

UNITED STATES DEPARTMENT OF

# COMMERCE

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Washington, D.C.

## Office of Business Economics

*April 1967*

*OPB-67-20*

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THE BUSINESS SITUATION

The U. S. Department of Commerce will report in the April issue of the Survey of Current Business that although total activity for the first quarter as a whole was somewhat weak, a number of important economic statistics for March showed improvement over February.

Perhaps the most noteworthy development in March, according to the Department's Office of Business Economics, was the substantial increase in retail sales, reflecting widespread gains by line of business. Moreover, industrial production rose a little after 2 months of decline. The rise in employment was quite small, but weekly hours, which had fallen sharply the month before, picked up slightly. With wage rates higher, payrolls registered a larger increase than the small February advance.

All told, in the closing month of the first quarter it appeared that the sluggish pace of manufacturing activity was still limiting the rise in aggregate output but that total final sales were moving ahead at a good clip.

For the first quarter as a whole, final sales rose \$16 billion from the fourth quarter rate, reflecting sizable gains in consumer spending and government purchases. However, the overall gain in gross national product was held to \$5 billion by a severe cutback in the accumulation of business inventories, according to preliminary estimates. Inventory investment fell to an annual rate of \$5-1/2 billion from the high fourth quarter rate of \$16-1/2 billion.

Since the first quarter advance in gross national product was little different from the overall increase in prices, the real volume of output was unchanged from last year's fourth quarter. It was the first time since the opening quarter of 1961 that real GNP has failed to advance.

Personal income rose \$3.4 billion in March to reach a seasonally adjusted annual rate of \$613 billion. The increase was well above the \$2-1/4 billion gain in February but somewhat less than the average monthly increase from 1965 to 1966.

Wages and salaries, which had risen only \$1/2 billion from January to February, advanced \$2.2 billion in March as manufacturing payrolls reversed their dip and other payrolls continued to rise. Property income rose about in line with the gains in other recent months, but transfer payments increased only about half as much as in February, in part because GI life insurance dividend payments were below the February rate.

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Employment in nonfarm establishments in March showed little improvement over February as gains in services and government were largely offset by reductions in construction, manufacturing, and trade. According to preliminary data, 23,000 persons were added to payrolls in March after an 80,000 increase in February and an average monthly rise of 300,000 from September through January.

The somewhat drab performance of employment in February and March has apparently had little effect on unemployment so far, mainly because there have been large withdrawals from the labor force. The unemployment rate in March was 3.6 percent, about the same as the average of 3.7 percent in the preceding 3 months.

Industrial production edged upward in March after declining in the previous 2 months. Both durable and nondurable goods industries showed small gains. In durable goods, fairly substantial increases in output of motor vehicles and parts, aircraft and equipment, and instruments and related products offset small declines in other industries.

Although domestic passenger car sales in March were only slightly above the February level, auto production picked up nearly 15 percent from the relatively low February volume. Present automobile production schedules suggest a further sizable rise in output, seasonally adjusted, from March to April.

New orders received by producers of durable goods were unchanged from February to March, according to preliminary reports. In March, a decline in bookings for primary metals - mainly steel - was offset by gains in the machinery and transportation equipment industries. Unfilled orders for durables declined further, however, as producers' sales showed a general improvement from February and exceeded the volume of new orders.

Seasonally adjusted private nonfarm housing starts rose slightly from February to March and now show an advance of 40 percent from the low point reached last October. Starts in the first quarter reached an annual rate of nearly 1.2 million units, as compared with less than 1 million units in the previous quarter. Because of the time lag between starts and expenditures, total outlays for residential homebuilding were unchanged from the fourth to the first quarter, but will show an improvement in the current quarter.

Although wholesale and consumer prices, on an overall basis, have been comparatively stable in recent months, the index of wholesale industrial commodity prices, which rose relatively little from July through December of 1966, increased more rapidly in the first quarter of 1967. According to preliminary data, industrial prices rose 0.6 percent from the fourth to the first quarter with increases in most of the broad commodity groups. This was well above the 0.2 percent rise in the fourth quarter and about the same as the average quarterly increase in the first three quarters of 1966.

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In contrast, wholesale prices of farm products, processed foods, and feeds have dropped steadily since last summer. The index of farm product prices in the first quarter was 1-1/2 percent below the fourth quarter 1966 average, which in turn was nearly 5 percent under the third quarter peak; wholesale food and feed prices have shown smaller quarterly declines.

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.