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THE BUSINESS SITUATION

The advance in business activity continued to moderate during the month of June, the U.S. Department of Commerce reported today. While most key measures of economic performance showed gains last month, increases were generally smaller than in the early part of the second quarter and were well below some of the sizable gains posted during the winter months. Today's announcement reinforces the indications given by the preliminary second quarter GNP estimates released earlier this month by the Department's Office of Business Economics.

The advance in second quarter gross national product was slightly below the record increase of the preceding 3-month period. Gross national product rose nearly \$20 billion in the second quarter to a seasonally adjusted annual rate of \$850-3/4 billion. The 2-1/4 percent gain in GNP reflected a rise of 1-1/4 percent in physical volume and 1 percent in prices. Final sales were up \$13-1/2 billion in the second quarter and inventory investment increased by more than \$6 billion -- a markedly different pattern from the opening quarter, when final sales advanced \$26-1/2 billion and inventory accumulation was reduced by \$6 billion. Details of the National Income and Product Accounts appear in the July issue of the Department's Survey of Current Business.

Personal income increased \$4-3/4 billion in June to a seasonally adjusted annual rate of \$683 billion. While most nonpayroll income categories advanced from May, the bulk of the income rise (\$4 billion) resulted from widespread gains in wages and salaries, reflecting a boost in nonfarm employment of about 80,000 persons, a slight lengthening of the average workweek, and numerous small increases in average hourly earnings.

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The major industry divisions, with the notable exception of contract construction, showed moderate employment gains in June. Increases of about 40,000 occurred in each of the following: manufacturing (mainly in nondurable goods industries); transportation and public utilities; services; and State and local government. However, a substantial part of the total increase was offset by a drop of 80,000 in construction employment.

The growth in the civilian labor force last month exceeded the rise in total employment, and the seasonally adjusted unemployment rate advanced from 3.5 percent in both April and May to 3.8 percent in June. This was the highest rate since last November, and resulted mainly from increased unemployment in the younger age groups. The unemployment rate for teenagers rose from 12.6 percent in May to 13.6 percent in June; for persons 20 to 24 years old, the increase was from 5.3 to 6.5 percent. However, the rate remained at a very low 2.2 percent for persons 25 years of age and over.

Industrial production rose only slightly in June after a sharp increase from April to May. The June rise was due mainly to an advance in durable goods production -- especially in the steel and auto industries. Higher steel output reflected strong demand stemming from heavy consumption and strike hedge buying. Auto production was bolstered by the high rate of new car sales. On a seasonally adjusted basis, dealer sales of new domestic cars were running at an annual rate of 8.6 million units in May and June as compared with 8.0 million in April. In the April-June period, sales were the highest for any quarter in more than 2 years.

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.