7	49.3	48.6	49.4	50.8	53.1	54.0
Nondurable goods.....	155.4	162.0	167.5	166.6	168.6	168.9	172.9	175.3	143.5	148.3	151.6	151.1	152.5	152.1	155.2	157.4
Services.....	138.3	146.4	155.3	153.9	156.6	158.8	161.1	163.8	118.9	124.5	129.7	128.9	130.6	131.6	132.6	133.7
Gross private domestic investment.....	68.8	79.1	82.0	80.2	82.8	87.1	85.9	87.2	57.4	65.9	67.7	66.2	68.1	71.7	70.1	70.8
New construction.....	41.0	44.2	46.6	45.9	47.2	48.3	49.2	48.9	34.3	36.7	37.9	37.5	38.2	39.0	39.6	39.2
Residential nonfarm.....	21.1	23.6	25.2	25.1	25.4	26.2	26.9	26.2	18.2	20.1	21.2	21.2	21.2	21.8	22.3	21.6
Other.....	19.8	20.6	21.3	20.8	21.9	22.1	22.3	22.7	16.1	16.5	16.7	16.4	17.0	17.2	17.3	17.5
Producers' durable equipment.....	25.9	29.0	31.0	30.7	31.4	32.4	34.2	34.6	21.4	24.0	25.6	25.4	25.9	26.8	28.1	28.3
Change in business inventories.....	1.9	5.9	4.4	3.6	4.2	6.4	2.5	3.7	1.7	5.2	4.1	3.3	4.0	5.9	2.4	3.3
Nonfarm.....	1.5	5.3	3.9	3.2	3.7	6.0	2.2	3.4	1.5	4.8	3.6	2.7	3.4	5.5	2.1	3.0
Farm.....	.3	.6	.5	.5	.5	.4	.3	.3	.2	.4	.5	.5	.6	.4	.3	.3
Net exports of goods and services.....	4.6	4.0	4.4	4.3	4.2	5.8	7.7	5.7	2.5	2.2	2.2	2.1	2.0	3.5	5.4	3.4
Exports.....	27.6	29.2	30.7	30.5	31.0	32.6	34.5	33.7	25.8	27.5	29.1	28.9	29.4	30.9	32.7	31.9
Imports.....	23.0	25.2	26.3	26.3	26.8	26.9	26.8	27.9	23.3	25.3	26.8	26.8	27.4	27.4	27.3	28.5
Government purchases of goods and services.....	108.0	116.3	122.6	120.9	122.8	124.8	125.2	129.6	84.3	89.8	92.1	91.0	92.3	92.4	91.6	94.3
Federal.....	57.4	62.9	64.7	64.3	64.4	64.9	64.3	67.1	44.8	49.4	49.7	49.4	49.6	48.9	47.8	49.8
National defense.....	49.0	53.6	55.2	55.2	55.5	55.3	54.0	57.0	-----	-----	-----	-----	-----	-----	-----	-----
Other.....	8.9	10.2	10.3	9.9	9.5	10.5	11.5	11.0	-----	-----	-----	-----	-----	-----	-----	-----
Less: Government sales.....	.6	.9	.8	.9	.6	.9	1.2	.9	-----	-----	-----	-----	-----	-----	-----	-----
State and local.....	50.6	53.5	57.9	56.7	58.4	59.9	60.9	62.5	39.4	40.3	42.4	41.7	42.7	43.4	43.8	44.5

Table 2.—National Income by Type of Income (I-3, I-9)

(Billions of dollars)

