Review of Business Conditions

As additional data on the United States economy become available for April and May, more supporting evidence is provided for the view that the current upswing is broadly based. Manufacturers' shipments and new orders rose to record levels in April; and, reflecting these developments as well as general optimism, the $500 million seasonally adjusted increase in manufacturers' inventories over March was the largest month-to-month change this year. Trade inventories also rose $400 million, with automobile stocks in the hands of dealers accounting for half of the increase. Construction contract awards (as reported by the F. W. Dodge Corporation) were 31 percent above April 1958, although the value of new construction in April was down slightly from March on a seasonally adjusted basis. Consumer credit jumped $479 million in April, with installment credit registering its biggest monthly increase since 1955.

In May the Federal Reserve Board's index of industrial production climbed another two points to 152. Construction put in place and retail sales scored gains over April (after seasonal influences are taken into account). Housing starts, however, dropped to an annual rate of 1,340,000 units. Awards for heavy engineering projects reached a record May level, with industrial building contracts double the April rate and mass housing, highway, and waterworks awards higher. The latest survey by the United States Department of Commerce and the Securities and Exchange Commission reveals, moreover, that businesses have revised upwards by another $800 million their 1959 plans for plant and equipment expenditures to a total of $32.6 billion for the year. Steel production continued at high rates and automobile production for the year to date was almost 50 percent above the first five months of 1958. Automobile sales at the same time made their best showing since March 1957. Department store sales were 145 percent of the 1947-49 average, 5 points above April and 11 points above May 1958. Overall employment, reflecting these advances, rose 1 million and the unemployment rate fell to 4.9 percent. Personal income also rose to a new high of $376.2 billion at an annual rate.

District activity in April mixed

Against the backdrop of a vigorous national recovery, the Twelfth District displayed many strengths and some weaknesses —due to both man-made disturbances (actual or threatened strikes) and to natural phenomena (weather). In general, economic activity continued to rise in April, but at a slower rate than earlier in the year. Employment, production, and consumption moved above March levels, and scattered data for May indicate continuation of the upward trend.

District nonagricultural employment in April was only 0.1 percent ahead of March (after seasonal adjustment), the smallest month-to-month rise this year. Less than seasonal increases in jobs in some of the nonmanufacturing industries reduced the overall gain. Nevertheless, District employment maintained a larger margin over year-ago levels than the nation despite the increase in United States nonfarm employment of 0.7 percent for the month.

The number of job holders in the three Pacific Coast states increased slightly more than did the labor force in April. As a result, total unemployment fell to one-third less than a year ago and the unemployment rate declined from 4.6 percent in March to 4.5 percent in April. The improved situation was also mirrored in the May classification of labor markets by the United States Department of Labor. Portland, Oregon was shifted from a substantial labor surplus area to one of relatively moderate surplus (3.0 to 5.9 percent unemployed) while Sacramento, Cali-
California moved out of the latter category into one of relatively low unemployment. In addition, two “smaller areas” in California and five in Oregon, all lumbering communities, were removed from the substantial labor surplus list.

The increase in nonfarm employment in April was concentrated in California, Arizona, and Utah as inclement weather returned to the northern parts of the District, hampering construction and logging operations. Manufacturing, finance, and government payrolls, however, chalked up significant gains. Manufacturing employment expanded 0.4 percent from mid-March to mid-April, the smallest monthly increase in 1959. Production of nondurables still demonstrated greater strength than durables, with canning and processing employment up 4.3 percent. All other nondurable categories also advanced in April.

Employment rosters in durable goods industries rose only 0.1 percent above March—hiring in the lumber and wood processing industries was less than usual and aircraft workers were laid off in line with the increased emphasis on missiles. The defense program, on the other hand, was also largely responsible for the growth in machinery and “other” durable goods employment (including the electronics, ordnance, and instrument industries). A 6.1 percent increase in employment in the motor and miscellaneous equipment classification (mainly automobile and truck assemblies) offset the decline in aircraft employment to cause a small increase in jobs in the transportation equipment industries. Primary metals and metal fabricating climbed another 0.6 percent in April, reflecting primarily the upsurge in steel production to 6 percent above a year ago.

