

The 1960-61 decline was matched in overall mildness by the advance which preceded it. Plant and equipment spending topped out last year, as earlier noted, without matching its 1957 peak volume. The shortfall was pronounced in the sensitive durable goods manufacturing industries and the railroad and mining groups, where the current cyclical cuts have been sharpest, as well as in nondurables manufacturing and public utilities. (See text table.) Net declines from peak to peak in these industries were substantially offset by the continuing uptrend in capital outlays of commercial firms and by the 1959-60 bulge in air transportation as the carriers rapidly converted their longer through routes to jet operations.

the past year reflected in part a natural tapering in the need to add to stocks as the expansionary phase of the business cycle matured. In part it was a reaction to the unusual pattern traced by business holdings in 1959 and early 1960 because of the steel strike. With increased productive capacity, and the steel stock rebuilding proving short-lived, changes in the outlook for material supplies came to be recognized rather abruptly, and there followed a large cutback in orders and a move to draw down stocks in a number of lines.

contrast to that recorded for the second half of last year, when a piling up of finished goods partially offset the continuing reductions in working stocks of producers.

**Government and Export Demand Strong**

As has been the case in other postwar business swings, the reduction in inventories has been most notable in durable goods producing and handling industries, where demand for final output dropped, and the especially marked shift in the supply outlook for steel reinforced this cyclical tendency.

The continued expansion in government purchases and transfers at a time when revenues have been falling has been one of the chief sustaining factors in the economy recently, making a substantial net contribution to the strength of the markets for private business output. At a \$145 billion annual rate for the winter quarter, total expenditures shown by the national income accounts for Federal, State and local governments (table 5) were up \$3½ billion from the fourth quarter of 1960 and \$9 billion from the spring of last year. At the same time revenues from corporate profit taxes in particular have dropped markedly.

Since 1961 opened, the sharpest cuts in inventories have centered in finished stocks, auto dealers' holdings of new cars in particular having been worked down at a time when they usually increase. This pattern is in

The continued postwar uptrend in State and local buying and the turnaround of Federal outlays since mid-

**Plant and Equipment Expenditures**

(Percent change)

	Peak to 3d quarter after peak		Peak to peak
	1960 II to 1961 I	1957 III to 1958 II	1957 III to 1960 II
Durable goods manufacturing, mining, and railroads.....	-14	-34	-13
Nondurable goods manufacturing and public utilities.....	-1	-19	-12
Commercial and other.....	-1	-4	+14
Airlines and other nonrail.....	-12	-23	+19
<b>Total.....</b>	<b>-5</b>	<b>-20</b>	<b>-4</b>

**Inventory selloff accelerates**

The inventory movement proceeded along cyclical lines, with liquidation accelerated in the first quarter to a seasonally adjusted annual rate well above \$4 billion. This compares with \$3 billion in the fourth quarter, the difference comprising nearly half the decline in total GNP in this period.

Accumulation had slowed progressively from early 1960 through mid-year, and turned to liquidation in the second half. The swing in inventories since GNP topped out in the second quarter has meant a \$10 billion annual rate decrease in demand from this source. Notwithstanding the resultant cut in earnings from production, major categories of final purchases have held up well, for the reasons earlier pointed out.