	1961	1962	1963	1963			1964	
				II	III	IV	I	II
				Seasonally adjusted at annual rates				
National income	426.9	455.6	478.5	474.6	481.9	490.0	498.4	506.6
Compensation of employees	302.2	323.1	340.3	338.1	342.7	347.7	352.5	358.6
Wages and salaries.....	278.8	297.1	312.1	310.1	314.3	318.8	323.2	328.7
Private.....	227.0	241.6	252.9	251.6	255.0	257.6	260.8	265.3
Military.....	10.2	10.8	10.9	10.7	10.7	11.7	11.7	11.7
Government civilian.....	41.6	44.7	48.3	47.8	48.7	49.6	50.7	51.7
Supplements to wages and salaries.....	23.4	25.9	28.2	27.9	28.4	28.8	29.4	29.9
Employer contributions for social insurance.....	11.8	13.6	15.1	15.0	15.2	15.4	15.7	15.9
Other labor income.....	11.6	12.3	13.1	13.0	13.2	13.4	13.7	14.0
Employer contributions to private pension and welfare funds.....	9.2	9.7	10.4	-----	-----	-----	-----	-----
Other.....	2.4	2.6	2.7	-----	-----	-----	-----	-----
Proprietors' income	48.2	49.8	50.6	50.1	50.7	51.5	51.2	51.7
Business and professional.....	35.3	36.6	37.6	37.3	37.8	38.3	38.6	39.1
Income of unincorporated enterprises.....	35.3	36.6	37.6	-----	-----	-----	-----	-----
Inventory valuation adjustment.....	0	0	0	-----	-----	-----	-----	-----
Farm.....	12.9	13.2	13.0	12.8	12.9	13.2	12.6	12.6
Rental income of persons	12.2	12.2	12.3	12.3	12.4	12.4	12.4	12.4
Corporate profits and inventory valuation adjustment	44.1	48.4	50.8	50.2	51.4	53.1	56.4	57.4
Profits before tax.....	44.2	48.2	51.3	51.1	51.3	54.3	56.6	57.4
Profits tax liability.....	22.3	23.2	24.6	24.5	24.5	26.0	25.4	25.8
Profits after tax.....	21.9	25.0	26.7	26.6	26.7	28.3	31.2	31.7
Dividends.....	15.2	16.5	18.0	17.7	17.9	19.1	19.4	19.8
Undistributed profits.....	6.7	8.5	8.7	8.9	8.9	9.2	11.8	11.9
Inventory valuation adjustment.....	-.1	.3	-.4	-.9	.2	-1.2	-.2	-.1
Net interest	20.1	22.1	24.4	24.0	24.7	25.4	25.9	26.5

1. Second-quarter national income total and the corporate profits share are based on preliminary estimates and are subject to revision in next month's SURVEY.

SURVEY OF CURRENT BUSINESS

October 1964

Table 1.—Gross National Product in Current and Constant Dollars (1-3, 1-5)

	1961	1962	1963	1963		1964		
				III	IV	I	II	III
				Seasonally adjusted at annual rates				
				Billions of dollars				
Gross national product.....	518.7	556.2	583.9	587.2	599.0	608.8	618.6	627.5
Personal consumption expenditures.....	337.3	356.8	375.0	377.4	381.3	390.0	396.1	404.5
Durable goods.....	43.7	48.4	52.1	52.2	53.6	55.9	57.0	58.8
Nondurable goods.....	155.4	162.0	167.5	168.6	168.9	172.9	175.3	179.2
Services.....	138.3	146.4	155.3	156.6	158.8	161.1	163.8	166.5
Gross private domestic investment.....	68.8	79.1	82.0	82.8	87.1	85.9	87.2	86.5
New construction.....	41.0	44.2	46.6	47.2	48.3	49.2	48.9	49.1
Residential nonfarm.....	21.1	23.6	25.2	25.4	26.2	26.9	26.2	25.7
Other.....	19.8	20.6	21.3	21.9	22.1	22.3	22.7	23.4
Producers' durable equipment.....	25.9	29.0	31.0	31.4	32.4	34.2	34.6	35.7
Change in business inventories.....	1.9	5.9	4.4	4.2	6.4	2.5	3.7	1.7
Nonfarm.....	1.5	5.3	3.9	3.7	6.0	2.2	3.4	1.6
Farm.....	.3	.6	.5	.5	.4	.3	.3	.1
Net exports of goods and services.....	4.6	4.0	4.4	4.2	5.8	7.7	5.7	6.5
Exports.....	27.6	29.2	30.7	31.0	32.6	34.5	33.7	35.6
Imports.....	23.0	25.2	26.3	26.8	26.9	26.8	27.9	29.2
Government purchases of goods and services.....	108.0	116.3	122.6	122.8	124.8	125.2	129.6	130.0
Federal.....	57.4	62.9	64.7	64.4	64.9	64.3	67.1	66.0
National defense.....	49.0	53.6	55.2	55.5	55.3	54.0	57.0	55.7
Other.....	8.9	10.2	10.3	9.5	10.5	11.5	11.0	11.2
Less: Government sales.....	.6	.9	.8	.6	.9	1.2	.9	.9
State and local.....	50.6	53.5	57.9	58.4	59.9	60.9	62.5	64.0
Addenda:								
Gross National Product in Constant (1954) dollars.....	447.9	476.4	492.6	494.8	502.0	508.0	513.5	518.2
Implicit price deflator for seasonally adjusted GNP, 1954=100.....	115.8	116.7	118.5	118.7	119.3	119.8	120.5	121.1

