

aid plans would prevent or at least mitigate the sharp drop in exports which had been expected as the result of the rapid depletion of foreign purchasing power was a major factor improving near-term business expectations. These in turn were reflected in more liberal buying of goods with the result that inventories rose at an accelerated rate. Wage increases contributed to the summer's developments by increasing costs of production as well as by adding to consumer purchasing power. High farm income, largely a consequence of higher prices, in turn contributed to the maintenance of demand. The redemption of the veterans' terminal leave bonds in September also gave a fillip to personal incomes toward the end of the quarter. With domestic demand strong and a continued heavy export demand expected, the reduction in the corn crop constituted a further strong incentive for price rise.

Main Developments Summarized

The main developments in expenditures for gross national product and in the shares of income which reflect the tendencies discussed above can be summarized as follows:

1. Total demand for domestic business investment increased moderately from 29 billion dollars to 30 billion at annual rates between the second and third quarters. Purchases of producers' durable equipment, whose rise had been progressively tapering off, continued at the high level reached in the second quarter. New private construction activity moved upward, mainly in the nonfarm residential component. The activity figures do not yet reflect fully the pronounced increase in residential starts which followed after the hesitation of winter and spring. Inventory accumulation which had dropped sharply by the end of the second quarter was resumed and rose to substantial levels by the end of the third. The resumption of inventory buying, like the previous slackening, occurred mainly in nondurable goods. Durable goods' inventories continued to be accumulated throughout the year.

2. Approximately offsetting the increase in domestic investment, net foreign purchases of American goods and services dropped from the second quarter high of 10.5 billion to an annual rate of 7.7 billion dollars in the third quarter. The drop was due mainly to the depletion of the dollar and gold holdings of foreign nations which was referred to in the analysis of the second quarter national product figures in the August issue and discussed in greater detail in the quarterly reviews of the balance of payments. About 2 billion of the decline reflected a decrease in foreign purchases of the output of American business. The remaining billion was due to smaller Government sales of surplus property abroad, and is offset by a corresponding increase in Federal purchases of goods and services which are reported on a net basis.

3. Consumer purchases increased by 4 billions at annual rates between the second and third quarters. The increase that occurred in durable goods reflected to a large extent a spontaneous increase in response to more ample supplies of scarce items, and was an independent factor in maintaining economic activity. Other increases, however, are largely explained by the movement of disposable income (see below) and also by increased prices, which consumers were willing to pay rather than to curtail correspondingly their real consumption.

4. Government purchases increased slightly between the second and third quarters reflecting a moderate expansion of State and local expenditures. Gross Federal purchases declined moderately.

Table I.—National Income and Product, First Three Quarters of 1947

[Billions of dollars]