**Construction down but outlook improving**

Construction lost some of its impetus in April as unfavorable weather in the Pacific Northwest delayed various projects. Employment failed to rise by the customary amount, in contrast to the greater than seasonal rise in March, and preliminary data indicate that housing starts in the West were lower than the previous month. The value of construction contract awards, however, moved up another 5 percent in the District, a less spectacular increase than the 33 percent March rise. Residential building was the most important contributing factor, with one- and two-family dwellings up more than 50 percent over a year ago. Nonresidential construction was also higher than in March but below April 1958. Buildings for commercial use were down, while industrial and manufacturing plant construction and school buildings showed encouraging increases over a year ago of 53 and 16 percent, respectively. Heavy engineering projects had not recovered to year-ago levels by April but were rising slowly; public works were expanding while utilities construction contracted.

Heavy construction activity can be expected to pick up sharply in the coming months on the basis of April awards and incomplete figures for May. Two major contracts—a $100 million reactor project for the Federal Government in the Pacific Northwest and a $150 million recreation and housing development in the Lake Tahoe, California area—were awarded in the District in May, bringing the monthly total to an all-time high. Two smaller awards of $13.5 million for Capehart housing at Fort Lewis, Washington and $20.7 million for construction of Ice Harbor Dam on the Columbia River also promise to add to a high level of construction activity in the District.

**Retail trade bolstered by automobile sales**

Wholesale and retail trade, employing the second largest number of District workers, registered the first decline in employment this year. Some reduction in warehousing activi-
ties and a smaller rise in retail trade probably figured in this development. Department store sales in April were 1.3 percent below March after adjustment for seasonal influences, trading days, and Easter, but were still 7.7 percent above a year ago. The greatest decline occurred in the Pacific Northwest, which may have felt the combined adverse effects of employment cuts in the aircraft industry, strikes, and cold, wet weather. Department store stocks rose in April to their highest point for the year to date and orders outstanding rose by one-fourth. Data for a smaller sample of stores for the four weeks in May indicate a further rise in sales for the month; this period was running 9 percent above year-ago levels because of particularly impressive Mother’s Day sales and shopping for summer needs.

Automobile sales in the District displayed continued strength in April. California new passenger car registrations, which account for more than two-thirds of the District total, were more than 50 percent above the year-ago figure in April, and for the first four months of 1959 were 42 percent ahead of the comparable 1958 total. Partial figures for May point to little change in the high level of new car registrations.

Production moves up

Data on District production reflect the up-trend in economic activity in this area. Steel ingot production rose sharply from March to April and remained at a high level in May; steel users built up stocks in anticipation of a steel strike and to meet a stronger than anticipated current demand for steel products. January-May production for the three major District producers was approximately 50 percent above the comparable year-ago period. By the end of April, the operating rate had risen above 90 percent of capacity and stayed slightly below the national operating rates through May.

Lumber production in April failed to rise the usual seasonal amount because of rainy weather in some areas. But strong demand from the construction industry, uncertainties caused by renegotiation of labor contracts, and a shortage of rail cars pushed up prices for key grades of Douglas fir lumber and plywood in mid-May. By the end of the month, however, prices softened as agreement was reached between labor and management negotiators and some price resistance on the part of dealers was reported. Lumber producers also were reported to be showing signs of caution as they considered the possible effects of rising interest rates on housing construction. Early in June the inflow of new orders slackened, resulting in a shortened workweek at most District plywood plants which had been operating at record rates in the first quarter.

