By Robert B. Bretzfelder

Variations in National Output

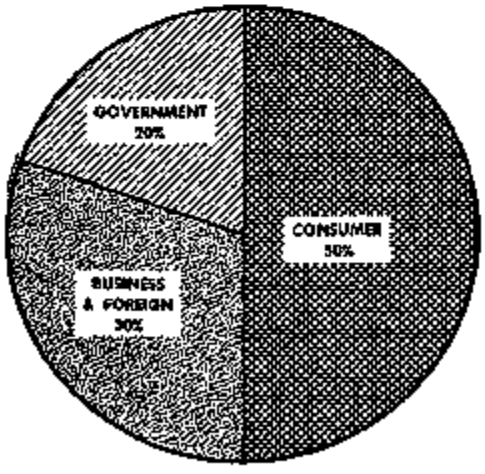
Commodities—Services—Construction

THOUGH national output has shown little change in total since early this year, its composition has shifted. Durable goods production is off somewhat, and movements in nondurables markets have been irregular. Construction activity is holding even overall, with some lines faring better than others. The uptrend continues in services.

Current developments are reviewed in the regular quarterly report on the gross national product which appears elsewhere in this issue. This article covers the longer postwar experience, utilizing data on quarterly GNP by broad type-of-product categories.

The new quarterly data are provided in current and constant dollars, (see tables 3 and 4), with short-term changes analyzed in terms of durable and nondurable goods, services, and construction. Durable goods and nondurable goods production are further subdivided to show the portions going into final sales and into inventories.

Major Markets for Durable Goods
Proportion in 1959



Note.—Based on 1954 Dollars

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To derive these measures, OBE's regular quarterly series for consumer purchases of durables, nondurables and services, for producers' durables, and for construction have been supplemented by special breakdowns of Government buying and net exports, and of business inventory changes, into the corresponding type-of-product categories.

This product classification was introduced in the annual data in the SURVEY OF CURRENT BUSINESS for June 1957, where it is discussed at greater length. The yearly figures were incorporated in the regular set of national income statistics with the publication of *U.S. Income and Output*.

Product Structure of the GNP

In 1959, as in other recent years, output of nondurables about equaled that of services: Each constituted roughly one-third of total GNP. Production of durables accounted for one-fifth of the total, and construction for the remaining one-tenth.

This product structure of the GNP reflects the buying patterns which characterize the major national markets—consumer, business, Government, and export—weighted by their importance in the total. Over shorter periods the product mix of GNP varies more than it does on an annual basis, since business cycle movements often shift directions during a calendar year.

Summary of postwar trends

As a quick background for the quarterly analysis a summary of the postwar period follows.

After falling at the end of the war, real final demand for durable goods showed little overall change in the late 1940's. It rose strongly at the start of the Korean conflict, and expansion continued until the reaction of 1954. The durables fraction of real national output accounted in 1959 for 19 percent of GNP—about as much as in 1947, and up from 17 percent in 1929.

Though output volume has changed little over the past 5 years, total current-dollar expenditures have risen about one-ninth with the continued advances in costs of capital equipment and other durables. The movements in hard goods prices during this and other periods distinguished in table 1 have been little different from those of GNP prices in general.

The market structure of durables demand is shown in the accompanying chart. Government purchases now represent one-fifth of the total, consumers take approximately one-half, and business buying of equipment accounts for most of the remainder.

The rapid rise in nondurables output which featured the war period as a whole leveled off in the early postwar years as consumer hard goods again became available. Outlays for non-

Table 1.—Average Annual Changes in Demand, by Type of Product

	1929–59		1929–47	1947–55	1955–59
	Based on current dollars	Based on constant dollars			
	(percent)				
GNP	5.2	2.9	2.3	4.2	2.2
Durable goods	5.0	3.1	3.4	5.1	−.2
Final purchases	5.6	3.5	3.7	5.0	−.2
Nondurable goods	4.8	2.8	2.9	2.8	2.2
Final purchases	4.8	2.7	3.0	2.3	2.4
Services	5.8	3.1	2.5	4.1	3.8
Construction	5.5	2.1	−.4	8.2	1.4

durables held about even in real terms during the 5 years following the end of the war. Regular and substantial growth has marked the 1950's as a whole. The total last year accounted for 34 percent of real GNP, as against 38 percent at the beginning of the postwar period and 35 percent in 1929.

