

Gross National Product and Income in the Third Quarter

Final Purchases Move Ahead

THE gross national product increased by \$3½ billion in the third quarter, reaching a new high of \$555½ billion at a seasonally adjusted annual rate. This represents an expansion of over \$6 billion in final purchases, partly offset by a reduction in the rate of inventory accumulation. After allowance for price increases, there was a further rise in the volume of final purchases, but with the inventory offset, there was little increase in the volume of total output over the quarter. Compared with the third quarter of 1961, gross national product was up 6¼ percent, with real output up 4¼ percent, and the remainder reflecting some rise in prices.

Inventories continued to rise, but the decline in the annual rate of accumulation for the quarter was \$3 billion.

The most recent increase in final purchases, \$6¼ billion, compares with \$9½ billion for the second quarter and \$5¼ billion in the first quarter.

Net exports was the only major component of final purchases to decline. Personal consumption expenditures increased \$3 billion despite a temporary drop in auto purchases associated with the model changeover, followed in October by the highest volume of sales in history. Despite sharply expanded production in that month, there was a sizable decline in passenger car inventories.

Expenditures for fixed investment were up an additional \$2 billion with sharply higher construction activity accounting for most of the rise. Federal Government defense expenditures and State and local government outlays

for goods and services continued to push upward on a programed expansion and together accounted for an increase of \$2 billion in the third quarter. The programed rise in government expenditures is summarized in another section which reviews the 1963 federal budget.

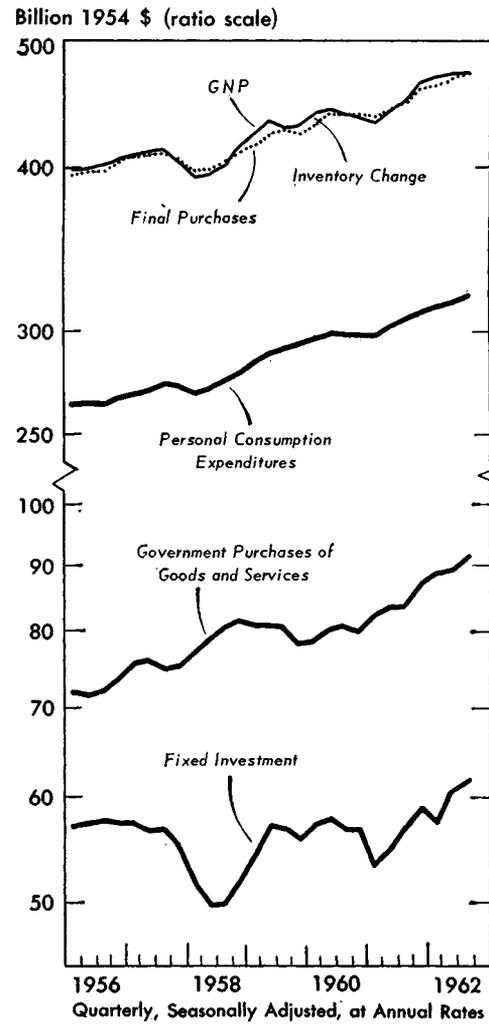
A minor rise in national income and related measures paralleled the third quarter GNP increase. Personal income was up \$3 billion for the period as a whole. Compared with a year ago personal income was up \$23 billion at an annual rate, or 5½ percent.

GNP REACHES NEW HIGH IN THIRD QUARTER

Continued Rise in Final Purchases Offset Partly by Reduced Inventory Accumulation
Fixed Investment Has Risen Less Than Other Final Purchases in Recent Years

Table 6.—Gross National Product in Current and Constant Dollars (I-3, I-5)