Crude oil production in California for four weeks covering April averaged 837,700 barrels daily compared with 866,400 barrels a year ago. May output stayed around the April level, about 2 percent below May 1958. Demand for aluminum remained at high levels during the period under survey. By the end of May, two major companies with plants in the District announced plans for reactivation of potlines. Copper prices were firm in May with prices charged by producers and custom smelters unchanged. Demand for lead and zinc improved in May as prices stood firm. The stronger demand for lead might have resulted in a price increase had it not been for fears of increased foreign imports of finished lead products (which are not subject to quota). The demand for zinc, on the other hand, hinges largely on the outcome of the present steel negotiations, since the steel industry is zinc’s largest customer. During the first week of June, demand for lead and zinc slowed down.

Agriculture

Agricultural employment in the District rose about seasonally between March and April, with variable weather conditions de-
terminating the actual increase from area to area. Wet weather in the Pacific Northwest prevented any significant gain in activity in some sections. Favorable weather in other parts of the District, on the other hand, resulted in early maturing of some crops and permitted a good start for others. Early reports indicate a large fruit crop, but the vegetable situation is less clear-cut.

The agricultural picture for the seven Western states was brightened by the recently released report that District cash receipts from farm marketings in March were surpassed only by the record March of last year. The value of District farms on March 1, moreover, totaled $19.9 billion, 8.2 percent above the 1958 figure.

Strong demand for short-term credit

The continuing upswing in economic activity in April and May was reflected in the credit situation of the District and the nation. The demand for funds has been rising and, as past liquidity is reduced, has begun to press against the current supply of savings. Interest rates, both long and short term, have reflected these demands in rising to the highest levels of the postwar period. In recognition of the strong demand for funds and the restraint on bank reserves, leading New York City banks raised their prime rate on loans to their best borrowers from 4 to 4 1/2 percent in the middle of May, followed shortly after by major banks across the nation. As money market rates generally increased, five Federal Reserve Banks raised their discount rates to 3 1/2 percent by the end of May, with the remaining seven announcing similar increases in succeeding weeks.

In the Twelfth District, total loans and investments of weekly reporting member banks rose $68 million in the four weeks ending May 27. All of the increase was centered in the loan portfolio as investments fell $221 million. Total loans were up $289 million, compared with $234 million in the previous month and a $9 million decline in May of last year.

The largest increase in loans—$171 million—occurred in the commercial and industrial loan category, which constitutes about two-fifths of total loans, and accounted for three-fifths of the overall loan expansion in May. Last year, business loans fell $21 million in the comparable period. Metals and metal products borrowing rose $27.5 million, compared with a decline of $2.2 million a year ago, reflecting the revival of manufacturing activity and the building up of steel inventories. Public utilities and transportation firms increased their short-term indebtedness to banks $26.5 million, compared with a $24 million drop last year when utilities companies were borrowing in the long-term market. Other significant gains that exceeded year-ago changes were recorded in loans to food and liquor firms, which rose contraseasonally, wholesale trade, and "all other types of business." The Twelfth District loan experience thus far has generally followed that of the nation but the rise in credit outstanding has been relatively greater.

District real estate loans, which reflect the pace of building activity, increased $47 million; agricultural loans, $17 million; and "other" loans, $56 million—all more than in the comparable year-ago period but less than in the previous month. The high levels of automobile sales and inventory rebuilding were mainly responsible for the expansion in "other" loans.

Weekly reporting member banks in the District drew down their United States Government portfolios $203 million in May, almost three times last year's reduction. Treasury bills fell $108 million, slightly less than in May 1958. Holdings of Treasury certificates and United States bonds decreased $60 million in comparison with net acquisitions of $100 million last year, while Treasury notes fell about the same amount as in 1958. In
contrast, reporting banks in the nation as a whole increased their bill holdings but disposed of certificates, notes, and bonds for a net decline of $558 million in their portfolios of Government obligations. The larger bill holdings of banks in leading cities stems from the increased supply of bills on the market; District banks did not participate in the larger subscriptions, probably because of the more vigorous demand for loans in this area. The decline in medium-and long-term issues held by District reporting banks probably indicates further selling of securities to meet current high levels of demand for short-term bank credit.