Table 2.—Recent Cyclical Swings in GNP, by Type of Product

	Percent change in real volume	
	Third quarter 1957 to first quarter 1958	First quarter 1958 to second quarter 1960
GNP	−4.7	12.9
Durables	−20.3	23.6
Nondurables	−1.0	11.7
Construction	.5	8.3
Services	−.4	10.8

This record mirrors the course of consumer buying, since more than nine-tenths of all nondurable final products consist of food, clothing, and other items for consumer use.

Construction fell in the closing years of World War II due to wartime restrictions. Construction outlays on a real, or constant-price, basis rose from 8½ percent of GNP in 1947 to 11½ percent in 1955; and growth since that time has about paralleled the uptrend of GNP in total with differential movements among the major parts.

The market for services represents primarily consumer and Government demands, which have not moved parallel at all times. Personal buying of such items as current shelter, medical and other services makes up nearly three-fourths of the total. The Government portion, though the lesser part, displays the wider fluctuations.

Consumer services have advanced strongly and steadily over the past decade. Low in the initial postwar period, they gradually assumed a more normal relationship to total consumer outlays as they came out from under the shadow of government price controls, facilities were extended, and the more urgent needs for goods were met.

Government service purchases, consisting mainly of compensation of employees, have also expanded; sharp fluctuations have coincided with major changes in the size of the Armed Forces.

Overall, demand for services has kept pace recently with the GNP (see table 1).

Having lagged in the late 1930's and 1940's, prices of consumer services advanced much more than other prices during the first postwar decade, and made good about half the previous shortfall. Since 1955 the differential trend has been much less pronounced.

Also reflected in the price rise for GNP final services is the gradual uptrend in Government employees' compensation, which is used as a measure of the value of the services they contribute to GNP. Part of the rise in average pay is a price advance in the ordinary sense: An increase in the money cost per unit of work performed. Another part may be accompanied by productivity gains; such gains are not reflected in the price-adjusted GNP.

Cyclical Patterns

Each of the broad types of national product has responded somewhat differently to the cyclical movements of general business in the postwar period. The well-known volatility of the durables is manifested in every major market. It reflects not only the sensitiveness of consumer and business buying to changes in income—actual and anticipated—but also the tendency for both consumer durables and producers' inventory and equipment purchases to bunch up quite independently of income movements. Governmental demand has been rendered similarly irregular by variations over time in the military and international outlook.

The new quarterly series shows the total extent of the swings in durables output which result from all these market movements combined, and indicates what fraction of the total GNP change in each phase of a cycle can be traced directly to this product category. The patterns reflect the market behavior of the various buyer groups presented in the standard national product breakdown.

Although construction has many of the same physical characteristics as durable commodities and depends on the same buyer groups, postwar construction demand has had special characteristics which have brought about a different time-pattern in its fluctuations in this particular period. One important factor in accounting for its differential behavior is the exceptional strength of the underlying real demand in recent years. In part this resulted from pent up backlogs, rapid family formation and suburbanization, and the incentive to adopt generally the results of wartime and postwar technological progress. Also important has been the general ease, over much of this period, in credit conditions affecting construction; this has owed much to the new types and longer term of residential financing that prevailed.

Services and nondurable commodities have been the least volatile elements in the GNP. Most of the demand for these emanates from the relatively stable consumer markets; and by and large is less postponable than are purchases of the longer lived types of output. Here, however, shifting consumer income and attitudes have frequently resulted in moderate fluctuations of output, and in price pressures on business, as is the case in many lines at present.

Service buying has been sustained by the specific factors noted earlier in connection with the annual figures.

The fluctuations in demand for the four types of products during 1957–60 are indicated in table 2. The quarterly patterns of 1948–50 and 1954–57 were quite similar.