• Preliminary.

Table 2.—Personal Income and Its Use (II-2)

[Billions of dollars]								
	1961	1962	1963	1963		1964		
				III	IV	I	II	III
				Seasonally adjusted at annual rates				
Personal income.....	417.6	442.4	464.1	466.3	474.5	480.9	487.9	494.5
Wage and salary disbursements.....	278.8	297.1	312.1	314.3	318.8	323.2	328.7	334.3
Commodity-producing industries.....	110.8	118.5	123.3	124.1	125.5	126.7	128.9	130.8
Manufacturing only.....	87.5	94.2	98.0	98.5	99.9	100.6	102.4	103.8
Distributive industries.....	72.9	76.6	80.3	81.0	81.9	82.7	84.1	85.7
Service industries.....	43.4	46.4	49.3	49.9	50.2	51.3	52.4	52.9
Government.....	51.8	55.6	59.2	59.4	61.3	62.4	63.4	64.9
Other labor income.....	11.6	12.3	13.1	13.2	13.4	13.7	14.0	14.2
Proprietors' income.....	48.2	49.8	50.6	50.7	51.5	51.2	51.7	52.1
Business and professional.....	35.3	36.6	37.6	37.8	38.3	38.6	39.1	39.6
Farm.....	12.9	13.2	13.0	12.9	13.2	12.6	12.6	12.6
Rental income of persons.....	12.2	12.2	12.3	12.4	12.4	12.4	12.4	12.4
Dividends.....	15.2	16.5	18.0	17.9	19.1	19.4	19.8	20.0
Personal interest income.....	27.5	30.0	32.9	33.4	34.2	35.0	35.7	36.3
Transfer payments.....	33.6	34.7	36.7	36.5	37.2	38.3	38.0	38.0
Old-age and survivors insurance benefits.....	12.6	14.3	15.2	15.4	15.4	15.6	16.1	16.1
State unemployment insurance benefits.....	4.0	2.9	2.8	2.6	3.0	2.8	2.5	2.4
Veterans' benefits.....	4.8	4.8	5.0	5.0	5.1	5.2	5.3	5.2
Other.....	12.2	12.7	13.7	13.4	13.6	14.8	14.2	14.2
Less: Personal contributions for social insurance.....	9.6	10.3	11.8	11.9	12.1	12.3	12.5	12.8
Less: Personal tax and nontax payments.....	52.9	57.9	61.6	61.9	63.3	61.4	56.6	57.8
Federal.....	45.1	49.1	51.9	52.2	53.4	51.2	46.1	47.2
State and local.....	7.8	8.8	9.6	9.7	9.9	10.2	10.5	10.6
Equals: Disposable personal income.....	364.7	384.6	402.5	404.4	411.2	419.5	431.3	436.7
Less: Personal consumption expenditures.....	337.3	356.8	375.0	377.4	381.3	390.0	396.1	404.5
Equals: Personal saving.....	27.3	27.8	27.5	27.0	29.9	29.5	35.2	32.2
Addendum: Disposable personal income in constant (1954) dollars.....	328.2	343.4	354.9	356.3	360.7	366.7	375.7	379.0

• Preliminary.