	1959			1960			1961		1962			1961			1962			
							III	IV	I	II	III							
							Seasonally adjusted at annual rates			Seasonally adjusted at annual rates								
	Billions of current dollars						Billions of 1954 dollars											
Gross national product	482.7	503.4	518.7	522.3	538.6	545.0	552.0	555.3	428.6	440.2	447.9	450.4	463.4	467.4	470.8	471.6		
Personal consumption expenditures	313.5	328.5	338.1	340.1	346.1	350.2	354.9	358.2	288.9	298.3	304.3	306.0	310.6	313.9	316.9	319.0		
Durable goods.....	43.6	44.8	43.7	44.0	46.6	46.3	47.2	47.1	41.0	42.2	41.6	41.7	44.4	44.1	44.6	44.6		
Nondurable goods.....	147.1	151.8	155.2	156.2	157.2	159.9	161.3	163.0	138.7	141.4	143.3	144.4	144.9	147.0	148.1	149.5		
Services.....	122.8	131.9	139.1	139.9	142.3	144.1	146.3	148.1	109.2	114.7	119.4	120.0	121.4	122.8	124.1	125.0		
Gross private domestic investment	72.7	72.4	69.3	72.4	76.6	75.9	77.4	76.3	61.7	60.7	57.8	60.4	64.1	63.3	64.1	62.4		
New construction.....	40.2	40.7	41.6	42.6	43.2	41.6	44.5	46.1	34.4	34.3	34.8	35.6	36.1	34.6	36.7	37.7		
Residential nonfarm.....	22.3	21.1	21.0	21.9	22.8	21.2	23.3	24.3	19.5	18.2	18.2	18.8	19.7	18.2	19.9	20.5		
Other.....	17.9	19.7	20.5	20.7	20.4	20.5	21.2	21.8	14.9	16.1	16.6	16.7	16.4	16.4	16.8	17.2		
Producers' durable equipment.....	25.9	27.6	25.5	25.8	27.4	27.6	28.9	29.2	21.4	22.7	21.1	21.3	22.7	22.8	23.8	24.0		
Change in business inventories.....	6.6	4.1	2.1	4.0	6.0	6.7	4.0	1.0	5.9	3.7	2.0	3.5	5.4	5.9	3.7	.8		
Nonfarm.....	6.5	3.7	1.9	3.8	5.9	6.6	3.9	1.0	5.9	3.4	1.8	3.4	5.3	5.8	3.6	.8		
Farm.....	.1	.3	.2	.2	.1	.1	.1	.0	-.3	.1	.1	.1	.1	.1	.1	.0		
Net exports of goods and services	-.8	2.9	4.0	2.8	3.8	3.7	3.7	2.5	-2.1	1.5	1.8	.7	1.4	1.3	.7	-.3		
Exports.....	22.9	26.4	27.3	26.9	28.3	28.2	29.0	28.3	21.9	24.9	25.3	25.1	26.2	26.1	26.6	26.2		
Imports.....	23.6	23.5	23.3	24.1	24.5	24.5	25.3	25.8	24.1	23.4	23.5	24.4	24.8	24.8	25.9	26.5		
Government purchases of goods and services	97.2	99.7	107.4	106.9	112.1	115.2	116.0	118.2	80.1	79.8	84.0	83.3	87.2	88.9	89.2	90.5		
Federal.....	53.6	53.2	57.0	56.5	59.5	61.9	62.1	62.7	43.9	42.3	44.5	44.1	46.7	48.3	48.6	49.0		
National defense.....	46.2	45.7	49.0	48.4	50.8	53.0	53.2	54.0	-----	-----	-----	-----	-----	-----	-----	-----		
Other.....	7.0	8.1	8.7	8.7	9.2	9.6	9.5	9.6	-----	-----	-----	-----	-----	-----	-----	-----		
Less: Government sales.....	.5	.6	.6	.6	.6	.6	.6	.8	-----	-----	-----	-----	-----	-----	-----	-----		
State and local.....	43.6	46.5	50.4	50.4	52.6	53.3	54.0	55.5	36.2	37.4	39.4	39.2	40.5	40.6	40.6	41.5		



Moderate Rise in Consumer Buying

Personal consumption expenditures advanced to \$358 billion. Though the \$3 billion increase was the smallest since activity began its current rise early in 1961, it brought total consumption 5¼ percent ahead of a year ago. After allowance for price changes, the cumulative increase since the first quarter of last year amounts to about 7 percent. This compares with an 8 percent increase over the corresponding period of the 1958-59 expansion, (see chart.) and nearly 11 percent for 1954-55.

Durable goods sales unchanged

Consumer purchases of durable goods were unchanged for the quarter, as increased buying of furniture and household equipment offset the lower purchases of new cars, which was attributable in large part to inadequate dealer inventories rather than to a lower level of consumer demand. With all pro-

Table 8.—Gross National Product by Major Type of Product in Current and Constant Dollars (I-6, I-7)