Extent of swings in durables

While the drop from peak quarter to trough in total real output never exceeded 5 percent in any of the recessions, total durable production fell during the same phase by 12 to 20 percent in each case. On the other hand, production in the other broad categories hardly dropped at all, though increases were checked.

Expansions were likewise sharpest in the durable goods area. Durables lag, however, in the early stages of economic recovery. In the third quarter of 1958—four quarters after the cyclical peak in activity—when production volume of items other than durables was at a new high, durable output was still only slightly above its recession low. The Federal Government had moved in early in the recession to support the

demand by stepping up contract awards for defense and other hard goods procurement.

In 1950 and 1954, similarly, no sharp upswing in durable output had been registered until the production of all other items had passed its previous peak. The 1950 experience, of course, was a special case: Cyclical recovery was underway in the first half but war cut off any idea of a "normal" cyclical pattern thereafter.

Both final demand for all durable products and business inventory changes contributed to the pattern of the swings, though in different ways.

Final purchases of hard goods

Final demand for hard goods (i.e., excluding inventory change) fell 15 percent from the third quarter of 1957 to the third quarter of 1958. This decline compares with a drop of less than 1 percent in other final purchases. The decline in the latter, moreover, was made good after only two quarters, while final sales of durables have not so far regained their summer 1957 high in real terms.

Final demand in all the major durables markets fell off in the closing quarter of 1957, the drop being concentrated in business and personal expenditures. A substantially larger decrease was recorded in the following quarter. This was particularly severe in business equipment buying, and the drop in consumer expenditures also steepened.

In the spring of 1958 the contraction in final purchases began to taper as consumer buying leveled off. Business equipment spending continued to fall, though at a lessening pace, through the summer quarter.

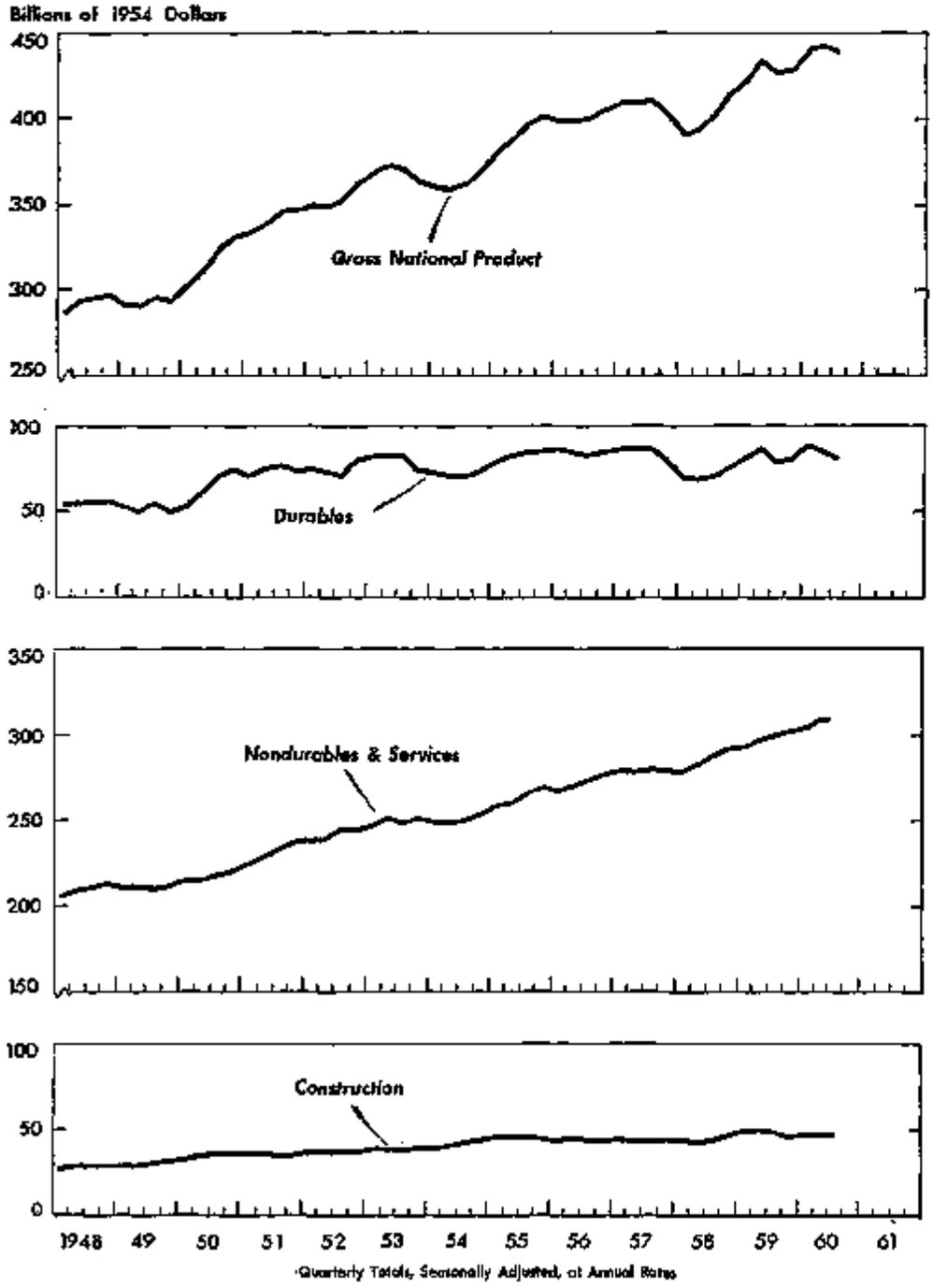
In 1949 and 1953, contraction had likewise been largest and longest in the producers' equipment area.

