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The Business Situation

Business activity during November continued to advance but at a slow pace, the Department of Commerce reports in a review of the economy appearing in the December issue of its monthly magazine, Survey of Current Business.

Industrial output increased as a result of an upturn in steel production and further advances in output of automobiles and investment goods. Residential construction also moved higher. With activity being further stimulated by increased expenditures by State and local governments, and by the continued uptrend in consumer services, another fair-sized gain in gross national product seems assured for the fourth quarter.

Personal income rose to a seasonally adjusted annual rate of \$472-1/2 billion in November, up \$1-1/2 billion from the previous month and \$22-1/2 billion from October 1962, according to the summary prepared by the Office of Business Economics. Payrolls, property incomes, and transfer payments contributed about equally to the advance. So far in the fourth quarter personal income has averaged \$7 billion higher, at an annual rate, than the third quarter 1963 average.

Payrolls did not change much in November because nonfarm employment rose only slightly. More persons were employed in nonmanufacturing industries and in State and local government but manufacturing employment fell somewhat more than seasonally. The establishment employment count in November was some 1-1/2 million higher than the year-ago total. Unemployment moved up to reach a seasonally adjusted rate of 5.9 percent, as compared with a 5-1/2 percent rate in October.

Iron and steel production has been rising since August but it was only in November that the gain exceeded seasonal expectations. On a seasonally adjusted basis, the 3 percent rise in the iron and steel component of the FRB index reflected renewed buying by steel consumers, who came back into the market late in the summer and stepped up their ordering in October to the best level since the spring. Steel demand has increased as stocks have been reduced and expenditures for hard goods have continued to advance. In October, inventories held by steel users were reduced by 1 million tons -- the third successive monthly drop -- while consumption of steel increased, so that the stock-consumption ratio at the end of the month was at about the lowest point in the last two years.

(Over)

Assemblies of motor vehicles, which increased sharply from September to October, advanced further in November, after adjustment for seasonal variation. Output rose in spite of interruptions from temporary work stoppages which reduced assemblies below planned production schedules in some important plants. Car makers turned out 875,000 passenger cars and trucks in November, a record high count for the month and the second largest monthly total this year. Production in December is expected to be maintained at the November rate: The October - December completions are expected to be at a record high -- one-eighth above the same period of 1962.

Seasonally adjusted retail sales in November declined somewhat from the record October rate, in part because of sharp and widespread declines that occurred immediately after the death of President Kennedy. The first week of December witnessed a good recovery in retail buying generally, and auto dealer sales in the first 10 days of the month continued very high.

Taken together, October and November total retail sales average about even with the third quarter average and 3-1/2 percent above the year-ago total. Automobile sales have been particularly strong as have sales of appliances and furniture -- but clothing sales have been slow.

Homebuilding activity has shown a good rise this year and has made an important contribution to the higher aggregate output. Residential construction outlays for 1963 as a whole are estimated to have increased \$2 billion or 8 percent over 1962. About 2 percent of the rise reflects higher costs of construction.

The record dollar totals reflect the best level of housing starts in several years. Private nonfarm units in October and November have averaged over 1.6 million, at a seasonally adjusted annual rate, and building permits have remained strong.

This year, as in the two previous years, all of the rise in housing starts has been accounted for by multifamily units. With one-family housing starts changing little since 1960, the one-family proportion of total starts has fallen from about four-fifths in 1960 to three-fifths in 1963.

The Survey of Current Business is available from Field Offices of the Department of Commerce, or from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402, at an annual subscription price of \$4.00, including weekly supplements; single copy 30 cents.