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UNITED STATES DEPARTMENT OF
COMMERCE
NEWS

WASHINGTON, D.C. 20230

OFFICE OF
BUSINESS
ECONOMICS

FOR RELEASE WEDNESDAY A.M., NOVEMBER 19, 1969

OBE 69-57

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NEW INPUT-OUTPUT STUDY

The Commerce Department's Office of Business Economics today released the results of a new study of the industrial structure of the United States. The study is the second in OBE's program of input-output accounts, the first having been published five years ago. The outstanding feature of the new data is the greatly expanded industrial detail -- almost 370 industries as compared with 86 in the earlier study. A summary report will be carried in the November issue of OBE's monthly magazine, the Survey of Current Business.

The data depict the complex interrelationships among the segments of the American economy. The economy is divided into almost 370 industry groups, and the data show the value of each industry's production sold to every other industry as well as to consumers and other domestic and foreign users of finished output. Also shown are each industry's purchases from every other industry. In addition, the total wages, profits, and other types of income originating in each of the industries is identified.

The input-output accounts provide a powerful tool for all types of economic analysis concerned with relationships among industrial markets. Businesses seeking to assess market potentials are able to compare the sales distribution of their own output with that of the industry to which they belong. In addition, by examining the sales patterns of their immediate industrial customers and the sales patterns of those who buy from these and successive customers along the chain, they can anticipate the effects on their own sales of changes in activity in industries and markets with which they do not deal directly.

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Input-output data are equally useful in analyzing the total impact upon all industries of changes in market demand. They permit the tracing of the industrial repercussions, direct and indirect, of changes in consumer demand, the demand for investment goods, exports, and government procurement. As a result, the data permit more comprehensive analysis of the consequences of major economic programs, such as changes in the scale or composition of the defense or public construction programs, of export promotion, or the investment plans of private business.

The major contribution of input-output analysis is that it permits measurement of the industrial repercussion of changes in demand. The measurement of these repercussions can be illustrated by the following example which deals with an increase in consumer demand for passenger cars. This increase in demand will lead initially to an increase in the output of the automobile industry. However, there will be further impacts. The increase in the output of the automobile industry will result in more steel production, which in turn will require more chemicals, more iron ore, more limestone, and more coal. The automobile industry will also demand more upholstery fabrics, and the increased production of these fabrics will require more natural fibers, more synthetic fibers, and more plastics. There will be even further reactions; for instance, the production of synthetic fibers and other chemicals will lead to the production of more electricity and containers.

These are only a few of the industrial repercussions resulting from the change in consumer demand for automobiles. Input-output analysis traces this intricate chain reaction throughout the entire industrial structure and measures the effects of all the demands, both direct and indirect, on the output of each of the industries.

The Survey of Current Business is available from the field offices of the U. S. Department of Commerce, or from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402, at an annual subscription price of \$9, including weekly supplements; single copy, \$1.