	1959	1960	1961	1961			1962			1959	1960	1961	1961			1962		
				III	IV	I	II	III	III				IV	I	II	III		
				Seasonally adjusted at annual rates														
Billions of current dollars									Billions of 1954 dollars									
Gross national product	482.7	503.4	518.7	522.3	538.6	545.0	552.0	555.3	428.6	440.2	447.9	450.4	463.4	467.4	470.8	471.6		
Final sales.....	476.1	499.4	516.6	518.3	532.6	538.3	547.9	554.2	422.7	436.5	446.0	446.9	458.1	461.5	467.2	470.8		
Inventory change.....	6.6	4.1	2.1	4.0	6.0	6.7	4.0	1.0	5.9	3.7	2.0	3.5	5.4	5.9	3.7	0.8		
Goods output	250.6	258.2	259.4	261.8	271.0	274.9	276.7	275.7	228.8	234.0	233.5	235.3	243.7	246.4	247.1	245.8		
Final sales.....	244.0	254.1	257.2	257.8	265.0	268.2	272.6	274.7	222.9	230.3	231.5	231.8	238.4	240.5	243.4	245.0		
Inventory change.....	6.6	4.1	2.1	4.0	6.0	6.7	4.0	1.0	5.9	3.7	2.0	3.5	5.4	5.9	3.7	0.8		
Durable goods output	95.0	97.2	94.0	97.7	102.3	103.4	104.5	104.9	82.9	85.0	82.1	85.0	89.4	89.9	90.3	90.8		
Final sales.....	91.5	95.0	94.0	94.3	98.8	99.9	102.6	103.0	80.0	82.9	82.0	82.0	86.3	87.0	88.7	89.1		
Inventory change.....	3.5	2.3	0	3.4	3.5	3.5	1.9	1.9	3.0	2.1	1	3.0	3.1	2.9	1.6	1.6		
Nondurable goods output	155.6	160.9	165.4	164.2	168.8	171.5	172.2	170.8	145.9	149.1	151.4	150.3	154.4	156.5	156.8	155.0		
Final sales.....	152.5	159.2	163.3	163.5	166.3	168.4	170.0	171.7	143.0	147.5	149.5	149.8	152.1	153.5	154.7	155.9		
Inventory change.....	3.1	1.8	2.1	0.6	2.5	3.1	2.2	-0.9	2.9	1.6	1.8	0.5	2.2	3.0	2.1	-0.9		
Services	175.8	188.6	200.7	201.3	206.6	211.1	213.5	215.9	151.4	158.3	165.2	165.4	168.7	171.8	172.7	173.7		
Construction	56.3	56.7	58.6	59.2	61.0	59.0	61.8	63.6	48.3	47.8	49.3	49.7	51.0	49.2	51.0	52.1		

ducers opening their new model year in late September or early October, sales for the latter month exceeded all records, giving an impetus to total consumer buying. Purchases of other types of durable goods moved upward during the quarter following a rather weak perform-

ance earlier in the year. Overall, durable goods buying has held remarkably steady—about \$47 billion—since the closing quarter of 1961, following a \$6 billion rise earlier in that year.

Food and clothing purchases higher

Third quarter increases in the normally sluggish expenditures for food and clothing were both significantly higher than usual. Slightly higher prices accounted for some of the increase in food expenditures, but retail clothing prices were off somewhat for the quarter. Expenditures for other types of nondurable goods were little changed for the quarter.

Drop in Inventory Accumulation

Gross private domestic investment, at a \$76½ billion annual rate, was off nearly \$1 billion for the quarter, but still \$½ billion higher than in the first quarter when inventories were accumulating at a rate of nearly \$7 billion as compared with only \$1 billion in the third quarter.

Fixed investment rise

The third quarter rise in business outlays for plant and equipment came to a little over \$1 billion as compared with the second quarter rise of \$2 billion. The slowdown was concentrated in equipment purchases as plant outlays, which had shown little net gain during

(continued on p. 28)

Table 7.—Personal Income and its Use (II-2)

[Billions of dollars]

