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THE BUSINESS SITUATION

The rapid advance in economic activity was unabated in March, with personal income, retail sales, nonfarm employment, new orders for durable goods, and industrial production all showing increases over February, the U. S. Department of Commerce announced today in its monthly review of the business situation appearing in the April Survey of Current Business.

The March gains rounded out another quarter of major expansion in total output, according to the Department's Office of Business Economics. Gross national product rose \$17 billion, on the basis of preliminary estimates, to reach a seasonally adjusted annual rate of \$714 billion. The large first quarter advance reflected especially strong increases in consumer expenditures, military purchases, and business spending for new plant and equipment.

Of the 2-1/2 percent GNP increase from the fourth to the first quarter, 1-1/2 percent represented a rise in physical volume, and 0.9 of 1 percent a rise in prices. This was the largest price rise in the current expansion and was caused in part by higher retail prices for food.

Wholesale prices were about unchanged from February to March on an overall basis. Prices of wholesale industrial commodities advanced 0.2 percent, bringing the rise over the past year to 2 percent. However, prices for farm products and processed foods combined, which had risen sharply in the preceding 4 months, declined.

Personal income rose about \$4 billion in March to a seasonally adjusted annual rate of \$561 billion. Payrolls were up \$2-3/4 billion, with all components gaining; proprietors' incomes and personal interest income accounted for most of the rest of the total advance.

The rise in wage and salary payments reflected both a further increase in employment at nonfarm establishments and higher pay rates. The employment advance in March exceeded 300,000, after seasonal adjustment, and brought the increase to almost 1 million since December and to 2 million since September. Rises were widespread in March and were especially large in manufacturing, construction, trade and government.

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According to advance reports, retail sales increased again for the seventh straight month. Over the past half year, sales have risen almost as much as they did in all of 1965, when they showed a gain of 8-1/2 percent.

Unit sales of new domestically produced cars rose from February to March. The first quarter total was 5 percent (seasonally adjusted) above the October-December period and about the same as in the post-strike first quarter of 1965, when sales were unusually high. New car inventories also rose in March, but in relation to sales for the quarter, inventories were no higher than they were 3 months earlier.

A rise in automobile production was one important factor in the 1 percent overall advance in industrial production from February to March. As measured by the Federal Reserve index, output of both consumer goods and business and defense equipment in March moved above the February rate. Production of iron and steel was up for the fourth month in a row. Output of the aircraft industry - reflecting strong military and civilian demands - continued to rise. Production increases were quite general among other durable manufactures as well as in most nondurables.

New orders for durable goods, which increased sharply in the last half of 1965, expanded again in the first 3 months of this year, reflecting mainly enlarged defense requirements, and continued strong demand for capital goods. According to advance reports, new orders received by durable goods manufacturers in March were 2-1/2 percent above the February rate, after seasonal adjustment. Unfilled orders were also up considerably.

The January-March 1966 rate of new orders was at a record high, some 4-1/2 percent above the fourth quarter, which in turn was 3 percent above the third. Although shipments of durable goods also increased substantially, new bookings exceeded shipments by a wide margin, and backlogs continued to expand. The first quarter average of \$65 billion for unfilled orders was nearly \$3-1/2 billion higher than the average of the fourth quarter, and more than \$10 billion above the comparable period of 1965.

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 \$6.00, including weekly supplements; single copy 45 cents.