In the upward phase of the cycle, the lag of durables demand behind total GNP reflected not only the lateness of the trough in hard goods but also the relatively slow pace of the recovery in business fixed investment after the turning point was reached. Outlays for producers' durables did not approach their 1957 highs in real terms until very recently. Consumer hard goods demand, bolstered by the high and rising flow of income, did not show so long a lag in the recovery. It exceeded its 1957 peak in the opening quarter of 1959 and by mid-1960 had advanced a further 6½ percent. In 1949 and 1954, personal consumption expenditures for durables had similarly been back to previous peaks well before business final purchases regained their highs.

Government buying of durables has reflected mainly the needs of national defense. It has at times played a significant and independent role in cyclical developments. In 1953–54 and 1957, changes in procurement activity contributed to the declines in total final demand for durables; and the countercyclical stepping up of contract awards helped speed the 1958 recovery.

GROSS NATIONAL PRODUCT IN CONSTANT DOLLARS

Fluctuations in the Three Major Groups of Output



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Stocks of durables producers and dealers

The new quarterly data permit study of cyclical inventory movements within the national income and product framework, by providing separate measures of durable and nondurable stocks and of the corresponding categories of final output and demand.

Comparisons between durable and nondurable stocks, on the one hand, and durable and nondurable final sales or output, on the other, are instructive even though subject to qualifications. In the case of manufacturing and trade, stocks are classified as durable or nondurable according to the industry or line of business of the firm holding them, rather than on the basis of their product composition. More important, perhaps, is the fact that the output and sales breakdowns cover only the final components entering GNP, intermediate sales and production being excluded.

Final demands for durable and nondurable goods cannot be regarded as the sole determinants of the needs for the corresponding types of inventories. Nondurables are used in making the other three types of products, so that changes in demand for any of the latter may have repercussions on nondurable goods inventories. The same is true of durables and durable-goods inventories.

Despite these qualifications, however, certain interesting regularities can be traced on the basis of the simple comparisons, without taking the further repercussions into account.

Hard goods inventory accumulation was limited for several quarters prior to the downturn of late 1957, a period when final demand for durables was relatively stable. In the last quarter of 1957 the volume of durable goods holdings was cut back moderately, but the adjustment in stocks was outpaced by the sharp decline in final purchases. This pattern continued into the opening quarter of 1958: Although the inventory liquidation was stepped up to the highest rate reached during the recession, the drop in real final purchases was still relatively more severe than that in business holdings.