	1959	1960	1961	1961			1962		
				III	IV	I	II	III	
				Seasonally adjusted at annual rates					
Personal income	383.9	400.8	416.4	419.4	427.3	432.0	439.5	442.6	
Wage and salary disbursements	258.5	271.3	278.8	281.0	286.1	289.9	295.9	297.8	
Commodity-producing industries.....	107.2	110.4	110.8	111.7	114.3	115.0	118.1	118.0	
Manufacturing only.....	84.7	87.4	87.5	88.2	90.7	91.9	94.4	94.1	
Distributive industries.....	68.2	71.8	72.9	73.4	73.9	74.9	76.1	76.5	
Service industries.....	37.7	40.7	43.4	43.8	44.3	45.1	45.9	46.9	
Government.....	45.3	48.4	51.8	52.2	53.6	54.9	45.8	56.4	
Other labor income	10.4	11.0	11.4	11.4	11.6	12.0	12.3	12.4	
Proprietors' income	46.5	46.2	47.8	48.1	49.5	49.1	49.5	49.7	
Business and professional.....	35.1	34.2	34.8	35.1	36.0	36.2	36.8	37.0	
Farm.....	11.4	12.0	13.1	13.1	13.6	12.9	12.8	12.8	
Rental income of persons	11.9	11.9	12.3	12.3	12.5	12.6	12.8	12.9	
Dividends	13.7	14.4	15.0	14.9	15.5	15.8	15.8	15.8	
Personal interest income	23.5	25.8	27.4	27.5	28.1	28.8	29.4	30.0	
Transfer payments	27.5	29.4	33.4	33.7	33.8	34.1	34.2	34.4	
Old-age and survivors insurance benefits.....	10.2	11.1	12.6	12.8	13.4	13.7	14.4	14.5	
State unemployment insurance benefits.....	2.5	2.8	4.0	3.9	3.7	3.3	2.7	2.7	
Veterans' benefits.....	4.5	4.5	4.8	4.7	4.8	4.8	4.8	4.7	
Other.....	10.3	10.9	12.0	12.3	11.9	12.3	12.3	12.5	
Less: Personal contributions for social insurance.....	7.9	9.2	9.7	9.7	9.9	10.3	10.5	10.5	
Less: Personal tax and nontax payments	46.8	51.4	52.8	53.0	54.6	56.4	57.7	58.5	
Federal.....	40.4	44.0	45.0	45.1	46.7	48.0	49.2	49.9	
State and local.....	6.4	7.4	7.8	7.9	8.0	8.4	8.5	8.6	
Equals: Disposable personal income	337.1	349.4	363.6	366.3	372.6	375.6	381.8	384.1	
Less: Personal consumption expenditures	313.5	328.5	338.1	340.1	346.1	350.2	354.9	358.2	
Equals: Personal saving	23.6	20.9	25.6	26.3	26.5	25.4	26.9	26.0	
Addendum: Disposable personal income in constant (1954) dollars	310.7	317.3	327.3	329.7	334.5	336.6	340.9	342.1	

Unless otherwise stated, statistics through 1960 and descriptive notes are shown in the 1961 edition of BUSINESS STATISTICS	1959	1960	1961	1959	1960				1961				1962			
	Annual total			IV	I	II	III	IV	I	II	III	IV	I	II	III	IV