Table 3.—Relation of Gross National Product, National Income and Personal Income (1-17, 1-18)

[Billions of dollars]								
	1961	1962	1963	1963		1964		
				III	IV	I	II	III
				Seasonally adjusted at annual rates				
Gross national product	518.7	556.2	583.9	587.2	599.0	608.8	618.6	627.5
Less: Capital consumption allowances	44.5	48.7	50.8	51.2	51.7	52.5	53.1	53.6
Equals: Net national product	474.1	507.5	533.1	536.0	547.3	556.3	565.5	573.9
Less: Indirect business tax and nontax liability	49.0	52.8	55.9	56.1	57.3	57.9	59.0	60.2
Business transfer payments	2.4	2.4	2.4	2.4	2.4	2.5	2.5	2.5
Statistical discrepancy	-2.6	-1.8	-2.7	-3.5	-1.8	-1.6	-2.4	n.a.
Plus: Subsidies less current surplus of government enterprises	1.6	1.6	1.0	.9	.7	1.0	.7	.4
Equals: National income	426.9	455.6	478.5	481.9	490.0	498.4	507.1	n.a.
Less: Corporate profits and inventory valuation adjustment	44.1	48.4	50.8	51.4	53.1	56.4	57.9	n.a.
Contributions for social insurance	21.4	23.9	26.9	27.1	27.5	28.0	28.4	29.0
Excess of wage accruals over disbursements	0	0	0	0	0	0	0	.1
Plus: Government transfer payments to persons	31.3	32.3	34.3	34.0	34.7	35.9	35.5	35.5
Net interest paid by government	7.4	8.0	8.6	8.7	8.8	9.1	9.3	9.2
Dividends	15.2	16.5	18.0	17.9	19.1	19.4	19.8	20.0
Business transfer payments	2.4	2.4	2.4	2.4	2.4	2.5	2.5	2.5
Equals: Personal income	417.6	442.4	464.1	466.3	474.5	480.9	487.9	494.5

• Preliminary.

Table 4.—Personal Consumption Expenditures by Major Type (II-6)

[Billions of dollars]									
	1961	1962	1963	1963			1964		
				II	III	IV	I	II	III
				Seasonally adjusted at annual rates					
Goods and services, total.....	337.3	356.8	375.0	372.0	377.4	381.3	390.0	396.1	404.5
Durable goods, total.....	43.7	48.4	52.1	51.5	52.2	53.6	55.9	57.0	58.8
Automobiles and parts.....	17.1	20.6	22.7	22.6	22.6	23.2	24.3	24.1	25.7
Furniture and household equipment.....	19.3	20.2	21.4	21.0	21.6	22.3	23.1	24.2	24.1
Other.....	7.3	7.6	8.0	7.9	8.0	8.2	8.5	8.8	9.0
Nondurable goods, total.....	155.4	162.0	167.5	166.6	168.6	168.9	172.9	175.3	179.2
Food and beverages.....	81.3	84.6	87.1	86.9	87.3	87.8	89.7	90.6	92.6
Clothing and shoes.....	28.7	29.9	30.7	30.1	31.3	30.9	32.1	33.2	33.8
Gasoline and oil.....	11.9	12.3	12.8	12.8	12.9	13.0	13.3	13.5	13.6
Other.....	33.6	35.2	36.9	36.8	37.1	37.3	37.8	38.0	39.1
Services, total.....	138.3	146.4	155.3	153.9	156.6	158.8	161.1	163.8	166.5
Housing.....	44.2	46.5	48.9	48.6	49.2	49.8	50.5	51.1	51.8
Household operation.....	20.4	21.6	22.7	22.4	22.9	23.0	23.5	24.0	24.6
Transportation.....	10.7	11.3	11.7	11.7	11.7	11.8	12.0	12.2	12.3
Other.....	63.0	67.0	72.0	71.3	72.7	74.1	75.1	76.4	77.8

• Preliminary.

Government Programs

(continued from p. 4)

and evaluation, due to the phaseout of research and development on major missile and aircraft programs. Lesser reductions are scheduled for military assistance and military construction, and atomic energy outlays are expected to be down slightly from the preceding year.

Partially offsetting these declines are estimates of larger expenditures for operation and maintenance in the Defense Department and for military personnel, primarily because of the recently-approved increase in military pay. Spending for space research and technology is expected to reach almost \$5 billion in fiscal 1965, up about \$¾ billion from fiscal 1964, but a smaller increase than in recent years.