Inventory cutbacks continued through the second and third quarters of 1958. The selloff tapered, however. The durable inventory change component of GNP improved from an annual rate of —$7½ billion as the year opened to —$5 billion in the spring and —$2 billion in the summer, production moving into closer alinement with final demand. Final sales of durables were still declining during this period, though the contraction was far less sharp than before. After the shift to accumulation in the closing quarter of 1958, stocks continued to fall relative to sales, the advance of the latter having been unexpectedly rapid.

A similar pattern of inventory change relative to final purchases developed in each of the earlier postwar business swings as well. This may be summarized in terms of the ratios of real or price-corrected values of stocks to purchases. After holding fairly even for about a year preceding the peak in GNP, the ratios then rose sharply for several quarters. They turned down thereafter. Following the shift from liquidation to buildup of stocks, the inventory ratios continued downward for some time owing to the relative movement of the sales advance in that phase of the cycle.

Nondurables swings mild

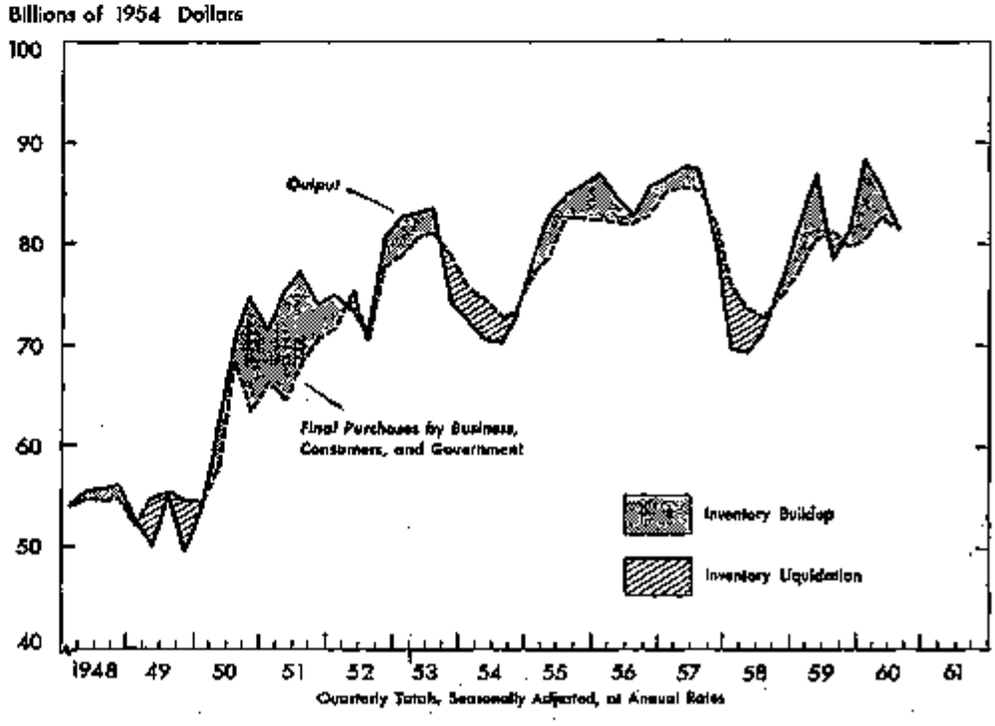
The cyclical decline in the volume of nondurable output from the third quarter of 1957 to the opening months of 1958 amounted to only 1 percent, and represented less than one-tenth of the total fall in real GNP. In the recessions of 1949 and 1954, reduction of around 4 percent in nondurables accounted for a fourth to a third of the total shrinkage in the volume of national output.

The relatively better showing made by soft goods in 1957–58 is traceable to Government purchasing, which was influenced by a shift from liquidation to accumulation of farm product stocks by CCC under the price support programs, and to the firmness of business inventories. Consumer buying and exports manifested less strength than during the two previous recessions.