	Unadjusted			Seasonally adjusted, at annual rates		
	I	II	III	I	II	III
NATIONAL INCOME BY DISTRIBUTIVE SHARES						
National income.....	48.9	50.2	(1)	197.6	200.1	(1)
Compensation of employees.....	30.9	31.7	32.3	124.9	128.3	129.7
Wages and salaries.....	29.5	30.3	31.1	119.4	120.9	124.7
Private.....	24.9	25.8	27.1	101.5	103.5	107.3
Military.....	1.2	1.0	1.0	4.6	4.1	3.9
Government civilian.....	3.4	3.4	3.0	13.3	13.2	13.4
Supplements to wages and salaries.....	1.4	1.4	1.2	5.4	5.5	5.0
Proprietors' and rental income ²	11.8	11.8	11.8	47.0	47.2	47.3
Business and professional.....	5.6	5.5	5.5	22.4	21.9	22.1
Farm.....	4.4	4.5	4.5	17.6	18.0	17.9
Rental income of persons.....	1.8	1.8	1.8	7.0	7.2	7.3
Corporate profits and inventory valuation adjustment.....	5.5	5.8	(1)	22.4	23.3	(1)
Corporate profits before tax.....	7.1	6.9	(1)	29.0	27.4	(1)
Corporate-profits tax liability.....	2.0	2.7	(1)	11.6	10.8	(1)
Corporate profits after tax.....	4.3	4.2	(1)	17.4	16.6	(1)
Inventory valuation adjustment.....	-1.7	-1.0	-1.1	-6.6	-4.1	-4.5
Net interest.....	.8	.8	.8	3.3	3.3	3.4
Addendum: Compensation of general government employees.....	4.5	4.4	3.7	17.6	17.0	16.4
GROSS NATIONAL PRODUCT OR EXPENDITURE						
Gross national product.....	54.3	56.5	56.7	223.1	229.1	232.3
Personal consumption expenditures.....	37.4	40.2	39.9	158.0	162.0	166.0
Durable goods.....	4.2	4.7	4.6	18.5	19.2	19.9
Nondurable goods.....	22.2	24.3	23.8	95.3	97.8	100.0
Services.....	11.0	11.2	11.5	44.2	45.0	46.1
Gross private domestic investment.....	7.9	6.6	8.1	29.4	29.1	30.4
New construction.....	2.1	2.4	3.0	10.3	9.6	10.4
Residential nonfarm.....	.9	1.0	1.4	4.4	4.1	4.8
Other.....	1.3	1.3	1.6	5.8	5.5	5.6
Producers' durable equipment.....	4.1	4.5	4.5	16.5	18.0	18.0
Change in business inventories.....	1.7	-.3	.6	2.7	1.5	2.0
Net foreign investment.....	2.1	2.6	1.9	8.3	10.5	7.7
Government purchases of goods and services.....	6.9	7.0	6.8	27.4	27.5	28.2
Federal.....	4.6	4.4	4.2	18.2	17.4	16.7
Less: Government sales.....	.6	.5	.2	2.2	1.8	.9
State and local.....	2.9	3.1	2.9	11.4	11.9	12.5
DISPOSITION OF PERSONAL INCOME						
Personal income.....	47.1	48.2	49.7	190.9	192.3	200.4
Less: Personal tax and nontax payments.....	8.7	4.0	4.6	21.2	21.4	21.7
Federal.....	8.1	3.5	4.2	19.4	19.6	19.9
State and local.....	.5	.5	.4	1.7	1.8	1.9
Equals: Disposable personal income.....	38.4	44.2	45.0	169.7	170.9	178.7
Equals: Personal-consumption expenditures.....	37.4	40.2	39.9	158.0	162.0	166.0
Equals: Personal saving.....	1.0	3.9	5.2	11.7	8.9	12.7
RELATION OF GROSS NATIONAL PRODUCT, NATIONAL INCOME, AND PERSONAL INCOME						
Gross national product.....	54.3	56.5	56.7	223.1	229.1	232.3
Less: Capital-consumption allowances.....	3.0	3.0	3.1	11.9	12.1	12.2
Indirect business tax and nontax liability.....	4.2	4.3	4.5	17.2	17.3	17.6
Business transfer payments.....	.1	.1	.1	.5	.5	.5
Statistical discrepancy.....	-2.0	-1.1	(1)	-4.2	-.7	(1)
Plus: Subsidies less current surplus of government enterprises.....	-.0	.0	-.0	-.2	.2	-.1
Equals: National income.....	48.9	50.2	(1)	197.6	200.1	(1)
Less: Corporate profits and inventory-valuation adjustment.....	5.5	5.8	(1)	22.4	23.3	(1)
Contributions for social insurance.....	1.5	1.5	1.3	5.9	5.9	5.2
Excess of wage accruals over disbursements.....	.0	.0	.0	.0	.0	.0
Plus: Government transfer payments.....	2.6	2.5	3.3	10.4	10.1	13.7
Net interest paid by government.....	1.1	1.3	1.0	4.5	4.5	4.6
Dividends.....	1.4	1.5	1.5	6.2	6.3	6.5
Business transfer payments.....	.1	.1	.1	.5	.5	.5
Equals: Personal income.....	47.1	48.2	49.7	190.9	192.3	200.4

¹ Not available.

² Includes noncorporate inventory-valuation adjustment.

Source: U. S. Department of Commerce, Office of Business Economics.

