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The Business Situation

July was another month of rising business activity, after allowance for seasonal influences, the Department of Commerce reported today in the August issue of its monthly Survey of Current Business.

According to the latest review of the business situation, prepared by the Office of Business Economics, important measures such as personal income, industrial production, new orders for durable goods, retail sales and non-farm employment were all higher in July than in June. All of these indicators are above their second quarter averages, starting the fourteenth quarter of expansion in the present cyclical advance.

The latest developments follow a second quarter gain in GNP of \$10 billion, the fourth large quarterly rise in a row. Increased demand in most final markets--consumer, business and government--contributed to the spring quarter improvement. Inventory accumulation was somewhat higher than in the first quarter but continued moderate.

This summer retail sales are continuing to show strength. The preliminary report on retail trade for July put sales at a new peak, about 1 percent (seasonally adjusted) above the June rate and also above the previous high reached in May. In the first half of this year, increased consumer buying, under the influence of rising disposable income, was the major stimulus to increased economic activity.

Although sales in both durable and nondurable goods stores rose in July, the durable goods rise was quite marked. It reflected some recovery in automotive sales, which had fallen the month before because of the trucking strike.

Personal income rose about \$1-1/2 billion at a seasonally adjusted annual rate to reach a total of \$491 billion in July. Somewhat more than \$1 billion of the rise reflected increased wage and salary payments, about evenly divided among the major industry groupings.

The rise in payrolls during the month was primarily the result of increased employment. The nonfarm establishment total was up about 140,000, after seasonal adjustment; except for government employment, which dipped slightly, increases were quite general by industry division. The July rise was the eighth successive monthly advance in employment, which has risen by more than 1-1/2 million over the past year.

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The sustained rise in the demand for labor has brought about a distinct improvement in the overall unemployment situation this spring and summer. The number of jobless fell more than usual from June to July, and the unemployment rate declined to 4.9 percent. In the past 3 months the rate has moved irregularly lower, averaging 5.1 percent, the lowest 3-month average in 5 years.

Housing starts this spring and summer have been running somewhat below the very high rates of late 1963 and early 1964. According to preliminary figures for July, private nonfarm starts were at a seasonally adjusted annual rate of 1.50 million units, as compared with a revised June total of 1.57 million. Since April the rate has averaged a little over 1.5 million, as compared with an average of more than 1.6 million from October 1963 through March 1964.

Rising demand for durable goods is being reflected in the rising trend of new orders. According to advance reports new orders received by durable goods manufacturers in July were up sharply over June. Although much of the latest month's increase was attributable to a pickup in defense orders, which had fallen the month before, July would also show an increase over June and the second quarter average if defense bookings were excluded from the total.

Durable goods sales were also higher last month. Since the level of orders exceeded sales, unfilled order backlogs rose again.

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.