The 1958–59 recovery of nondurables also compared favorably with those in prior postwar cycles. During the earlier business upswings full recovery in nondurables demand had been delayed, reflecting in 1954 the continued low rate of Government purchasing and owing in 1949 to the lack of strength in soft goods markets generally while the

DURABLE GOODS

Final Purchases and Change in Business Inventories



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backlog of demand for durables was being filled as noted above.

Consumer and Government services

In 1957–58, as in earlier postwar recessions, the uptrend in consumer demand and the contracyclical policies adopted promptly by the Government were enough to prevent an extended cyclical drop, and current-dollar spending for services by persons and Government combined held up. Total real expenditures, however, have tended to level off or decline slightly in the quarters immediately following peaks in general business. From the cyclical high in the third quarter of 1957 the volume of service output fell by somewhat less than 1 percent through the first quarter of 1958. Demand recovered quickly; the spring-quarter output was at a new high. Recovery was similarly prompt after the earlier recessions. In each case outlays were advancing into new high ground within a year following the initial downturn of GNP. Growth in the volume of housing services as the stock of housing increased was one of the important factors in this strength, as it is currently.

The 1957–58 dip in service purchases mirrored a decline in Federal employment. The uptrend in consumer expenditures and that in State and local employee compensation were extended. Federal outlays turned up in the spring of 1958 and total service output has registered a steady increase since.

The pattern of change in the 1953–55 and 1948–50 business swings was similar: A decline in Federal expenditures

Table 3.—Gross National Product By Major Type of Product, in Current Dollars

[Billions of dollars, seasonally adjusted, at annual rates]