**Table 1.—Gross National Product in Current and Constant Dollars (I-3, I-5)**

	1958	1959	1960	1960				1961	1958	1959	1960	1960				1961					
				I	II	III	IV	I				I	II	III	IV	I					
				Seasonally adjusted at annual rates										Seasonally adjusted at annual rates							
				Billions of current dollars								Billions of 1954 dollars									
<b>Gross national product.....</b>	<b>444.2</b>	<b>482.1</b>	<b>503.2</b>	<b>501.3</b>	<b>505.0</b>	<b>503.5</b>	<b>503.5</b>	<b>499.8</b>	<b>401.0</b>	<b>428.0</b>	<b>439.2</b>	<b>440.5</b>	<b>442.2</b>	<b>438.0</b>	<b>437.0</b>	<b>432.4</b>					
<b>Personal consumption expenditures.....</b>	<b>293.5</b>	<b>313.8</b>	<b>327.8</b>	<b>323.3</b>	<b>329.0</b>	<b>328.3</b>	<b>330.8</b>	<b>328.8</b>	<b>273.6</b>	<b>289.4</b>	<b>296.8</b>	<b>294.8</b>	<b>298.3</b>	<b>296.9</b>	<b>297.6</b>	<b>294.7</b>					
Durable goods.....	37.3	43.4	43.6	44.2	44.5	42.7	43.2	39.2	35.6	40.8	41.2	41.8	41.9	40.2	41.2	37.5					
Nondurable goods.....	142.0	147.6	152.4	150.5	153.5	152.7	152.9	153.0	133.7	139.3	141.9	141.1	143.2	142.3	141.3	141.1					
Services.....	114.2	122.8	131.7	128.6	130.9	132.9	134.7	136.6	104.3	109.3	113.7	112.0	113.3	114.4	115.2	116.1					
<b>Gross private domestic investment.....</b>	<b>56.0</b>	<b>72.0</b>	<b>72.8</b>	<b>79.3</b>	<b>75.5</b>	<b>70.8</b>	<b>66.0</b>	<b>61.0</b>	<b>48.3</b>	<b>60.9</b>	<b>60.5</b>	<b>66.2</b>	<b>62.8</b>	<b>58.6</b>	<b>54.9</b>	<b>50.6</b>					
New construction.....	35.4	40.3	40.4	40.8	40.7	40.5	40.3	39.0	31.0	34.4	33.6	34.0	33.8	33.6	33.5	32.4					
Residential nonfarm.....	18.0	22.3	21.1	21.4	21.3	21.1	20.5	19.2	16.2	19.4	18.0	18.3	18.2	18.0	17.6	16.5					
Other.....	17.4	18.0	19.3	19.3	19.4	19.5	19.8	19.9	14.9	15.0	15.6	15.7	15.6	15.6	15.9	16.0					
Producers' durable equipment.....	23.1	25.8	28.8	27.1	29.5	29.7	28.7	26.5	19.4	21.3	23.7	22.4	24.2	24.4	23.8	21.9					
Change in business inventories.....	-2.5	5.9	3.6	11.4	5.3	.6	-3.0	-4.5	-2.2	5.2	3.2	9.8	4.8	.6	-2.4	-5.8					
Nonfarm.....	-3.6	5.4	3.2	11.0	5.0	.3	-3.4	-4.8	-3.1	4.9	2.8	9.4	4.5	.3	-2.8	-4.0					
Farm.....	1.0	.5	.4	.4	.3	.3	.4	.2	.9	.3	.4	.4	.3	.3	.5	.2					
<b>Net exports of goods and services.....</b>	<b>1.2</b>	<b>-1.0</b>	<b>3.0</b>	<b>1.2</b>	<b>2.0</b>	<b>3.7</b>	<b>4.6</b>	<b>5.3</b>	<b>-2.2</b>	<b>-2.4</b>	<b>1.6</b>	<b>-1.1</b>	<b>.7</b>	<b>2.2</b>	<b>3.4</b>	<b>3.8</b>					
Exports.....	22.7	22.9	26.5	25.2	26.4	27.3	27.0	27.4	21.4	21.9	25.2	23.8	25.2	25.8	25.8	26.2					
Imports.....	21.5	23.8	23.5	23.9	24.4	23.5	22.4	22.1	21.6	24.3	23.6	24.0	24.5	23.6	22.4	22.3					
<b>Government purchases of goods and services.....</b>	<b>93.5</b>	<b>97.1</b>	<b>99.7</b>	<b>97.5</b>	<b>98.6</b>	<b>100.7</b>	<b>102.1</b>	<b>104.7</b>	<b>79.3</b>	<b>80.2</b>	<b>80.3</b>	<b>79.6</b>	<b>80.3</b>	<b>80.3</b>	<b>81.1</b>	<b>83.3</b>					
Federal.....	52.6	53.3	52.4	51.8	51.7	52.7	53.3	54.7	44.5	43.6	41.6	41.8	41.8	41.2	41.4	42.6					
National defense.....	44.8	46.0	45.1	44.9	44.7	45.1	45.7	47.2	.....	.....	.....	.....	.....	.....	.....	.....					
Other.....	8.3	7.8	7.9	7.5	7.6	8.2	8.2	8.1	.....	.....	.....	.....	.....	.....	.....	.....					
Less: Government sales.....	.5	.5	.6	.5	.6	.6	.6	.6	.....	.....	.....	.....	.....	.....	.....	.....					
State and local.....	40.8	43.9	47.3	45.7	46.9	48.0	48.8	50.0	34.8	36.6	38.7	37.8	38.6	39.1	39.7	40.7					

The shift in inventory policy during

durable goods and construction. Both the falloff in corporate profits and that in compensation of employees have been concentrated in these industries.