Demand deposits in the District fell $258 million in May, about the same amount as last year, and time deposits rose $82 million, slightly less than in 1958. Demand deposits for the nation as a whole fell sharply in May, with the decline concentrated in the one week between April 29 and May 6. Time deposits, meanwhile, rose only $35 million, compared with $470 million a year ago when foreign bank and other time deposits were growing rapidly.

**Long-term capital issues rising**

Borrowing costs on new issues of state and local governments and business corporations have been rising throughout the year and yields have been about 40 to 50 basis points higher than in the early part of 1958. In April and May rates were pushed up further as dealers' inventories of munipals grew heavier and several syndicates formed for District issues were terminated with unsold securities still on hand. Nevertheless, the volume of state and local placements may set a new record for the first six months of 1959 because of the large June calendar. Tax-exempts of $5 million or more from January through May totaled approximately $394 million, compared with $426 million in the comparable 1958 period. The calendar for June adds up to more than $350 million in new large issues. Last June, only $12 million in tax-exempts were offered, a large California issue then occurring in July.

Twelfth District corporations, on the other hand, have been less active in the capital markets this year. Corporate offerings by District firms in the “over $5 million” category totaled $203 million through May; in 1958 $363 million in corporate securities were brought to the market. The increase in corporate profits and the consequent improvement in the cash position of corporations has helped to reduce their need for external sources of financing at the present time. Higher borrowing costs may also be acting as a deterrent. Plant and equipment expenditures, furthermore, though expected to rise later this year, are still at relatively low levels.

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**Consumer Durable Expenditures**

The very sharp rise in dollars spent by consumers for all kinds of durables immediately following World War II reflected the famine of the previous four years. Since this initial splurge, there has been marked volatility in consumer durable outlays. From the first quarter of 1949 to the top of the Korean War boom in the third quarter of 1950, spending on consumer durables rose more than 55 percent, and from the third quarter of 1954 to the same period in 1955 the rise was almost 30 percent. Sharp declines in such spending have also been recorded, including a 25 percent drop from the peak in
the third quarter of 1950 to the second quarter of 1951. (Chart 1)

Consumer durable outlays, from quarter to quarter, have generally fluctuated more during the postwar period than plant and equipment spending by business. Furthermore, in terms of timing, spending on consumer durables has been less closely related to fluctuations in economic activity than business spending for fixed capital. (Chart 2) Perhaps the most outstanding characteristic has been the tendency of durables spending to recover before activity generally or to rise in the very early stages of a general upswing.
Both the volatility and the cyclical characteristics of outlays on durables reflect the pull and tug of special conditions such as consumer credit controls and changing consumer credit terms, the early postwar backlogs of demand, the availability of products and model changes, and a cut in personal income taxes in the early stages of the 1953-54 recession, as well as the more normal forces of income levels, levels of home construction, indebtedness, and the stock and age of durables.

The meteoric rise in durables spending after World War II, its volatility, and its tendency to lead recovery raise questions about its role in the current recovery. Simple analogy might suggest that the rise now under way will soon reach proportions of some of the earlier surges. Such a development would parallel the record of previous recoveries and would fit those analyses which emphasize the recent rise in personal income as the dominant force in consumer spending on durables. However, the stock of durables relative to income and population is currently much greater than in prior years, consumer indebtedness is high, and family formation is low. Consequently, a broader view of consumer spending on durables seems advisable, and examination of some of the better known forces can help provide a useful perspective.

