

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS
WASHINGTON, D.C. 20230

OFFICE
OF THE
SECRETARY

A Commerce Department News Feature

Contact: Lisa Weathers
(202) 377-4901

FIGURES ON U.S. ECONOMY
HAVE DIRECT PERSONAL IMPACT

For Release: 6:30 p.m. EST, Sunday,
March 4, 1984

"To the average person the numbers in the latest Commerce Department economic summary are just that: numbers. But when we report that Americans' personal spending was \$2.2 trillion in the fourth quarter of 1983, I think Mr. and Mrs. Average American would do well to understand what it means."

So says economist James Byrnes of the Commerce Department's Bureau of Economic Analysis (BEA), who points out why the figure is relevant to every one of us:

An increase in personal consumption is a good omen for the economy. In theory, when consumption increases business people and manufacturers feel it's safe to increase production and hire more people. Unemployment drops, employment rises. People are buying more so markets need to be well stocked with the things they want to buy. Increased production means more jobs, generating more income for people to spend.

It's good for everybody concerned when the cycle is complete. But how do we determine how much people are spending and what they're spending it for?

The fact finding starts at BEA. Each month, economists and analysts in the Consumption Branch of the National Income and Wealth Division collect data from numerous sources to document what the nation's consumers have spent.

Information is collected from government agencies such as the Census Bureau (also a part of Commerce), Transportation Department and the Federal Communications Commission, as well as private sources such as the Automobile Manufacturers' Association and the Edison Electric Institute.

The numbers say some pretty interesting things.

According to James Byrnes, between 1972 and 1982 the share of our dollar spent for energy (gas, oil, electricity, natural gas) increased from 6.8 percent to 9.4 percent. During the same period we bought relatively less energy. Byrnes said if we had purchased the same relative amount of energy in 1982 as we did in 1972 we would have spent about 11.4 percent of our dollar because of higher prices. So most of us reduced our relative consumption of energy rather than give up spending on other things.

In contrast, clothing prices went up slower than other things between 1972 and 1982. We bought relatively more clothes but we spent a smaller share of our dollar -- 7.5 percent in 1972 and 6 percent in 1982. "If your income increased at least as much as prices, you could buy just as much clothing without giving up as many other things," Byrnes said. "The fact that prices didn't go up as much as other things let us do that."

The biggest jump in the share of our dollar spent during the ten year period was in medical care. The price of medical care went up much faster than other things. Still, we bought relatively more of it. We spent 9.9 percent of our dollar in 1982 on private medical care, compared with 7 percent ten years before.

Food spending followed a familiar trend. According to Byrnes, people buy relatively less food as they become more affluent. Food prices went up faster than other items in the 1972-82 period. But as personal income increased more than prices, the share of our dollar spent for food fell from 21 percent to 19.9 percent.

Byrnes said economic conditions influence consumers' buying decisions although, except for 1974, personal consumption increased more than prices each year since 1972.

In general, consumer spending for durable goods items such as cars and furniture was not strong during the decade. Although durable goods prices went up slower than other things, consumers purchased relatively less in 1982 than in 1972. But Byrnes said the trend may be reversing itself now.

"Durable goods purchases are getting stronger, as we saw in the latter part of 1983," he said. "I believe we'll see the same thing in 1984."

The primary audience for consumption numbers is the business community but consumption also is part of a huge framework of data needed by government policymakers.

So the next time the news is that personal consumption is up, pay attention. It could mean a new job, more money for a new car or suit. At any rate, it's good news -- for you and the economy.

###