5. Owing to the absence of information on corporate profits, complete data on national income in the third quarter are not yet available. But it is clear that the outstanding change was the rise in private pay rolls, due to a large extent to wage-rate increases which took effect in the third quarter or whose full effect was reflected in the third quarter for the first time. Comprehensive data on hourly earnings covering all private pay rolls are not available, but information on pay rolls accounting for two-thirds of the total, and including manufacturing, mining, construction, trade, and the railroads indicates that 75 percent of the third quarter increase in pay

Monthly Business Statistics

The data here are a continuation of the statistics published in the 1942 Supplement to the SURVEY OF CURRENT BUSINESS. That volume contains monthly data for the years 1938 to 1941, and monthly averages for earlier years back to 1913 insofar as available; it also provides a description of each series and references to sources of monthly figures prior to 1938. Series added or revised since publication of the 1942 Supplement are indicated by an asterisk (*) and a dagger (†), respectively, the accompanying footnote indicating where historical data and a descriptive note may be found. The terms "unadjusted" and "adjusted" used to designate index numbers refer to adjustment of monthly figures for seasonal variation.

Data subsequent to September for selected series will be found in the Weekly Supplement to the Survey.

Unless otherwise stated, statistics through 1941 and descriptive notes may be found in the 1942 Supplement to the Survey	1946				1947							
	Sep-tem-ber	Octo-ber	Novem-ber	Decem-ber	Janu-ary	Febru-ary	March	April	May	June	July	August