Nondefense purchases, although below the earlier forecast, are expected to be well above the fiscal 1964 level. This is due chiefly to the pay increase for civilian employees and to higher outlays for the public works acceleration program and construction projects of the Corps of Engineers. The in-

crease is not as large as projected because government agencies will absorb a greater portion of the costs of the pay raise than assumed in the January Budget. In addition, expenditures were lower than forecast in the Office of Economic Opportunity (the new agency established to administer the war on poverty), the Department of Commerce and the Department of Labor.

Other expenditures rise

Although fiscal year 1965 purchases of goods and services show almost no change from the preceding year, other Federal expenditures are slated to rise.

Transfer payments to individuals are expected to rise more than \$1 billion from fiscal 1964 to fiscal 1965. The rise, about the same as estimated in January, is in line with the experience of recent years and is due primarily to increased OASI and Civil Service retirement payments and a rise in military pensions.

Federal aid to State and local governments is up nearly \$1¼ billion over fiscal 1964 and is also substantially higher than the earlier forecast. Increased outlays for public assistance

grants, highway construction, and grants under the newly enacted poverty program account for the bulk of the increase.

Net interest charges are projected about \$½ billion higher than in the past fiscal year and somewhat above the January forecast. This is due partly to the increase in the national debt and partly to the higher average interest rates that the Treasury must pay in refunding operations.

The "subsidies less current surplus of government enterprises" category is slightly below fiscal 1964, but over \$1 billion above the earlier estimate for fiscal 1965. The current forecast for agricultural price support and farm subsidies is substantially above the January estimate, mainly because cotton legislation was enacted in a form more costly than anticipated and because the new law came too late in the spring for many producers to participate in the cost-reducing features of the program. In addition, expenditures in fiscal 1965 under the feed grain program are expected to be larger because of higher production and lower utilization of feed grains.

NATIONAL INCOME AND PRODUCT

Table 1.—Gross National Product in Current and Constant Dollars (I-3, I-5)

	1961	1962	1963	1963		1964			1961	1962	1963	1963		1964					
				III	IV	I	II	III				III	IV	I	II	III			
				Seasonally adjusted at annual rates								Seasonally adjusted at annual rates							
				Billions of current dollars								Billions of 1954 dollars							
Gross national product.....	518.7	556.2	583.9	587.2	599.0	608.8	618.6	628.4	447.9	476.4	492.6	494.8	502.0	508.0	513.5	519.6			
Personal consumption expenditures.....	337.3	356.8	375.0	377.4	381.3	390.0	396.1	404.6	303.8	318.5	330.6	332.4	334.4	340.9	345.0	351.8			
Durable goods.....	43.7	48.4	52.1	52.2	53.6	55.9	57.0	58.7	41.4	45.7	49.3	49.4	50.8	53.1	54.0	55.6			
Nondurable goods.....	155.4	162.0	167.5	168.6	168.9	172.9	175.3	179.5	143.5	148.3	151.6	152.5	152.1	155.2	157.4	160.9			
Services.....	138.3	146.4	155.3	156.6	158.8	161.1	163.8	166.4	118.9	124.5	129.7	130.6	131.6	132.6	133.7	135.3			
Gross private domestic investment.....	68.8	79.1	82.0	82.8	87.1	85.9	87.2	87.3	57.4	65.9	67.7	68.1	71.7	70.1	70.8	70.4			
New construction.....	41.0	44.2	46.6	47.2	48.3	49.2	48.9	48.9	34.3	36.7	37.9	38.2	39.0	39.6	39.2	38.6			
Residential nonfarm.....	21.1	23.6	25.2	25.4	26.2	26.9	26.2	25.7	18.2	20.1	21.2	21.2	21.8	22.3	21.6	20.9			
Other.....	19.8	20.6	21.3	21.9	22.1	22.3	22.7	23.1	16.1	16.5	16.7	17.0	17.2	17.3	17.5	17.7			
Producers' durable equipment.....	25.9	29.0	31.0	31.4	32.4	34.2	34.6	35.6	21.4	24.0	25.6	25.9	26.8	28.1	28.3	29.2			
Change in business inventories.....	1.9	5.9	4.4	4.2	6.4	2.5	3.7	2.8	1.7	5.2	4.1	4.0	5.9	2.4	3.3	2.5			
Nonfarm.....	1.5	5.3	3.9	3.7	6.0	2.2	3.4	2.7	1.5	4.8	3.6	3.4	5.5	2.1	3.0	2.4			
Farm.....	.3	.6	.5	.5	.4	.3	.3	.1	.2	.4	.5	.6	.4	.3	.3	.1			
Net exports of goods and services.....	4.6	4.0	4.4	4.2	5.8	7.7	5.7	7.0	2.5	2.2	2.2	2.0	3.5	5.4	3.4	4.5			
Exports.....	27.6	29.2	30.7	31.0	32.6	34.5	33.7	35.7	25.8	27.5	29.1	29.4	30.9	32.7	31.9	33.8			
Imports.....	23.0	25.2	26.3	26.8	26.9	26.8	27.9	28.7	23.3	25.3	26.8	27.4	27.4	27.3	28.5	29.2			
Government purchases of goods and services.....	108.0	116.3	122.6	122.8	124.8	125.2	129.6	129.5	84.3	89.8	92.1	92.3	92.4	91.6	94.3	92.8			
Federal.....	57.4	62.9	64.7	64.4	64.9	64.3	67.1	65.5	44.8	49.4	49.7	49.6	48.9	47.8	49.8	47.8			
National defense.....	49.0	53.6	55.2	55.5	55.3	54.0	57.0	55.2	.....	.....	.....	.....	.....	.....	.....	.....
Other.....	8.9	10.2	10.3	9.5	10.5	11.5	11.0	11.2	.....	.....	.....	.....	.....	.....	.....	.....
Less: Government sales.....	.6	.9	.8	.6	.9	1.2	.9	.9	.....	.....	.....	.....	.....	.....	.....	.....
State and local.....	50.6	53.5	57.9	58.4	59.9	60.9	62.5	64.1	39.4	40.3	42.4	42.7	43.4	43.8	44.5	45.0			
Addendum:																			
Implicit price deflator for seasonally adjusted GNP, 1954=100.....	115.8	116.7	118.5	118.7	119.3	119.8	120.5	121.0	.....	.....	.....	.....	.....	.....	.....	.....