**Long-run Forces**

Surveys of consumer spending on durables indicate that the higher the income bracket the greater the proportion of spending units which purchase durables. Department of Commerce estimates show an upward shift of family units in the income distribution (in constant dollars) from 1947 to 1957, and a decline in the percentage of units receiving less than $4,000 a year in real income. (Table 1) In the $4,000 to $6,000 range, the proportion of consumer units remained unchanged from 1947 to 1957. The greatest absolute and relative growth occurred in the $6,000 to $10,000 bracket, with substantial gains in the brackets above $10,000. There has consequently been a tendency in the postwar period for those units which spend most heavily on consumer durables to increase both relatively and absolutely, while the population in the lower spending brackets has declined.

**The life cycle of population units**

Another important set of factors considered as influencing spending on durables is the life cycle of a spending unit, family status, and home ownership. For example, home ownership has grown steadily in the postwar period, and the proportion of dwellings occupied by owners has increased from 44 percent in 1940 to 60 percent in 1956. In the 1947-56 period, spending units owning their own homes spent about 17 percent of their incomes on durables, compared with 10.5 percent for all renters. Married couples tended to spend more than single individuals. The heaviest spenders on durable goods (relative to income) were married couples under age 35, followed closely by couples in the 35 to 44 year age bracket. Families without chil-

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**Table I**

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Millions of Consumer Units 1957</th>
<th>Millions of Consumer Units 1947</th>
<th>Percentage Distribution of Consumer Units 1957</th>
<th>Percentage Distribution of Consumer Units 1947</th>
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<tr>
<td>Under $2,000</td>
<td>7.3</td>
<td>8.0</td>
<td>14</td>
<td>18</td>
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<tr>
<td>$2,000-3,999</td>
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<td>13.7</td>
<td>23</td>
<td>31</td>
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<td>11.5</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>$6,000-7,999</td>
<td>9.6</td>
<td>5.6</td>
<td>18</td>
<td>12</td>
</tr>
<tr>
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<td>2.5</td>
<td>9</td>
<td>6</td>
</tr>
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<td>5</td>
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<td>1.3</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>53.5</td>
<td>44.7</td>
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<td>100</td>
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</tbody>
</table>

Children tended to be heavier spenders than those with youngsters.

Persons 45 years old or over tended to have lower spending rates because they may have been under less pressure to expand their stock of durables than younger couples. A recent study of consumer spending for durables found that the more recent the marriage the higher the spending rate. No doubt families or individuals over 45 may be interested in new types of durables and in replacing existing equipment. The evidence available, however, suggests that the older the head of a spending unit and the longer a household has been established, the less the spending on durables relative to income.

Rapid family formation in the early postwar years added to other factors which induced a high rate of spending on durables. From 1946 to 1950, the increase in married couples was much larger than in the following eight years. Moreover, the number of couples without their own households dropped more sharply during this period than it has since 1950. Consequently, couples with their own dwellings increased more rapidly than the number of married couples.

Projections of population show a continuing decline in the number of new households through 1960 followed by a gradual rise for several years. It is also likely that the proportion of households headed by persons under 35 will continue to decline in the near future.

**The financial position of consumers**

Consumer debt and liquid assets are another influence in spending on durables. One view of the burden of debt on consumers is derived by comparing instalment debt to personal income after taxes. Just prior to World War II the ratio of instalment debt to income was 7 percent. This ratio was very low at the end of the war due to consumer credit controls and the dearth of durables (especially the lack of new car production), but by 1955 it had risen to 10.5 percent of income after taxes. At the end of 1957, instalment credit amounted to 11.1 percent of income, but last year it receded to about the 1955 ratio. Another view is afforded by comparing total contractual payments (those on consumer debt, mortgages, real estate taxes, insurance and pensions, and tenants' rents) to income after taxes. Based on a study by the National Industrial Conference Board, these payments were at the exceedingly low level of about 10.5 percent in 1944, but had climbed to 24.4 percent in 1958.