GENERAL BUSINESS INDICATORS—Quarterly Series—Continued

NATIONAL INCOME AND PRODUCT—Con.†																
Quarterly Data Seasonally Adjusted at Annual Rates																
GNP in constant (1954) dollars																
Gross national product, total ¹bil. \$	428.6	440.2	447.9	431.1	440.9	442.3	439.7	437.7	433.9	443.9	450.4	463.4	467.4	470.8	471.6	
Personal consumption expenditures, total.....do	288.9	298.3	304.3	291.9	295.6	299.7	299.1	298.8	298.2	302.5	306.0	310.6	313.9	316.9	319.0	
Durable goods.....do	41.0	42.2	41.6	40.8	42.4	43.0	41.8	41.8	39.0	41.3	41.7	44.4	44.1	44.6	44.6	
Nondurable goods.....do	138.7	141.4	143.3	139.8	140.6	142.3	141.9	140.7	141.5	142.3	144.4	144.9	147.0	148.1	149.5	
Services.....do	109.2	114.7	119.4	111.3	112.6	114.5	115.4	116.3	117.7	118.8	120.0	121.4	122.8	124.1	125.0	
Gross private domestic investment, total.....do	61.7	60.7	57.8	62.0	66.7	61.5	58.6	55.8	50.0	56.5	60.4	64.1	63.3	64.1	62.4	
New construction.....do	34.4	34.3	34.8	33.6	34.6	34.2	34.0	34.3	33.0	34.3	35.6	36.1	34.6	36.7	37.7	
Producers' durable equipment.....do	21.4	22.7	21.1	21.8	22.6	23.3	22.7	22.2	20.1	20.2	21.3	22.7	22.8	23.8	24.0	
Change in business inventories.....do	5.9	3.7	2.0	6.6	9.6	4.0	1.9	-7	-3.0	2.0	3.5	5.4	5.9	3.7	8	
Net exports of goods and services.....do	-2.1	1.5	1.8	-1.1	2	1.0	1.5	3.3	3.5	1.7	7	1.4	1.3	7	-3	
Government purchases of goods and services, total.....bil. \$	80.1	79.8	84.0	78.3	78.4	80.0	80.5	79.9	82.2	83.3	83.3	87.2	88.9	89.2	90.5	
Federal.....do	43.9	42.3	44.5	42.4	42.0	42.9	42.7	41.8	42.9	44.4	44.1	46.7	48.3	48.6	49.0	
State and local.....do	36.2	37.4	39.4	35.9	36.4	37.1	37.8	38.1	39.2	38.9	39.2	40.5	40.6	40.6	41.5	
DISPOSITION OF PERSONAL INCOME†																
Quarterly Data Seasonally Adjusted at Annual Rates																
Personal income, total.....bil. \$	383.9	400.8	416.4	390.2	395.4	401.4	403.1	403.7	405.4	413.5	419.4	427.3	432.0	439.5	442.6	
Less: Personal tax and nontax payments.....do	46.8	51.4	52.8	48.3	51.4	51.9	51.4	50.9	51.0	52.5	53.0	54.6	56.4	57.7	58.5	
Equals: Disposable personal income.....do	337.1	349.4	363.6	341.9	344.0	349.6	351.7	352.7	354.3	361.0	366.3	372.6	375.6	381.8	384.1	
Personal saving \$.....do	23.6	20.9	25.6	23.1	20.1	19.7	22.0	22.2	23.8	25.5	26.3	26.5	25.4	26.9	26.0	
NEW PLANT AND EQUIPMENT EXPENDITURES																
Unadjusted quarterly totals or averages:																
All industries.....bil. \$	8.14	8.92	8.59	8.99	7.89	9.28	8.98	9.53	7.57	8.61	8.65	9.54	8.02	9.50	9.46	10.19
Manufacturing.....do	3.02	3.62	3.42	3.57	3.09	3.76	3.52	4.01	3.00	3.46	3.31	3.88	3.14	3.69	3.61	4.13
Durable goods industries.....do	1.44	1.80	1.57	1.74	1.55	1.88	1.80	1.95	1.41	1.58	1.50	1.79	1.44	1.77	1.74	2.03
Nondurable goods industries.....do	1.57	1.82	1.85	1.83	1.54	1.88	1.81	2.06	1.59	1.88	1.84	2.09	1.69	1.92	1.87	2.11
Mining.....do	.25	.25	.24	.27	.22	.27	.25	.24	.21	.26	.25	.26	.26	.27	.28	.29
Railroads.....do	.23	.26	.17	.22	.25	.29	.24	.25	.17	.18	.16	.16	.16	.26	.23	.18
Transportation, other than rail.....do	.51	.48	.46	.55	.47	.55	.47	.46	.41	.48	.47	.50	.47	.60	.47	.53
Public utilities.....do	1.42	1.42	1.38	1.51	1.18	1.42	1.50	1.58	1.09	1.39	1.50	1.54	1.06	1.37	1.49	1.52
Commercial and other.....do	2.72	2.89	2.92	2.87	2.69	2.99	2.90	2.99	2.69	2.85	2.94	3.20	2.94	3.30	3.38	3.54
Seas. adj. qtrly. totals at annual rates:																
All industries.....do				33.58	35.15	36.30	35.90	35.50	33.85	33.50	34.70	35.40	35.70	36.95	137.75	237.95
Manufacturing.....do				12.87	14.10	14.70	14.65	14.40	13.75	13.50	13.65	14.00	14.20	14.45	14.65	14.95
Durable goods industries.....do				6.16	7.15	7.40	7.35	6.85	6.50	6.20	6.10	6.40	6.55	6.95	7.05	7.25
Nondurable goods industries.....do				6.71	6.95	7.30	7.30	7.55	7.25	7.30	7.55	7.60	7.60	7.50	7.60	7.70
Mining.....do				1.04	1.00	1.05	1.00	.90	.95	1.00	1.00	1.00	1.15	1.05	1.10	1.10