Table 1.—Gross National Product in Current and Constant Dollars (I-3, I-5)

	[Billions of dollars]								
	1961	1962	1963	1964 ^p	1963	1964			
					IV	I	II	III	IV ^p
						Seasonally adjusted at annual rates			
Gross national product	518.7	556.2	583.9	622.3	599.0	608.8	618.6	628.4	633.5
Personal consumption expenditures	337.3	356.8	375.0	399.2	381.3	390.0	396.1	404.6	406.2
Durable goods.....	43.7	48.4	52.1	57.0	53.6	55.9	57.0	58.7	56.2
Nondurable goods.....	155.4	162.0	167.5	177.1	168.9	172.9	175.3	179.5	180.8
Services.....	138.3	146.4	155.3	165.1	158.8	161.1	163.8	166.4	169.2
Gross private domestic investment	68.8	79.1	82.0	87.7	87.1	85.9	87.2	87.3	90.5
New construction.....	41.0	44.2	46.6	48.9	48.3	49.2	48.9	48.9	48.6
Residential nonfarm.....	21.1	23.6	25.2	26.0	26.2	26.9	26.2	25.7	25.0
Other.....	19.8	20.6	21.3	22.9	22.1	22.3	22.7	23.1	23.6
Producers' durable equipment.....	25.9	29.0	31.0	35.1	32.4	34.2	34.6	35.6	35.9
Change in business inventories.....	1.9	5.9	4.4	3.7	6.4	2.5	3.7	2.8	6.0
Nonfarm.....	1.5	5.3	3.9	3.6	6.0	2.2	3.4	2.7	6.3
Farm.....	.3	.6	.5	.1	.4	.3	.3	.1	-.4
Net exports of goods and services	4.6	4.0	4.4	6.7	5.8	7.7	5.7	7.0	6.5
Exports.....	27.6	29.2	30.7	34.9	32.6	34.5	33.7	35.7	35.7
Imports.....	23.0	25.2	26.3	28.2	26.9	26.8	27.9	28.7	29.2
Government purchases of goods and services	108.0	116.3	122.6	128.7	124.8	125.2	129.6	129.5	130.3
Federal.....	57.4	62.9	64.7	65.6	64.9	64.3	67.1	65.5	65.7
National defense.....	49.0	53.6	55.2	55.3	55.3	54.0	57.0	55.2	55.1
Other.....	8.9	10.2	10.3	11.4	10.5	11.5	11.0	11.2	11.8
State and local.....	50.6	53.5	57.9	63.0	59.9	60.9	62.5	64.1	64.6
Less: Government sales.....	.6	.9	.8	1.1	.9	1.2	.9	.9	1.2
Addenda:									
Gross National Product in Constant (1954) dollars.....	447.9	476.4	492.6	515.7	502.0	508.0	513.5	519.6	521.5
Implicit price deflator for seasonally adjusted GNP, 1954=100.....	115.8	116.7	118.5	120.7	119.3	119.8	120.5	121.0	121.4