At a \$293½ billion annual rate in the first quarter, employee compensation was down \$2 billion from the closing quarter of last year and about \$4 billion from the third quarter peak. As shown in table 2, a continued increase in government payrolls has been more than offset since last summer by a decline in private wages and salaries. The drop in the private segment from its mid-1960 high to the first quarter of 1961 amounted to \$5 billion—the same dollar reduction that was recorded in the combined total for durables manufacturing, mining, railroads, and contract construction. Changes in other industries were comparatively limited.

**Profits decline extended**

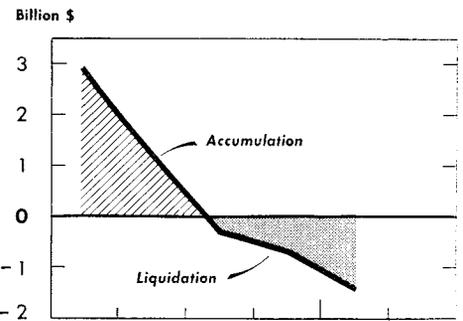
By the end of 1960 pre-tax profits as measured in the national income were already \$7 billion under their best 1960 quarter, and they have fallen somewhat further since the turn of the year (though sufficient data will not be available for some time to compute this portion of the first-quarter national income total). Profits experience in the latest

period appears particularly unfavorable by comparison with the opening quarter a year ago, when the peak of the 1959-60 advance was reached.

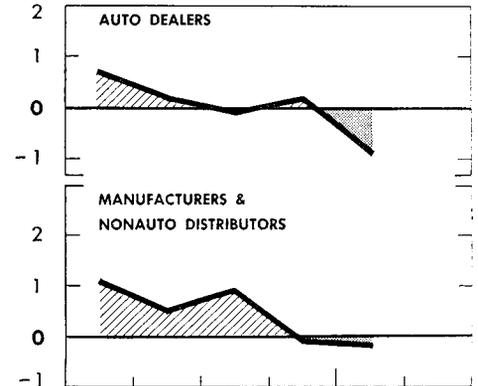
The fragmentary information provided by first-quarter financial reports of some of the largest companies has featured declines for a number of durable goods manufacturing industries and for the railroads. Income of iron and steel producers, which dropped sharply during 1960, seems to have continued downward in the opening months of 1961. Profits of auto makers and construction materials companies, which held up relatively better last year, also experienced sharp reductions in earnings after the turn of the year. The curtailment of durable goods production in the second half of 1960 has been reflected in lower railroad earnings; with this factor aggravated by unfavorable weather, several of the larger eastern lines have reported deficits for the first quarter of 1961.

In some other areas, profits have held up very well or even expanded. The service-type industries, notably communications and the public utilities, have continued their growth into this year. Some of the nondurables manufacturing lines have maintained the

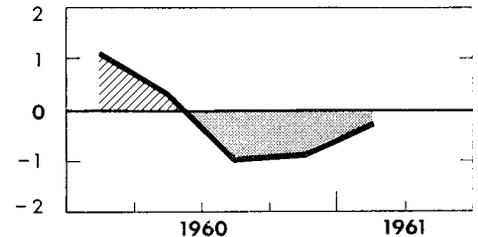
**Step-Up in Liquidation of BUSINESS INVENTORIES in 1st Quarter**



