National Product and Income in the Third Quarter of 1948

The market value of the Nation's output of goods and services, as measured by gross national product, rose to an annual rate of 256 billion dollars in the third quarter of 1948, an increase of 6 billion over the second quarter. The national income, which measures the Nation's output in terms of the incomes accruing in production, showed a comparable increase, although precise figures cannot yet be given because information on third-quarter corporate profits is not available.

Personal income rose by 5 billion dollars to an annual rate of 214 billion. This third major indicator of national economic activity consists of the current income receipts of persons from all sources and differs from national income by excluding incomes that are not distributed (such as undistributed corporate profits), and by including income receipts that are not derived from current production (such as social-security benefits and other transfers).

The third-quarter rise in the flow of incomes and of production was due to a continued increase in prices, as well as to larger physical volume based mainly on higher employment and some improvement in materials supplies.

Chart 3.—Gross National Product, by Major Components

Aggregate Demand Continues Strong in Third Quarter

Third-quarter expansion was a continuation of second-quarter developments (discussed in the August issue of the SURVEY). It was in contrast to the hesitancy of economic activity which was noticeable in the first quarter (May issue of the SURVEY). As will be recalled, this first-quarter hesitancy was shown in the first quarter break of farm prices and a leveling-off in other prices. It was traceable also in a large accumulation of inventories which, in part at least, could be diagnosed as involuntary and resulting from faster-than-anticipated purchases by consumers. The first-quarter increase of these purchases was less than any prior quarterly increase in the entire postwar period.

Three major developments that occurred at the turn of the first quarter contributed to the resumption of inflationary trends in the second: the reduction of individual income taxes, the enactment of the Foreign Assistance Act, and the prospect of increased military expenditures. Prices rose from their February lows; consumer expenditures expanded;

Table 3.—National Income and Product, First Three Quarters of 1948

1 Data are for goods and services.
2 "Gross National Product" for the years 1942-45 consists of the positive values shown on the chart minus the negative values shown for "Net Foreign Investment."

Sources of data: U. S. Department of Commerce, Office of Business Economics.

1 Detail will not necessarily add to totals because of rounding.
2 Not available.
3 Includes noncorporate inventory valuation adjustment.

## General Business Indicators

### National Income and Product

<table>
<thead>
<tr>
<th>Sector</th>
<th>1947</th>
<th>1948</th>
</tr>
</thead>
<tbody>
<tr>
<td>National income, total</td>
<td>227.9</td>
<td>248.5</td>
</tr>
<tr>
<td>Disposable personal income</td>
<td>192.9</td>
<td>204.4</td>
</tr>
<tr>
<td>Government</td>
<td>25.9</td>
<td>17.5</td>
</tr>
<tr>
<td>Distributive industries</td>
<td>19.8</td>
<td>19.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>14.4</td>
<td>15.0</td>
</tr>
<tr>
<td>Services</td>
<td>17.3</td>
<td>15.7</td>
</tr>
<tr>
<td>Government purchases of goods and services</td>
<td>25.3</td>
<td>26.0</td>
</tr>
<tr>
<td>Federal (less Government sales)</td>
<td>12.6</td>
<td>12.5</td>
</tr>
<tr>
<td>Total state and local government</td>
<td>15.7</td>
<td>12.5</td>
</tr>
<tr>
<td>Personal income</td>
<td>206.2</td>
<td>225.9</td>
</tr>
<tr>
<td>Less: Personal tax and nontax payments</td>
<td>168.8</td>
<td>178.5</td>
</tr>
<tr>
<td>Equals: Disposable personal income</td>
<td>37.4</td>
<td>47.5</td>
</tr>
<tr>
<td>Personal savings</td>
<td>17.6</td>
<td>20.3</td>
</tr>
</tbody>
</table>

### Personal Income by Source

<table>
<thead>
<tr>
<th>Source</th>
<th>1947</th>
<th>1948</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total personal income</td>
<td>377.7</td>
<td>401.4</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>296.6</td>
<td>320.4</td>
</tr>
<tr>
<td>Government</td>
<td>121.9</td>
<td>135.5</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>124.7</td>
<td>133.4</td>
</tr>
<tr>
<td>Services</td>
<td>30.6</td>
<td>34.5</td>
</tr>
<tr>
<td>Corporate profits</td>
<td>46.0</td>
<td>53.5</td>
</tr>
<tr>
<td>Interest</td>
<td>16.2</td>
<td>16.1</td>
</tr>
<tr>
<td>Government</td>
<td>17.3</td>
<td>17.6</td>
</tr>
<tr>
<td>Less employer contributions for social insurance</td>
<td>2.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Total nonagricultural income</td>
<td>387.4</td>
<td>414.7</td>
</tr>
</tbody>
</table>

### New Plant and Equipment Expenditures

<table>
<thead>
<tr>
<th>Industry</th>
<th>1947</th>
<th>1948</th>
</tr>
</thead>
<tbody>
<tr>
<td>All industries, total</td>
<td>4,410</td>
<td>4,940</td>
</tr>
<tr>
<td>Electric and gas utilities</td>
<td>500</td>
<td>620</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,870</td>
<td>2,280</td>
</tr>
<tr>
<td>Mining</td>
<td>180</td>
<td>210</td>
</tr>
<tr>
<td>Marine transportation</td>
<td>250</td>
<td>290</td>
</tr>
<tr>
<td>Other transportation</td>
<td>200</td>
<td>260</td>
</tr>
<tr>
<td>Commercial and miscellaneous</td>
<td>1,193</td>
<td>1,349</td>
</tr>
</tbody>
</table>

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* Revised.

1. Estimated based on anticipated capital expenditures of business.
2. Personal savings is excess of disposable income over personal consumption expenditures shown as a component of gross national product above.
3. Revised estimates. National income, gross national product, and personal income have been revised beginning 1944; see pp. 27-30 of the July 1948 Survey for the revised figures.