^p Preliminary.**Table 3.—Relation of Gross National Product, National Income and Personal Income (I-17, I-18)**

	[Billions of dollars]								
	1961	1962	1963	1964 ^p	1963	1964			
					IV	I	II	III	IV ^p
						Seasonally adjusted at annual rates			
Gross national product	518.7	556.2	583.9	622.3	599.0	608.8	618.6	628.4	633.5
Less: Capital consumption allowances.....	44.5	48.7	50.8	53.4	51.7	52.5	53.1	53.7	54.4
Equals: Net national product	474.1	507.5	533.1	568.8	547.3	556.3	565.5	574.8	578.9
Less: Indirect business tax and nontax liability.....	49.0	52.8	55.9	59.4	57.3	57.9	59.0	60.1	60.7
Business transfer payments.....	2.4	2.4	2.4	2.5	2.4	2.5	2.5	2.5	2.5
Statistical discrepancy.....	-2.6	-1.8	-2.7	-2.1	-1.8	-1.6	-2.4	-1.4	n.a.
Plus: Subsidies less current surplus of government enterprises.....	1.6	1.6	1.0	.8	.7	1.0	.7	.9	.9
Equals: National income	426.9	455.6	478.5	509.8	490.0	498.4	507.1	514.5	n.a.
Less: Corporate profits and inventory valuation adjustment.....	44.1	48.4	50.8	57.0	53.1	56.4	57.9	58.	n.a.
Contributions for social insurance.....	21.4	23.9	26.9	28.7	27.5	28.0	28.4	29.	29.3
Excess of wage accruals over disbursements.....	0	0	0	0	0	0	0		-.1
Plus: Government transfer payments to persons.....	31.3	32.3	34.3	35.7	34.7	35.9	35.5	35.	35.9
Net interest paid by government.....	7.4	8.0	8.6	9.2	8.8	9.1	9.3	9.2	9.3
Dividends.....	15.2	16.5	18.0	19.8	19.1	19.4	19.8	20.0	20.2
Business transfer payments.....	2.4	2.4	2.4	2.5	2.4	2.5	2.5	2.5	2.5
Equals: Personal income	417.6	442.4	464.1	491.4	474.5	480.9	487.9	494.5	502.2