**Centered in FINISHED STOCKS . . .**



**While Cutback in Manufacturers' WORKING STOCKS Slowed**



1960 1961  
Quarterly Changes in Book Value of Inventories, Seasonally Adjusted

U. S. Department of Commerce, Office of Business Economics 61-5

**Table 3.—Gross National Product by Major Type of Product in Current and Constant Dollars (I-6, I-7) <sup>1</sup>**

	1958			1960				1961	1958			1960				1961
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
Billions of current dollars								Billions of 1954 dollars								
<b>Gross national product</b> .....	444.2	482.1	503.2	501.3	505.0	503.5	593.5	499.8	401.0	428.0	439.2	440.5	442.2	438.0	437.0	432.4
Final sales.....	446.7	476.1	499.6	489.9	499.7	503.0	506.5	504.4	403.2	422.8	436.0	430.7	437.4	437.4	439.4	436.1
Inventory change.....	-2.5	5.9	3.6	11.4	5.3	.6	-3.0	-4.5	-2.2	5.2	3.2	9.8	4.8	.6	-2.4	-3.8
<b>Goods output</b> .....	229.1	249.9	257.8	261.0	261.3	255.7	253.1	247.4	211.2	228.3	233.8	237.5	237.1	231.5	229.1	223.6
Final sales.....	231.6	244.0	254.2	249.6	256.1	255.1	256.0	251.9	213.4	223.1	230.6	227.7	232.3	230.9	231.5	227.3
Inventory change.....	-2.5	5.9	3.6	11.4	5.3	.6	-3.0	-4.5	-2.2	5.2	3.2	9.8	4.8	.6	-2.4	-3.8
Durable good output.....	80.2	94.1	96.1	101.7	98.0	93.9	90.8	84.0	71.5	82.1	83.8	88.7	85.3	81.4	79.8	73.5
Final sales.....	83.3	91.0	93.9	91.8	94.9	91.0	94.8	90.2	74.2	79.5	81.9	80.4	82.6	81.5	83.1	78.9
Inventory change.....	-3.1	3.1	2.2	9.8	3.1	-1.1	-3.9	-6.2	-2.7	2.6	1.9	8.3	2.7	-1.1	-3.4	-5.4
Nondurable goods output.....	148.9	155.8	161.7	159.3	163.3	161.8	162.3	163.1	139.7	146.2	150.0	148.8	151.8	150.1	149.3	150.0
Final sales.....	148.3	153.0	160.3	157.8	161.1	161.1	161.3	161.7	139.2	143.6	148.7	147.3	149.6	149.4	148.3	148.4
Inventory change.....	.6	2.8	1.4	1.5	2.2	.7	1.0	1.6	.5	2.5	1.4	1.5	2.2	.7	1.0	1.6
<b>Services</b> .....	164.3	175.9	188.7	184.0	187.0	190.8	193.4	193.0	145.3	151.6	157.9	155.6	157.4	158.8	160.0	161.4
<b>Construction</b> .....	50.8	56.3	56.6	56.3	56.7	57.0	57.2	56.5	44.4	48.1	47.5	47.4	47.6	47.7	47.9	47.4

<sup>1</sup> For quarterly data beginning 1947, see SURVEY OF CURRENT BUSINESS, November 1960, pages 18 and 19.

earnings levels they reached early last year, and the petroleum industry, in particular, reported higher profits in the March quarter due to a large heating-oil demand, an improved supply-demand-price position, and cutbacks in costs.

Profits data now available for the full year 1960 show a slight reduction from 1959. Pulled down by a \$41 billion fourth quarter rate, pretax earnings and IVA totaled \$44½ billion as against \$46½ billion the year before. After-tax net income was \$23 billion, \$1 billion under the 1959 total.

# Monthly BUSINESS STATISTICS



THE STATISTICS here are a continuation of the data published in the 1959 edition of BUSINESS STATISTICS, biennial Statistical Supplement to the SURVEY OF CURRENT BUSINESS. That volume (price \$2.25) contains monthly (or quarterly) data for the years 1955 through 1958 and monthly averages for all years back to 1929 insofar as available; it also provides a description of each series and references to sources of monthly figures prior to 1955. Series added or significantly revised since publication of the 1959 BUSINESS STATISTICS are indicated by an asterisk (\*) and a dagger (†), respectively; certain revisions for 1958 issued too late for inclusion in the aforementioned volume appear in the monthly SURVEY beginning with the July 1959 issue. Except as otherwise stated, the terms "unadjusted" and "adjusted" refer to adjustment for seasonal variation.

