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(ADVANCE) Gross national product--the market value of the Nation's output of goods and services--amounted to $257 billion in 1949, as compared with $262 billion in 1948, the Office of Business Economics, U. S. Department of Commerce, announced today. The national income, which measures output in terms of earnings accruing from current production, showed a similar movement, from $226 billion in 1948 to $221 1/2 billion in 1949.

Production thus continued at a very high rate during the past year. In neither of the major aggregates was the decline in dollar value more than two percent. When allowance is made for lower prices in 1949, the change in the physical volume of production was slight.

Major changes from the earlier postwar period occurred in the disposition of output, however, and in the trend of economic activity - which in the first half moved downward for the first time since the reconversion shift from war to peace output 3 years earlier.

A broad range of economic developments in 1949 is analyzed in the report entitled "The Economy in Adjustment" just released as the February 1950 Annual Review Number of the Survey of Current Business, official journal of the Office of Business Economics.

Personal income, which measures all incomes received by persons, including transfers, declined only one percent in 1949 - from $212 billion to $210 billion.

There were marked differences in the 1949 movement between the inventory and non-inventory elements of national output. In 1948, $6 1/2 billion, or 2 1/2 percent of gross national production, was devoted to net additions to business inventories, whereas in 1949 there was a net reduction of $2 1/2 billion. That the total reduction in the value of national production from 1948 to 1949 was slight is attributable to the fact that the flow of goods and services to final purchasers--that is, domestic consumers, fixed capital investors, government, and foreign nations--increased from $256 billion to $260 billion.

The shift in the inventory position--the bulk of which occurred in the first half of the year--was reflected in the business recession that developed during this period. The mildness of the recession--national income and national product declined less than 5 percent from their late-1948 peaks--was traceable to the strength of final demand. In the latter part of 1949, when inventory shifts were less pronounced, over-all economic activity stabilized.

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Gross National Product

Personal consumption expenditures in 1949 were $179 billion, about the same as in 1948 in dollar terms and somewhat larger in physical volume. After a decline of modest proportions in the first quarter from the record level of the previous year-end, the total remained almost constant in each succeeding quarter.

There was a marked shift in the composition of consumer purchases from 1948 to 1949. Outlays on durable goods in 1949, at $24 billion, were higher than in the previous year because of larger sales of automobiles. Expenditures for nondurables were $99 billion in 1949, more than $3 billion below the 1948 total. Food and clothing were the major factors in the decrease. The reduction in food expenditures largely reflected price movements, and aggregate volume was approximately maintained. Consumer expenditures for services rose from $53 billion in 1948 to $56 billion in 1949, continuing the steady advance of earlier postwar years.

Fixed investment in construction and equipment amounted to $37 billion in 1949, a reduction of $1 1/2 billion from the previous year. Residential building declined in the first half of the year but picked up thereafter and for the full year was virtually unchanged from the 1948 total. Moderate downward tendencies in most types of business plant and equipment expenditures were evident throughout 1949, reflecting the gradual completion of war-deferred expansion programs and probably also the effects of lower sales and profits expectations.

Inventory liquidation of $2 1/2 billion in 1949 was in marked contrast to the accumulation of $6 1/2 billion in 1948. By the end of 1948, inventories had been rebuilt after the war depletion, and business demand for this purpose dropped.

Liquidation of nonfarm inventories for 1949 as a whole occurred mainly in manufacturers' stocks. At the end of the year, trade inventories combined were only slightly lower in physical volume (although much lower in book value) than at the close of 1948.

Government purchases of goods and services advanced from $37 billion in 1948 to $43 billion in 1949. The rise in Federal purchases, from $21 billion to $25 billion, stemmed largely from increased outlays for military procurement, foreign aid, and agricultural price-support activities.

State and local government purchases of goods and services rose to $18 billion in 1949, $2 billion higher than in 1948. The rise resulted mainly from increases in public pay rolls and in construction.

Net foreign investment declined from $2 billion in 1948 to approximately zero in 1949. This reflected mainly the further impairment in the ability of foreign nations to purchase United States goods and services.

