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GROSS NATIONAL PRODUCT
PRELIMINARY FOURTH QUARTER AND 1969 ANNUAL TOTALS

Gross national product -- the value of the Nation's output of goods and services -- increased \$10-1/4 billion in the October-December quarter to a seasonally adjusted annual rate of \$953 billion, according to preliminary figures released today by the Commerce Department's Office of Business Economics. Since the physical volume of production remained the same as in the third quarter, the rise in GNP was attributable to price increases estimated overall at about 4-1/2 percent at an annual rate. The year 1969 was characterized by gradual slowing in the economy's growth rate.

The Office of Business Economics emphasized that the fourth quarter figures are based on preliminary and incomplete source data. The estimate of inventory accumulation -- a volatile element of the GNP -- is derived from information for only the first two months of the quarter, and the source data on domestic and foreign trade are also incomplete at this time. Revised estimates of GNP and its components for the fourth quarter, based on more comprehensive source data, will be published next month.

The fourth quarter GNP increase was the smallest since the first half of 1967 and represented a slowdown from the \$18 billion third quarter increase. The principal difference between the two quarters was in the rate of inventory accumulation, which declined \$3 billion in the fourth quarter after increasing \$4 billion in the third.

Final sales (GNP excluding inventory accumulation) increased \$13-1/4 billion, compared with \$14 billion in the third quarter. Consumer spending accounted for most of the advance in final sales. Among the other components, business fixed investment and State and local government outlays also rose. Federal Government purchases declined; net exports and residential construction showed little change from the third quarter.

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Personal spending up more than income

Consumers raised their spending by \$9-1/2 billion in the fourth quarter -- more than the \$7 billion rise in the third but less than the \$11 billion gain in each of the first two quarters of 1969. The increase was in outlays for nondurable goods (up \$4-1/4 billion) and for services (up \$5-1/4 billion). Durable goods buying was down \$1/4 billion, the second consecutive quarterly decline.

The rise in spending outpaced the \$8 billion advance in disposable personal income, resulting in a \$1-1/2 billion drop in saving. The saving rate (saving as a percentage of disposable personal income) declined slightly to 6-1/2 percent. The rate had been 5-1/4 percent in both the first and second quarters and jumped to 6-3/4 percent in the third, when disposable income expanded by a record \$17 billion while spending increased moderately.

Expansion in business investment continues

A \$2 billion increase in business fixed investment about matched the third quarter rise, continuing the strong growth trend of the past two years. Further increases in capital spending in 1970 are suggested by the latest OBE-SEC surveys of businessmen's expectations. Purchases of machinery and equipment accounted for the fourth quarter advance; construction spending was little changed. Spending for residential construction was also unchanged, following two quarters of decline.

Federal purchases reduced

Federal Government purchases of goods and services declined \$1/2 billion in the fourth quarter. A \$1 billion decline in defense spending was partly offset by an increase of \$1/2 billion in nondefense purchases. Except for the summer quarter, when pay raises for Government workers boosted Federal spending, Federal outlays decreased throughout 1969.

State and local government purchases rose \$2-1/2 billion in the fourth quarter, compared with \$1-1/2 billion in the third. Higher payrolls accounted for a large part of the increase.

Inventory investment down

Inventory investment appears to have fallen \$3 billion to an annual rate of \$7-3/4 billion, according to preliminary source data for the fourth quarter. The slowdown was centered in retail trade, which had also accounted for most of the \$4 billion rise in the rate of inventory investment in the third quarter.

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GNP growth slows in 1969

Gross national product in 1969 was \$932-1/4 billion, an increase over 1968 of \$66-1/2 billion or 7-3/4 percent. A large part of the rise was attributable to a 4-3/4 percent advance in prices, the sharpest annual price hike since 1951. The growth in real output was less than 3 percent. In 1968, GNP had risen by \$72 billion or 9 percent, which represented a 5 percent increase in real output and a 4 percent rise in prices.

A gradual slowing in the expansion characterized the year, as a consequence of policies aimed at halting the accelerating price inflation of the past few years. Real output increased at an annual rate of 2-1/2 percent in the first quarter, 2 percent in the second and third, and was unchanged in the fourth. The growth from the fourth quarter of 1968 to the fourth quarter of last year was a modest 1-2/3 percent. Price increases were large in each of the four quarters; although the rate of price increase was somewhat less in the fourth quarter than in the third, this slowing occurred only because the third quarter increase was swollen by the Federal pay raise.

The smaller rise in GNP in 1969 compared with 1968 was attributable to smaller increases in purchases by the Federal Government and consumers and in residential construction spending. The rise in Federal purchases was only \$2-1/2 billion in 1969 compared with \$9 billion in 1968; and in consumption, \$40 billion compared with \$44 billion. Residential construction, which had increased \$5 billion in 1968 following declines in 1966 and 1967, rose only \$2 billion in 1969.

State and local government purchases advanced \$12 billion, about the same as in 1968. Net exports declined for the fourth consecutive year, but by only \$1/2 billion compared with \$2-1/2 billion in 1968, and showed signs of strengthening during the second half of the year. Inventory accumulation, unchanged in 1968, rose \$3/4 billion in 1969. Of the major components of GNP, only business fixed investment showed continuing strength throughout the year and added significantly more to the GNP in 1969 than in 1968 -- \$10-1/2 billion compared with \$5 billion.

GNP estimates for 1969 are shown in the accompanying table, together with data for recent periods. Additional national income and product detail for the fourth quarter and for the year will appear in the forthcoming January issue of the Survey of Current Business, the monthly magazine of the Office of Business Economics. The Survey is available from Field Offices of the Department, or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at a subscription price of \$9, including weekly supplements; single copy \$1.