	Total GNP	Final sales	Inventory change	Goods output									Services	Construction
				Total	Final sales	Inventory change	Durable goods			Nondurable goods				
							Total	Final sales	Inventory change	Total	Final sales	Inventory change		
1947: I	226.0	225.5	0.4	139.0	138.6	0.4	48.3	47.4	1.0	92.7	95.1	−1.5	70.4	16.5
II	230.0	231.0	−1.0	141.6	142.6	−1.0	46.8	45.3	1.5	94.7	97.3	−2.6	71.4	17.0
III	235.6	238.3	−2.7	144.5	147.2	−2.7	50.4	47.2	3.2	94.0	100.0	−6.0	72.1	19.0
IV	245.1	243.7	1.4	150.1	148.7	1.4	48.3	48.2	.1	101.8	100.6	1.2	73.3	21.8
1948: I	249.5	246.2	3.3	152.7	149.4	3.3	47.9	47.4	.4	104.9	102.0	2.9	74.5	22.4
II	257.7	252.6	5.1	156.4	151.3	5.1	48.7	48.2	.5	107.6	103.1	4.6	77.1	24.3
III	264.0	258.0	6.1	159.7	153.6	6.1	50.4	49.4	1.0	109.3	104.1	5.1	79.2	25.2
IV	265.9	261.6	4.3	159.4	155.0	4.3	51.5	50.4	1.1	107.8	104.6	3.2	81.8	24.7
1949: I	259.8	259.8	.0	153.2	153.2	.0	48.9	48.4	.5	104.3	104.8	−.5	82.1	24.5
II	256.4	261.7	−5.3	149.3	154.6	−5.3	45.8	50.9	−5.1	103.7	103.7	−1.0	82.0	24.5
III	258.8	260.4	−1.7	149.8	151.0	−1.7	50.6	50.6	−.1	98.7	100.4	−1.6	84.4	25.1
IV	257.0	262.3	−5.3	146.4	150.7	−5.3	45.2	49.8	−4.6	100.2	100.9	−.7	83.0	26.6
1950: I	265.8	263.3	2.5	150.7	148.2	2.5	48.8	49.4	−.7	102.0	98.8	3.2	86.8	28.3
II	274.4	269.5	4.9	156.5	151.6	4.9	50.2	52.6	2.6	100.2	99.0	1.2	87.5	30.4
III	283.2	278.3	4.9	170.1	165.1	4.9	66.5	64.0	2.5	103.6	101.2	2.5	90.5	32.6
IV	304.3	289.3	15.0	177.2	162.2	15.0	71.7	60.9	10.8	105.5	101.3	4.2	94.3	32.9
1951: I	317.8	307.3	10.5	186.3	175.8	10.5	70.8	65.8	5.0	115.5	110.0	5.5	97.4	34.1
II	326.4	311.2	15.2	190.4	175.1	15.2	74.0	64.3	10.6	115.5	110.8	4.7	101.7	34.4
III	343.8	333.0	10.2	194.3	184.0	10.3	77.3	68.5	8.8	117.0	114.3	1.4	106.4	34.2
IV	339.1	333.2	4.0	196.3	191.4	4.9	74.8	71.4	3.4	121.5	120.0	1.5	107.4	34.4
1952: I	341.0	335.9	5.1	195.8	190.7	5.1	75.3	72.2	3.1	120.6	118.6	2.0	109.7	35.5
II	341.5	343.5	−2.2	193.3	195.5	−2.2	74.1	75.9	−1.8	119.2	119.5	−.3	111.8	36.3
III	347.0	342.7	4.3	197.3	193.0	4.3	71.7	71.2	.5	125.6	121.8	3.8	113.2	35.4
IV	358.6	353.3	5.3	206.8	201.5	5.3	81.5	78.6	2.8	125.3	122.8	2.5	114.6	37.2
1953: I	364.5	361.9	2.5	205.8	203.3	2.5	82.2	78.8	3.4	123.6	127.4	−.8	117.0	38.6
II	368.8	365.7	3.1	210.0	207.4	2.1	81.8	79.7	2.1	128.8	127.8	1.0	119.3	38.9
III	367.1	367.4	.7	207.8	206.9	.7	82.4	80.1	2.4	125.2	128.9	−1.7	120.5	39.0
IV	361.0	365.0	−4.0	200.3	204.9	−4.6	72.7	77.0	−4.3	127.6	127.9	−.4	121.4	39.3
1954: I	360.0	362.7	−2.6	198.5	201.3	−2.8	72.3	75.8	−3.5	126.2	125.3	.9	121.8	39.7
II	358.9	361.5	−2.7	195.0	197.7	−2.7	70.4	74.3	−3.9	124.6	123.4	1.2	123.2	40.6
III	362.0	364.2	−2.1	196.2	197.8	−2.1	70.0	72.6	−2.5	126.2	124.8	.4	124.7	42.1
IV	370.8	370.0	.8	200.7	199.9	.8	73.4	73.5	−.1	127.3	126.4	.9	125.5	44.6
1955: I	384.3	379.8	4.4	208.4	204.0	4.4	79.7	77.8	1.9	128.7	126.2	2.5	130.0	45.8
II	393.0	386.9	6.1	214.0	207.9	6.1	83.8	79.4	4.2	130.5	128.5	1.9	132.0	46.9
III	403.4	397.5	5.7	221.1	215.4	5.7	86.1	83.7	2.4	136.0	131.7	4.3	133.0	47.3
IV	406.9	402.1	6.7	225.0	218.3	6.7	87.8	84.1	3.7	137.2	134.2	3.0	136.3	47.3
1956: I	410.6	404.4	6.2	225.0	218.8	6.2	90.1	85.1	5.1	134.9	133.7	1.2	138.0	47.0
II	415.0	410.5	4.4	225.9	221.5	4.4	88.1	85.7	2.4	137.8	135.8	2.0	140.7	48.3
III	421.0	417.1	4.0	228.9	223.0	4.0	87.7	86.8	.9	139.3	136.1	3.1	145.4	48.7
IV	430.0	426.0	4.0	232.6	226.7	4.0	92.4	89.3	3.0	140.3	139.3	1.0	148.7	49.6
1957: I	438.5	436.2	2.3	238.7	236.4	2.3	94.8	93.4	1.4	143.9	143.0	.9	150.1	49.7
II	442.1	439.4	2.7	239.1	236.4	2.7	96.5	94.2	2.3	142.6	142.2	.4	153.1	49.9
III	448.3	445.8	2.5	241.3	238.8	2.5	97.1	94.7	2.4	144.2	144.1	.1	156.9	50.1
IV	442.3	443.5	−1.2	233.7	234.9	−1.2	89.5	91.4	−1.9	144.2	143.5	.7	157.9	50.6
1958: I	432.0	438.9	−6.9	222.9	229.8	−6.9	77.7	85.0	−7.3	145.2	144.8	.4	159.1	50.0
II	436.8	441.3	−4.5	225.1	229.6	−4.5	77.5	82.4	−4.9	147.6	147.2	.3	162.7	49.1
III	447.0	448.5	−1.6	230.5	232.1	−1.6	79.8	81.6	−1.8	150.7	150.4	.3	166.1	50.4
IV	451.0	448.1	2.9	237.9	235.0	2.9	85.9	84.4	1.4	152.0	150.6	1.4	169.5	53.6
1959: I	473.1	465.5	7.6	245.8	238.1	7.6	93.2	87.4	5.7	152.6	150.7	1.9	170.6	56.7
II	487.0	475.4	11.5	255.6	244.1	11.5	99.9	91.7	8.2	155.7	152.4	3.3	174.1	58.2
III	481.4	481.5	−.1	247.1	247.1	−.1	90.4	93.4	−3.1	156.7	153.7	3.0	177.3	57.0
IV	486.4	481.7	4.7	251.2	246.5	4.7	99.3	97.1	1.7	158.4	156.4	2.0	181.3	59.9
1960: I	501.2	489.9	11.4	261.0	249.6	11.4	101.7	91.8	9.8	159.3	157.8	1.5	184.0	56.3
II	505.0	499.7	5.3	261.3	256.1	5.3	98.0	94.9	3.1	163.3	161.1	2.2	187.0	56.7
III	503.5	503.0	.6	255.7	255.1	.6	91.9	94.0	−.1	161.8	161.1	.7	190.5	57.0