GENERAL BUSINESS INDICATORS

GENERAL BUSINESS INDICATORS													
NATIONAL INCOME AND PRODUCT *													
Seasonally adjusted quarterly totals at annual rates:													
National income..... bil. of dol.	179.9			191.0			197.6			† 200.1			(1)
Compensation of employees..... do.	119.2			122.2			124.9			† 126.3			129.7
Wages and salaries..... do.	113.6			117.1			119.4			† 120.9			124.7
Private..... do.	93.8			98.0			101.5			† 103.5			107.3
Military..... do.	6.7			5.6			4.6			4.1			3.9
Government civilian..... do.	13.2			13.5			13.3			† 13.2			13.4
Supplements to wages and salaries..... do.	5.5			5.1			5.4			5.5			5.0
Proprietors' and rental income..... do.	41.9			46.7			47.0			† 47.2			47.3
Business and professional..... do.	19.9			22.0			22.4			† 21.9			22.1
Farm..... do.	15.2			17.8			17.6			18.0			17.9
Rental income of persons..... do.	6.8			7.0			7.0			7.2			7.3
Corporate profits and inventory valuation adjustment..... bil. of dol.	15.6			18.8			22.4			23.3			(1)
Corporate profits before tax..... do.	22.9			27.1			29.0			27.4			(1)
Corporate profits tax liability..... do.	9.3			11.0			11.6			10.8			(1)
Corporate profits after tax..... do.	13.5			16.1			17.4			16.6			(1)
Inventory valuation adjustment..... do.	-7.3			-8.3			-6.6			-4.1			(1)
Net interest..... do.	3.2			3.2			3.3			3.3			3.4
Gross national product..... do.	207.5			218.6			† 223.1			† 229.1			232.3
Personal consumption expenditures..... do.	147.3			154.9			† 158.0			† 162.0			166.0
Durable goods..... do.	16.2			18.2			† 18.5			† 19.2			19.9
Nondurable goods..... do.	88.9			93.6			† 95.3			† 97.8			100.0
Services..... do.	42.1			43.1			† 44.2			† 45.0			46.1
Gross private domestic investment..... do.	27.0			30.4			† 29.4			† 29.1			30.4
New construction..... do.	8.9			9.3			10.3			† 9.6			10.4
Producers' durable equipment..... do.	13.2			15.7			† 16.5			† 18.0			18.0
Change in business inventories..... do.	4.9			5.4			2.7			1.5			2.0
Net foreign investment..... do.	4.5			5.2			† 8.3			† 10.5			7.7
Government purchases of goods and services..... bil. of dol.	28.6			28.2			† 27.4			† 27.5			28.2
Federal (less Government sales)..... do.	18.2			16.9			† 16.0			† 15.6			15.8
State and local..... do.	10.4			11.2			† 11.4			† 11.9			12.5
Personal income..... do.	179.5			187.5			190.9			† 192.3			200.4
Less: Personal tax and nontax payments..... do.	19.1			19.5			† 21.2			† 21.4			21.7
Equals: Disposable personal income..... do.	160.4			168.0			† 169.7			† 170.9			178.7
Personal savings §..... do.	13.1			13.1			† 11.7			† 8.9			12.7
PERSONAL INCOME*													
Seasonally adjusted, at annual rates:													
Total personal income..... bil. of dol.	178.5	184.0	188.4	189.9	190.3	190.7	191.8	190.2	191.5	195.1	196.1	† 194.9	210.3
Wage and salary receipts, total..... do.	113.0	113.6	115.4	117.0	117.1	117.5	117.5	116.7	118.3	121.1	121.2	† 122.5	124.3
Total employer disbursements..... do.	114.8	115.4	117.2	118.8	119.2	119.6	119.6	118.9	120.4	123.2	123.3	† 124.6	126.3
Commodity-producing industries..... do.	49.4	49.5	50.6	52.3	53.1	53.2	53.7	53.2	54.1	55.5	55.1	† 56.2	57.4
Distributive industries..... do.	31.8	32.0	33.0	33.5	33.5	33.7	33.7	33.4	34.2	35.3	35.5	† 35.7	36.2
Service industries..... do.	14.1	14.2		14.4	14.6	14.6	14.6	14.8	14.9	15.2	15.4	† 15.3	15.2
Government..... do.	19.5	19.7	19.2	18.6	18.0	18.1	17.6	17.5	17.2	17.2	17.3	† 17.4	17.5
Less employee contributions for social insurance..... bil. of dol.	1.8	1.8	1.8	1.8	2.1	2.1	2.1	2.2	2.1	2.1	2.1	† 2.1	2.0
Other labor income..... do.	1.6	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.8	1.8	1.8	† 1.8	1.8
Proprietors' and rental income..... do.	39.5	45.3	47.6	47.2	46.6	46.8	47.7	46.9	46.9	47.6	47.8	† 45.9	48.2
Personal interest income and dividends..... do.	13.3	13.3	13.5	13.7	13.9	14.0	14.0	14.0	14.0	14.1	14.2	† 14.3	14.8
Total transfer payments..... do.	11.1	10.2	10.3	10.4	11.1	10.7	10.9	10.9	10.5	10.5	11.1	† 10.4	21.2
Total nonagricultural income..... do.	162.0	162.7	165.6	167.3	168.2	168.5	168.8	167.8	169.2	171.9	172.3	† 173.1	187.5
NEW PLANT AND EQUIPMENT EXPENDITURES*													
All industries, total..... mil. of dol.													
Electric and gas utilities..... do.	3,310			3,730			3,160			3,940			4,070
Manufacturing and mining..... do.	280			360			330			450			510
Railroad..... do.	1,810			1,920			1,600			2,010			2,010
Commercial and miscellaneous..... do.	160			180			160			220			290
	1,070			1,280			1,080			1,260			1,250
FARM INCOME AND MARKETINGS													
Cash farm income, total, including Government payments*..... mil. of dol.													
From marketings and C. C. C. loans*..... do.	2,123	3,401	2,999	2,438	2,284	1,897	2,076	1,974	2,026	2,211	2,662	2,510	† 3,054
Crops*..... do.	2,110	3,386	2,986	2,420	2,248	1,853	2,010	1,914	1,989	2,185	2,657	2,505	† 3,049
Livestock and products*..... do.	1,211	1,562	1,450	999	918	707	692	594	621	743	1,205	1,187	1,497
Dairy products*..... do.	899	1,524	1,436	1,421	1,330	1,146	1,318	1,320	1,368	1,442	1,452	1,318	1,552
Meat animals*..... do.	342	343	315	317	330	292	345	345	379	392	382	353	334
Poultry and eggs*..... do.	302	875	933	829	807	667	743	726	705	782	785	711	958
	236	288	274	266	187	181	224	236	261	234	251	232	244

* Revised. † Not yet available. § Personal savings is the excess of disposable income over personal consumption expenditures shown as a component of gross national product above.

* New series. Quarterly data for 1939-46 and annual data beginning 1929 for national income and gross national product and monthly data for 1929-46 for personal income are published in the "National Income Supplement to Survey of Current Business", which is available from the Superintendent of Documents, Washington, D. C., for 25 cents; these series are compiled by the U. S. Department of Commerce. For source and a brief description of the series on plant and equipment expenditures, see note marked "*" on p. S-2 of the September 1947 Survey; third quarter of 1947 estimates are based on anticipated capital expenditures of business. Revisions for January 1945-May 1946 for farm income are available on request; see note in September 1947 Survey regarding earlier data.