

UNITED STATES DEPARTMENT OF
COMMERCE

Luther H. Hodges, Secretary

Washington, D. C.

Office of
Business Economics

OBE 64-38

The Business Situation

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FOR RELEASE WEDNESDAY, A.M.,
JUNE 24, 1964

The business situation continued to improve in May, the U. S. Department of Commerce reported today in the June issue of its monthly Survey of Current Business.

According to the magazine's latest roundup, prepared by the Office of Business Economics, a number of broad measures of the economy - personal income, employment, and industrial production - have all maintained an upward course. There was a substantial gain in retail sales; also of significance was the decline in the rate of unemployment. In addition, business capital expenditure plans were revised moderately higher, according to the latest Government survey of spending intentions.

Seasonally adjusted retail sales were up 1-1/2 percent from April and were 1 percent above the February peak. The May rate was some 2 percent above the first quarter monthly average. Since sales of automobile and furniture-appliance dealers have been very high all year, it is not surprising that durable goods sales in May were little changed from the first quarter average, in contrast with nondurables, which were up 3 percent. It now looks as though second quarter 1964 consumer expenditures will show a good rise over the first quarter.

Personal income in May rose to a seasonally adjusted annual rate of \$485 billion, an increase of \$1-1/4 billion over April. Total wages and salaries rose about \$3/4 billion during the month, with most of the advance about evenly divided among distributive industries, services, and State and local government.

The rise in wage and salary payments reflected continued increases in nonfarm establishment employment. The May seasonally adjusted advance - about 40,000, on a preliminary basis - was not as large as in the previous months of 1964. The employment increase this year has been substantial and has brought about an improvement in the unemployment situation, with the May unemployment rate down to 5.1 percent of the civilian labor force. From February through April of this year the rate had held at 5.4 percent - about the lower end of the range over which it had fluctuated in 1962 and 1963.

The unemployment rate for married men has shown the greatest reduction in the recent period. It has declined slowly but fairly steadily since 1961; the May rate of 2.6 percent was the lowest since 1957. Teenage unemployment continues very high, while the rate for adult women, although lower in May, was not improved during the first 4 months of 1964 as compared with the average for 1962 and 1963.

(More)

Despite the recent increases in production and demand, prices continue to be comparatively stable. Wholesale prices eased slightly in May, continuing the slight downtrend since the beginning of the year; consumer prices have edged up since January.

The index of wholesale prices for farm products and processed foods declined 1 percent from April as livestock and meat prices dropped again. Industrial commodity prices were fractionally lower on the average; the metals price index decreased after 9 consecutive months of rise and there were some downward adjustments in prices of paper items, automobile tires, and cotton products.

An important reason for the absence of strong upward pressure on prices is that capacity utilization rates in most industries are still below those that businessmen consider to be most desirable. Expansion of industrial capacity has about kept pace with the rise in output, and where capacity utilization has increased, apparently the rise so far this year has not been large. The behavior of costs in the recent period has also been favorable to price stability. Wage rate increases have not outstripped productivity gains and unit labor costs have been quite steady.

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.