^p Preliminary.**Table 2.—Personal Income and Its Use (II-2)**

[Billions of dollars]									
	1961	1962	1963	1964 ^p	1963	1964			
					IV	I	II	III	IV ^p
					Seasonally adjusted at annual rates				
Personal income	417.6	442.4	464.1	491.4	474.5	480.9	487.9	494.5	502.2
Wage and salary disbursements	278.8	297.1	312.1	331.6	318.8	323.2	328.7	334.3	340.0
Commodity-producing industries.....	110.8	118.5	123.3	129.8	125.5	126.7	128.9	130.8	132.8
Manufacturing only.....	87.5	94.2	98.0	103.0	99.9	100.6	102.4	103.8	105.2
Distributive industries.....	72.9	76.6	80.3	84.9	81.9	82.7	84.1	85.7	87.2
Service industries.....	43.4	46.4	49.3	52.6	50.2	51.3	52.4	52.9	53.9
Government.....	51.8	55.6	59.2	64.2	61.3	62.4	63.4	64.9	66.1
Other labor income	11.6	12.3	13.1	14.1	13.4	13.7	14.0	14.2	14.5
Proprietors' income	48.2	49.8	50.6	52.0	51.5	51.2	51.7	52.1	52.8
Business and professional.....	35.3	36.6	37.6	39.3	38.3	38.6	39.1	39.6	39.9
Farm.....	12.9	13.2	13.0	12.7	13.2	12.6	12.6	12.6	12.9
Rental income of persons ...	12.2	12.2	12.3	12.4	12.4	12.4	12.4	12.4	12.5
Dividends	15.2	16.5	18.0	19.8	19.1	19.4	19.8	20.0	20.2
Personal interest income ...	27.5	30.0	32.9	36.0	34.2	35.0	35.7	36.3	36.9
Transfer payments	33.6	34.7	36.7	38.2	37.2	38.3	38.0	38.0	38.4
Old-age and survivors insurance benefits.....	12.6	14.3	15.2	16.0	15.4	15.6	16.1	16.1	16.1
State unemployment insurance benefits.....	4.0	2.9	2.8	2.6	3.0	2.8	2.5	2.4	2.6
Veterans' benefits.....	4.8	4.8	5.0	5.2	5.1	5.2	5.3	5.2	5.3
Other.....	12.2	12.7	13.7	14.4	13.6	14.8	14.2	14.2	14.3
Less: Personal contributions for social insurance ...	9.6	10.3	11.8	12.7	12.1	12.3	12.5	12.8	13.0
Less: Personal tax and nontax payments	52.9	57.9	61.6	59.5	63.3	61.4	57.7	58.8	60.2
Federal.....	45.1	49.1	51.9	49.0	53.4	51.2	47.3	48.2	49.3
State and local.....	7.8	8.8	9.6	10.6	9.9	10.2	10.5	10.6	10.9
Equals: Disposable personal income	364.7	384.6	402.5	431.8	411.2	419.5	430.2	435.6	442.0
Less: Personal consumption expenditures	337.3	356.8	375.0	399.2	381.3	390.0	396.1	404.6	406.2
Equals: Personal saving	27.3	27.8	27.5	32.6	29.9	29.5	34.0	31.0	35.9
Addendum: Disposable personal income in constant (1954) dollars	328.2	343.4	354.9	375.8	360.7	366.7	374.7	378.8	383.2

^p Preliminary.**Table 4.—Personal Consumption Expenditures by Major Type (II-6)**

[Billions of dollars]									
	1961	1962	1963	1964 ^p	1963	1964			
					IV	I	II	III	IV ^p
					Seasonally adjusted at annual rates				
Goods and services, total.....	337.3	356.8	375.0	399.2	381.3	390.0	396.1	404.6	406.2
Durable goods, total.....	43.7	48.4	52.1	57.0	53.6	55.9	57.0	58.7	56.2
Automobiles and parts.....	17.1	20.6	22.7	24.2	23.2	24.3	24.1	25.6	22.7
Furniture and household equipment.....	19.3	20.2	21.4	24.0	22.3	23.1	24.2	24.2	24.4
Other.....	7.3	7.6	8.0	8.8	8.2	8.5	8.8	8.8	9.0
Nondurable goods, total.....	155.4	162.0	167.5	177.1	168.9	172.9	175.3	179.5	180.8
Food and beverages.....	81.3	84.6	87.1	91.6	87.8	89.7	90.6	92.8	93.1
Clothing and shoes.....	28.7	29.9	30.7	33.2	30.9	32.1	33.2	33.8	33.6
Gasoline and oil.....	11.9	12.3	12.8	13.6	13.0	13.3	13.5	13.5	13.9
Other.....	33.6	35.2	36.9	38.8	37.3	37.8	38.0	39.3	40.1
Services, total.....	138.3	146.4	155.3	165.1	158.8	161.1	163.8	166.4	169.2
Housing.....	44.2	46.5	48.9	51.5	49.8	50.5	51.1	51.8	52.4
Household operation.....	20.4	21.6	22.7	24.4	23.0	23.5	24.0	24.8	25.3
Transportation.....	10.7	11.3	11.7	12.2	11.8	12.0	12.2	12.2	12.4
Other.....	63.0	67.0	72.0	77.1	74.1	75.1	76.4	77.7	79.1

^p Preliminary.