

MAY 19 1966

UNITED STATES DEPARTMENT OF
COMMERCE

John T. Connor, Secretary

Washington, D.C.

Office of
Business Economics

OBE 66-34

David R. Hull, Jr.: WOrth 7-2704

FOR IMMEDIATE RELEASE THURSDAY
MAY 19, 1966

THE BUSINESS SITUATION

The business expansion continued in April, but there were indications that it was not proceeding quite so rapidly as in the first quarter of this year, when GNP rose by a very substantial \$16.7 billion, the U.S. Department of Commerce reported today.

According to the Department's Office of Business Economics, payrolls in April showed only a modest rise as nonfarm establishment employment did not exhibit much more than its usual seasonal gain. The increase in industrial production was the smallest since last September. Advance figures indicate that retail sales eased from the March peak, mainly because of lower automobile sales.

Despite the tapering suggested by the April figures, aggregate demand is still increasing strongly - chiefly under the stimulus of rising defense expenditures and capital outlays - and continues to press on plant and equipment capacity and labor resources. The unemployment rate in April declined to the 3.7 percent reached in February, and the rate for adult men was the lowest since 1953. Upward pressure on prices continues. Although farm and food prices edged down last month, industrial prices rose again, reflecting widespread, and in some instances sizable, advances among the major groups of commodities.

Personal income in April rose \$1.7 billion at a seasonally adjusted annual rate to reach a record \$563.1 billion. The April increase was about one-half as large as the average monthly increase during the first quarter. Payrolls showed a modest gain in April--about \$1½ billion--and personal interest income continued to advance; farm proprietors' income fell slightly as costs rose further and prices received for meat animals declined from recent highs.

Most of the rather small increase in payrolls reflected higher hourly rates of pay, since both employment and weekly hours of work were little changed after seasonal adjustment. Employment would have made a better showing if strikes had not caused declines in both mining and contract construction.

The rate of rise in industrial production slowed noticeably in April. Total output, as measured by the Federal Reserve index, advanced about ¼ of 1 percent to 153.4 percent of the 1957-59 average; gains in the manufacturing and utility industries were greater than the overall increase, which was held down by a decrease

(More)

in mine output, mainly as a result of the strike in the coal industry.

Production of business equipment continued to rise--up more than 1 percent over the previous month--and consumer goods output edged higher with increases in furniture, appliances, and consumer staples. The auto industry maintained operations at a high rate in April in the face of falling sales. Over 1 million cars and trucks rolled off the assembly line during the month, roughly the same as in March and about the monthly average in the first quarter, after seasonal adjustment. Stocks of new passenger cars in the hands of dealers rose to a new high by the end of April, and the stock-sales ratio moved up for the third consecutive month.

To balance inventories with the current rate of sales, the auto industry scaled down the high production schedules that were originally set for May. The cutbacks in output will result from a return to a normal 5-day workweek at some plants and a workweek of less than 5 days at a number of others.

Retail sales (seasonally adjusted) were down about 1 percent in April according to advance figures. Sales at nondurable goods stores were higher but durable sales were lower, particularly for automotive dealers.

Sales of new domestically built passenger cars declined sharply from March to April, the first significant month-to-month reduction in the 1966 model year. In April, retail dealers sold 8 million new cars at a seasonally adjusted annual rate. This was down from 9.2 million units in March and from an average rate of 9.1 million in the first quarter. During early May, the rate of sales dropped further.

Reflecting the unusually large increase in total production and sales in the first quarter, corporate profits before tax (including inventory valuation adjustment) rose \$3 billion to a seasonally adjusted annual rate of \$78½ billion, according to preliminary estimates. The rise brought profits 4 percent above the previous quarter and 9 percent above the first quarter of 1965. Strong gains in several manufacturing industries paced the sharp advance.

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.