Railroads.....do				.85	1.00	1.10	1.00	1.00	.70	.70	.65	.60	.70	.95	.95	.70
Transportation, other than rail.....do				2.15	2.00	2.15	1.90	1.80	1.75	1.80	1.90	1.95	2.05	2.25	1.90	1.95
Public utilities.....do				5.48	5.75	5.70	5.60	5.70	5.35	5.50	5.65	5.55	5.15	5.40	5.55	5.50
Commercial and other.....do				11.19	11.35	11.60	11.75	11.65	11.30	11.05	11.85	12.35	12.45	12.85	13.55	13.70
BUSINESS POPULATION																
Firms in operation, end of quarter (seasonally adjusted).....thous.	4,583	4,658	4,713	4,670	4,690	4,710	4,720	4,730	4,740	4,750	4,760	4,770	4,780	4,790	4,800	
U.S. BALANCE OF INTERNATIONAL PAYMENTS†																
Quarterly Data are Seasonally Adjusted																
U.S. payments, recorded.....mil. \$	29,548	31,317	31,805	7,541	7,549	7,690	8,000	8,078	7,690	7,411	8,082	8,622	8,291	8,030		
Imports:																
Merchandise.....do	15,310	14,723	14,514	3,862	3,801	3,836	3,664	3,422	3,369	3,417	3,840	3,888	3,920	4,032		
Military expenditures.....do	3,107	3,048	2,947	754	771	758	797	722	770	756	699	722	752	743		
Other services.....do	4,925	5,417	5,462	1,300	1,347	1,375	1,368	1,327	1,309	1,337	1,358	1,428	1,388	1,405		
Remittances and pensions.....do	791	842	878	196	204	205	211	222	221	221	216	220	234	222		
Govt. grants and capital outflows.....do	3,040	3,405	4,051	741	768	833	826	978	962	804	1,094	1,191	1,050	1,032		
U.S. private capital.....do	2,375	3,882	3,953	688	658	683	1,134	1,407	1,059	876	845	1,173	947	596		
Direct investments.....do	1,372	1,694	1,475	364	324	271	415	684	457	269	429	320	229	377		
Long-term portfolio.....do	926	850	1,006	202	236	209	170	235	130	218	194	474	398	330		
Short-term.....do	77	1,338	1,472	122	98	203	549	488	482	389	222	379	320	-111		
U.S. receipts, recorded.....do	25,393	27,984	29,946	6,715	6,865	7,055	7,002	7,062	7,400	7,953	6,979	7,614	7,709	7,983		
Exports:																
Merchandise.....do	16,282	19,459	19,915	4,195	4,657	4,876	4,940	4,986	5,061	4,768	4,940	5,146	5,070	5,345		
Services and military sales.....do	7,194	7,554	8,151	1,901	1,827	1,909	1,843	1,975	2,008	2,060	1,951	2,132	2,189	2,307		
Repayments on U.S. Govt. loans.....do	1,054	636	1,274	430	170	147	172	147	133	851	81	209	160	237		
Foreign capital other than liquid funds.....do	863	335	606	189	211	123	47	-46	198	274	7	127	290	94		
Excess of recorded receipts or payments (-).....do	-4,155	-3,333	-1,859	-826	-684	-635	-998	-1,016	-290	542	-1,103	-1,008	-582	-47		
Unrecorded transactions.....do	412	-592	-602	287	4	-140	-159	-297	-29	-366	193	-400	106	-171		
Total, net receipts (+) or payments (-).....do	-3,743	-3,925	-2,461	-539	-680	-775	-1,157	-1,313	-319	176	-910	-1,408	-476	-218	-720	
Major special transactions.....do	335	-524	129	285		-80		-444		724	-75	-520	100	77		
Total, excluding special transactions.....do	-4,078	-3,401	-2,590	-824	-680	-695	-1,157	-869	-319	-548	-835	-888	-576	-295		

† Revised. ‡ Preliminary.

1 Estimates for July-Sept. 1962 based on anticipated capital expenditures of business.

2 Estimates for Oct.-Dec. 1962 based on anticipated capital expenditures of business.

Anticipated expenditures for the year 1962 are as follows (in bil. \$): All industries, 37.16; manufacturing, total, 14.57; durable goods industries, 6.98; nondurable goods industries, 7.59; mining, 1.10; railroads, .83; transportation, 2.06; public utilities, 5.43; commercial and other, 13.16.

Unadjusted. Data represent firms in operation as of Jan. 1; estimate for Jan. 1, 1962

(based on incomplete data) is 4,752,000. † Includes changes in nonliquid Govt. liabilities.

† See corresponding note on p. S-1 (revisions prior to 3d qtr. 1959 appear on p. 8 ff. of the July 1962 SURVEY.)

‡ Personal saving is excess of disposable income over personal consumption expenditures shown as a component of gross national product on p. S-1.

† Revised effective with the June 1962 SURVEY; revisions prior to 4th qtr. 1959 will be available later.