GROSS NATIONAL PRODUCT AND DISPOSITION OF PERSONAL INCOME

GROSS NATIONAL PRODUCT	1967	1968	1969 ^P	1968	1969					1967	1968	1969 ^P	1968	1969												
				IV	I	II	III	IV ^P	IV				I	II	III	IV ^P										
				Seasonally adjusted at annual rates										Seasonally adjusted at annual rates												
				Billions of current dollars									Billions of 1958 dollars													
Gross national product	793.5	865.7	932.3	892.5	908.7	924.8	942.8	953.1	674.6	707.6	727.7	718.5	723.1	726.7	730.6	730.5										
Personal consumption expenditures	492.3	536.6	576.0	550.7	562.0	572.8	579.8	589.2	430.3	452.6	466.0	457.6	462.9	466.2	466.5	468.5										
Durable goods	73.0	83.3	89.6	86.3	88.4	90.6	89.8	89.6	72.8	80.7	84.8	82.7	84.3	85.9	84.7	84.1										
Nondurable goods	215.1	230.6	243.8	234.3	238.6	242.1	245.1	249.4	190.3	196.9	199.5	197.2	199.3	199.3	199.3	200.2										
Services	204.2	222.8	242.5	230.1	235.0	240.1	244.9	250.2	167.2	175.0	181.7	177.7	179.3	181.0	182.5	184.1										
Gross private domestic investment	116.0	126.3	139.6	133.9	135.2	137.4	143.3	142.4	100.8	105.7	111.9	110.9	109.9	110.8	114.3	112.6										
Fixed investment	108.6	119.0	131.5	123.4	128.6	130.5	132.5	134.5	93.9	99.1	104.9	101.4	104.0	104.8	105.0	106.0										
Nonresidential	83.7	88.8	99.3	91.5	95.3	97.8	101.1	103.0	73.6	75.8	81.5	77.3	79.4	81.0	82.4	83.2										
Structures	27.9	29.3	33.4	30.1	32.3	32.1	34.7	34.4	22.6	22.7	24.0	22.9	23.9	23.3	24.6	24.2										
Producers' durable equipment	55.7	59.5	65.9	61.4	63.0	65.7	66.4	68.6	51.0	53.2	57.5	54.4	55.5	57.7	57.8	59.0										
Residential structures	25.0	30.2	32.2	31.9	33.3	32.7	31.4	31.6	20.3	23.3	23.5	24.1	24.6	23.8	22.6	22.8										
Nonfarm	24.4	29.6	31.7	31.4	32.8	32.2	30.9	31.0	19.8	22.8	23.1	23.7	24.2	23.4	22.2	22.4										
Farm6	.5	.5	.5	.5	.5	.5	.5	.5	.4	.4	.4	.4	.4	.4	.4										
Change in business inventories	7.4	7.3	8.0	10.5	6.6	6.9	10.7	7.8	6.9	6.6	6.9	9.6	5.9	6.0	9.3	6.7										
Nonfarm	6.8	7.4	7.8	10.7	6.6	6.7	10.3	7.6	6.3	6.7	6.8	9.8	5.9	5.8	8.9	6.5										
Farm6	-.1	.2	-.2	.0	.2	.4	.2	.6	-.1	.2	-.2	.0	.2	.4	.2										
Net exports of goods and services	5.2	2.5	2.1	1.2	1.5	1.6	2.7	2.6	3.6	.9	.0	-.2	-.3	-.5	.4	.3										
Exports	46.2	50.6	55.4	50.6	47.6	57.1	57.8	59.1	42.1	45.6	48.4	45.5	41.9	50.4	50.2	51.3										
Imports	41.0	48.1	53.3	49.4	46.1	55.5	55.2	56.4	38.5	44.7	48.4	45.7	42.2	50.8	49.8	50.9										
Government purchases of goods and services	180.1	200.3	214.7	206.7	210.0	212.9	217.0	218.9	140.0	148.4	149.8	150.2	150.6	150.2	149.4	149.0										
Federal	90.7	99.5	102.0	101.9	101.6	100.6	103.2	102.7	74.8	78.9	76.1	79.4	78.3	76.3	75.5	74.4										
National defense	72.4	78.0	79.3	79.3	79.0	78.5	80.3	79.2	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX										
Other	18.4	21.5	22.8	22.5	22.6	22.1	22.9	23.5	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX										
State and local	89.3	100.7	112.7	104.8	108.5	112.3	113.8	116.2	65.2	69.5	73.7	70.8	72.3	73.9	73.9	74.7										
Addendum:																										
Implicit price deflator for GNP, index numbers, 1958 = 100	117.6	122.3	128.1	124.2	125.7	127.3	129.0	130.5	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX										
DISPOSITION OF PERSONAL INCOME																										
Personal income	629.4	687.9	747.1	711.2	724.4	740.5	756.5	766.9	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX										
Less: Personal tax and nontax payments	82.9	97.9	117.5	107.0	114.2	118.5	117.5	119.8	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX										
Equals: Disposable personal income	546.5	590.0	629.6	604.3	610.2	622.0	639.0	647.1	477.7	497.6	509.4	502.1	502.6	506.2	514.1	514.5										
Less: Personal outlays	506.2	551.6	592.0	566.2	577.7	588.8	596.0	605.5	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX										
Equals: Personal saving	40.4	38.4	37.6	38.0	32.5	33.3	43.1	41.6	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX										
Personal saving as a percentage of disposable personal income	7.4%	6.5%	6.0%	6.3%	5.3%	5.3%	6.7%	6.4%	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX										

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

Ppreliminary.

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