National Income

The principal change in the distributive shares of national income from 1948 to 1949 was a substantial reduction in the income of farm proprietors. There were comparatively minor changes in the proportions of national income formed by the other broad types of earnings--compensation of employees, nonfarm business and professional income, corporate profits (including the inventory valuation adjustment), interest, and rental income of persons.

Despite the relative stability of the national income from 1948 to 1949, there were significant shifts in its industrial distribution.

The largest decrease, both relative and absolute, was in agriculture, where total income originating dropped from $22 1/2 billion to $18 billion. Farm production in 1949 was down by about 3 percent from 1948, but by far the most important factor in the decline of agricultural income was the drop of 13 percent in farm prices.

Among the nonagricultural industries, the largest absolute decrease occurred in manufacturing, which accounts for roughly 30 percent of the national income. Income originating in this industry fell by nearly $4 billion, or 5 percent. This reflected primarily the direct effects of the 1949 inventory recession upon manufacturing. Apart from manufacturing, the only major nonagricultural industries in which income originating declined in 1949 were the closely allied mining and transportation groups.

The maintenance or increase of income originating in other nonagricultural industries in 1949 was a broad reflection of the continued strength of final demand for the Nation's output. In trade, services, contract construction, and finance, insurance and real estate, 1949 incomes matched or slightly exceeded those of the preceding year. In government and in communications and public utilities, relatively large increases, about 11 percent, were recorded.

Following are two tables showing national income and product in 1948 and 1949 and national income by major industrial divisions:

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Table 1.--National Income and Product in 1949
(Billions of Dollars)

	1948	1949	Quarterly, 1949, Seasonally Adjusted at Annual Rates I	II	III	IV
Gross national product	262.4	257.4	262.0	257.9	254.6	255.2
Personal consumption expenditures	178.8	179.4	178.7	179.3	179.7	179.8
Gross private domestic investment	45.0	34.7	40.0	33.2	32.1	33.7
Net foreign investment	1.9	0.0	1.0	1.2	-0.3	-2.0
Government purchases of goods and services	36.7	43.4	42.3	44.2	43.2	43.7
National income	226.2	221.5	224.7	220.8	220.7	2/
Compensation of employees	140.3	141.1	141.9	140.8	141.1	140.9
Proprietors' and rental income 1/	49.5	44.8	47.1	45.1	43.1	43.7
Corporate profits and inventory valuation adjustment	32.6	31.4	31.6	30.7	32.3	2/
Net interest	3.8	4.2	4.1	4.2	4.2	4.3
Disposition of personal income:						
Personal income	211.9	209.8	212.0	210.0	208.2	209.3
Less: Personal tax and nontax payments	21.1	18.6	18.6	18.6	18.6	18.6
Equals: Disposable personal income	190.8	191.2	193.4	191.4	189.5	190.7
Less: Personal consumption expenditures	178.8	179.4	178.7	179.3	179.7	179.8
Equals: Personal saving	12.0	11.8	14.8	12.1	9.8	10.8

Note: Detail will not necessarily add to totals because of rounding.

1/ Includes noncorporate inventory valuation adjustment.
2/ Not available. In deriving full-year aggregates, assumed values were used for the fourth quarter.

Table 2.--National Income by Major Industrial Divisions, 1948 and 1949 1/

(Billions of dollars)

	1948	1949	Absolute change, 1948-49	Percentage change, 1948-49
All industries, total	226.2	221.5	-4.7	-2.1
Agriculture, forestry, and fisheries	22.5	17.9	-4.6	-20.4
Mining	4.9	4.1	- .8	-17.1
Contract construction	10.2	10.3	.1	1.1
Manufacturing	68.2	64.6	-3.6	-5.3
Wholesale and retail trade	45.1	45.3	.2	.5
Finance, insurance, and real estate	16.7	17.3	.6	3.4
Transportation	12.2	11.8	- .4	-3.2
Communications and public utilities	5.9	6.6	.7	11.3
Services	20.0	20.9	.9	4.4
Government and government enterprises	20.0	22.3	2.3	11.5
Rest of the world	.5	.5	.0	.0

1/ Components will not necessarily add to totals because of rounding.