How are such ratios evaluated? If all other things remained equal, a high ratio would obviously be much less favorable than a low one. The average ratio of some period before the war might conceivably be taken as a measure of "normality." In the late 1930's the ratio of contractual payments to income stood below 20 percent. Consumers now have higher than this "norm" of fixed payments, but all other things did not remain the same. Real income has risen substantially over the
years, and spending for food, clothing, and other so-called essentials has risen much less rapidly, leaving a greater margin for major purchases. One cannot say with certainty, therefore, at what point debt or fixed payment ratios become critical when other relevant factors are changing.

Consumer holdings of liquid assets, such as currency, deposits, savings and loan shares, and Government securities, also may influence spending. In 1940, liquid assets totaled about 70 percent of income after taxes; at the end of World War II they were 125 percent. Some observers have regarded this high level as an important influence on the immediate postwar spending surge. Since 1946 the ratio of liquid assets to disposable income has fallen fairly steadily, but slowly, and in 1958 was still about 95 percent. Here again some dampening effect is apparent, but only in comparison with a period of unusual liquidity brought about by years of rising income and strong restrictions on spending.

The stock of goods

Still another factor influencing spending on durables in both the long- and short-run is the stock of such goods already owned by consumers. Near the end of World War II, stocks of most durables were low and the age of many items placed them in or beyond what might be considered the normal replacement period. By 1948 a significant increase in stocks and in replacements was achieved. Subsequently, there was a considerable further expansion in the stock of durables. For example, the proportion of spending units owning cars increased from 50 percent in 1948 to 70 percent in 1958. While ownership of more than one automobile became increasingly common for a number of postwar years (in 1956, 9 percent of the spending units owned more than one car, compared with less than 5 percent in 1948), the increase in the number of two-car spending units has been much slower since 1956. The present relatively high rate of automobile ownership and the slower growth in multiple ownership may indicate a smaller unpenetrated market than in earlier years. Expansion in the stock of automobiles may depend more upon the number of people entering the ownership age brackets than in the early postwar period. The number of persons reaching the car-owning age brackets is not likely to increase much until after 1960.

The growth in stocks of furniture and household appliances has been accompanied by a reduced rate of spending in terms of income since the scare buying of 1950. During the early postwar years a good part of the deficit in stocks held by consumers was eliminated; since then an increasing part of the demand has reflected replacements. Expansion in use of certain appliances and the effects of an increasing number of housing units and families have provided a margin of new demand, but not so much as prior to 1950. Net family formation in recent years has averaged about 2 percent, compared with 3.5 percent in the period 1946-50, and housing starts have not continued the trend of growth achieved through 1955.
Despite fluctuations, spending has been steadier for household goods than for autos. The considerably smaller average outlay for furniture and appliances may have made such expenditure less sensitive to income change. The variety of household goods may also have prevented the marked sensitivity to changes in stocks in any one year that is evident for automobiles. An increase in overall stocks does not affect all household items similarly and available market potential varies as well. The still large potential for home freezers, dryers, dishwashers, and floor polishers may moderate declines in other items. Furthermore, model changes have less influence on the replacement of household goods than of automobiles; the average number of years' use for most household durables is considerably greater.

Spending for other consumer durables (jewelry, cameras, toys, sporting goods, shop equipment, and other personal durables) has shown steady growth since 1949, increasing slightly more than disposable income. The wide range of items, combined with a continuous diversification of demand for recreational goods and do-it-yourself equipment, has stimulated their demand. Except for the early postwar years, when purchases of jewelry and other durables not restricted by war conditions were declining, outlays for these items have resisted the moderate declines in income and have increased even in recession years.

Long-run income developments and prospects constitute an expansionary factor as do diversification of demand and the variegation of household and other durables available. Population changes in recent years and for the near future appear moderately restrictive because of lower family formation rates and an age distribution less favorable to spending, although later in the 1960's these factors are likely to be reversed. The long-run tendency in the debt and liquid assets position of consumers at best appears neutral, but the rise in debt ratios could be interpreted as providing a restraint on growth of expenditures. The increase in stocks seems to provide a barrier to any prolonged sharp upsurge in durable outlays. While the long-run forces appear to be either in balance or moderately contractionary, with income growth and the increasing variety of goods offset or perhaps overbalanced by other factors, the short-run forces can still provide a different view in any given year.