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Unless otherwise stated, statistics through 1958 and descriptive notes are shown in the 1959 edition of BUSINESS STATISTICS	1960										1961			
	March	April	May	June	July	August	September	October	November	December	January	February	March	April

## GENERAL BUSINESS INDICATORS

NATIONAL INCOME AND PRODUCT †														
Seasonally adjusted quarterly totals at annual rates: †														
National income, total..... bil. of dol.														
414.4				419.4				419.3				416.9		
Compensation of employees, total..... do	290.2			295.0				297.2				295.2		293.3
Wages and salaries, total..... do	268.7			273.1				274.9				273.2		271.5
Private..... do	222.1			225.5				226.0				223.6		221.2
Military..... do	9.9			10.0				10.1				10.3		10.4
Government civilian..... do	36.7			37.6				38.8				39.3		39.9
Supplements to wages and salaries..... do	21.5			21.9				22.3				22.0		21.8
Proprietors' income, total <sup>‡</sup> ..... do	46.0			48.1				48.3				48.8		48.5
Business and professional <sup>‡</sup> ..... do	35.4			36.0				36.1				35.9		35.5
Farm..... do	10.6			12.1				12.2				12.8		13.0
Rental income of persons..... do	12.5			12.5				12.5				12.5		12.5
Corporate profits and inventory valuation adjustment, total..... bil. of dol.	48.0			45.3				42.2				41.0		
Corporate profits before tax, total..... do	48.8			45.7				41.5				40.7		
Corporate profits tax liability..... do	23.8			22.3				20.3				19.8		
Corporate profits after tax..... do	25.0			23.4				21.3				20.8		
Inventory valuation adjustment..... do	-8			-4				7				4		
Net interest..... do	17.8			18.5				19.1				19.4		19.6
Gross national product, total..... do	501.3			505.0				503.5				503.5		499.8
Personal consumption expenditures, total..... do	323.3			329.0				328.3				330.8		328.8
Durable goods..... do	44.2			44.5				42.7				43.2		39.2
Nondurable goods..... do	150.5			153.5				152.7				152.9		153.0
Services..... do	128.6			130.9				132.9				134.7		136.6
Gross private domestic investment, total..... do	79.3			75.5				70.8				66.0		61.0
New construction..... do	40.8			40.7				40.5				40.3		39.0
Producers' durable equipment..... do	27.1			29.5				29.7				28.7		26.5
Change in business inventories..... do	11.4			5.3				6				-3.0		-4.5
Net exports of goods and services..... do	1.2			2.0				3.7				4.6		5.3
Exports..... do	25.2			26.4				27.3				27.0		27.4
Imports..... do	23.9			24.4				23.5				22.4		22.1
Government purchases of goods and services, total..... bil. of dol.	97.5			98.6				100.7				102.1		104.7
Federal (less Government sales)..... do	51.8			51.7				52.7				53.3		54.7
National defense <sup>‡</sup> ..... do	44.9			44.7				45.1				45.7		47.2
State and local..... do	45.7			46.9				48.0				48.8		50.0
Personal income, total..... do	396.2			404.2				408.0				408.5		407.5
Less: Personal tax and nontax payments..... do	49.2			50.0				50.5				50.4		50.3
Equals: Disposable personal income..... do	347.0			354.1				357.5				358.1		357.2
Personal saving\$..... do	23.7			25.2				29.2				27.2		28.3
<b>GNP in constant (1954) dollars</b>														
Gross national product, total..... bil. of dol.	440.5			442.2				438.0				437.0		432.4
Personal consumption expenditures, total..... do	294.8			298.3				296.9				297.6		294.7
Durable goods..... do	41.8			41.9				40.2				41.2		37.5
Nondurable goods..... do	141.1			143.2				142.3				141.3		141.1
Services..... do	112.0			113.3				114.4				115.2		116.1
Gross private domestic investment, total..... do	66.2			62.8				58.6				54.9		50.6
New construction..... do	34.0			33.8				33.6				33.5		32.4
Producers' durable equipment..... do	22.4			24.2				24.4				23.8		21.9
Change in business inventories..... do	9.8			4.8				6				-2.4		-3.8
Net exports of goods and services..... do	-1			7				2.2				3.4		3.8
Government purchases of goods and services, total..... bil. of dol.	79.6			80.3				80.3				81.1		83.3
Federal..... do	41.8			41.8				41.2				41.4		42.6
State and local..... do	37.8			38.6				39.1				39.7		40.7

† Revised. ‡ Revised series. Estimates of national income and product and personal income have been revised back to 1957; revisions prior to the 2d quarter 1959 (and prior to May 1959 for personal income) appear on pp. 8 ff. of the July 1960 SURVEY. § Includes inventory valuation adjustment. ¶ Government sales are not deducted. § Personal saving is excess of disposable income over personal consumption expenditures shown as a component of gross national product above.