**Short-run Factors**

Spending on consumer durables fell almost 10 percent between the third quarter of 1957 and the second quarter of 1958, and the drop in the annual total was almost 7 percent between 1957 and 1958. As is so often the case, spending on automobiles between the two years declined more sharply, about 18 percent in dollar volume, 25 percent in new car units. Since consumer income fell only 1 percent after adjustment for price changes, this decline seems quite large, but automobile sales typically fluctuate more sharply than income.

The change in income, stocks, and the size of the monthly payment were all unfavorable for automobile sales last year. They were certainly no more favorable to spending on household or other durables, yet outlays for furniture and appliances declined very little between 1957 and 1958, and spending on other durables rose slightly. The more moderate response of spending on household durables than on automobiles to changes in income is one explanatory factor. Another important influence was the strong upsurge in homebuilding early in 1958 which was followed by a rise in outlays on household durables during the second half of the year.

**The current situation**

The recovery under way since April 1958 has brought about a rise in personal dispos-
able income of 5 percent. The rise in dollar receipts represents a comparable gain in real income because of the almost inconsequential change in prices over the past 12 months. If a further expansion of income occurs in 1959, the base for consumer spending on durables will be broadened. Because of the low volume of automobile sales in 1958, the stock of automobiles increased less than 2 percent, a smaller rise than in other recent years. Credit terms have tended to become easier in the past year, primarily through the device of writing a higher percentage of contracts in the 24 to 36 month range. This easing, however, may have been offset by the rise in new car prices for the 1959 models. Changes in income and the stock of automobiles suggest the possibility of a substantial rise in new car sales this year—sales through May were 29 percent above 1958.

The improvement in income augurs well for household durables, but in this case the homebuilding upswing is also a highly expansionary factor. As already noted, the rise in spending on appliances and furniture moved up sharply in the second half of 1958 in the wake of increased home construction. A 55 percent rise in housing starts was recorded between March and December (on a seasonally adjusted annual rate basis) and the number of starts in December 1958 was near the all-time high. After a decline in January and February, housing starts recovered in March and April to slightly below the December level. Despite a decline from April, May housing starts were still well above the average level of recent years, and the volume of work in process will probably continue high for some months to come.

Recent statistics reflect some of the effects on household durable sales of the rise in homebuilding and income. Distributors’ sales of appliances to dealers were about 30 percent higher for a number of items in the first four months of this year than in 1958, although some of this rise represents increases in dealer inventories. Retail sales of household durables in April were 23 percent ahead of a year ago. The short-run forces favor continued expansion in the household durables field, but expectations of surges as vigorous as in 1950 or even 1955 may meet with disappointment. Demand for household durables is currently receiving little stimulus from long-run factors.

**An Overall View**

Scare buying in 1950 created a new peak in the rate of spending on durables, and a sharp easing in consumer credit terms along with a housing boom contributed significantly to the near-record rate in 1955. Eliminating 1950, 1955, and recession years, the overall rate of spending on durables is about as high currently as before 1950. Three elements can be distinguished in recent consumer spending on durable goods: the changing long-run growth forces, the 1957-58 recession, and the current upswing. Long-run forces have considerably less strength currently than in the late 1940’s; there has been a gradual decline in such strength since 1950. In keeping with this observation, the recent recession had a more adverse effect on spending on consumer durables than earlier declines in the postwar period. The current upswing in spending on automobiles, household goods, and other durables is in large measure a reflection of favorable short-run forces. If there is a continuing rise in personal income and a large volume of residential construction in process for most of 1959, the outlook will be promising, but it will lack the bonanza glow of years like 1950 or 1955.