was nearly, but not quite, offset by continued strong advances in consumer demand and in non-Federal Government buying. With Federal outlays turning up quickly and expansion continuing in other markets, new highs in total demand were soon being recorded.

Construction demand strong

Demand for construction has up to now mitigated the severity of the postwar business declines and spurred the recoveries, partly as a result of Government actions. From early 1956 through early 1958 construction volume showed little change in total, and at the GNP trough it was slightly higher than it had been at the peak of general business 2 quarters earlier. It turned strongly upward in the middle of 1958, providing considerable support to the overall economic recovery, as direct governmental action in this field and the move of the Reserve authorities towards general credit ease combined to make effective a rise in real demand.

Government construction outlays increased throughout the period. Federal steps to make more housing credit available were quickly reflected in the pace of residential building, which had been tapering before the business downturn, but leveled thereafter and moved vigorously up in the summer of 1958. Business investment in construction declined moderately at the end of 1957 and then sharply during most of 1958; recovery did not get underway until 1959.

Table 4.—Gross National Product By Major Type of Product, in Constant Dollars

[Billions of 1954 dollars, seasonally adjusted, at annual rates]

	Total GNP	Final sales	Inventory change	Goods output									Services	Construction
				Total	Final sales	Inventory change	Durable goods			Nondurable goods				
							Total	Final sales	Inventory change	Total	Final sales	Inventory change		
1947: I	278.4	277.8	0.6	101.3	100.7	0.6	54.5	52.4	2.1	106.8	108.3	−1.5	94.2	22.9
II	280.4	280.9	−.5	103.4	103.9	−.5	55.0	54.0	1.0	107.5	108.9	−2.4	94.5	22.5
III	282.9	285.4	−2.5	104.2	106.7	−2.5	59.0	55.2	3.8	104.2	110.6	−6.3	95.3	24.4
IV	287.2	285.2	2.0	106.3	103.3	3.0	55.8	55.4	.3	109.5	107.9	1.6	94.9	27.0
1948: I	290.4	287.7	2.7	104.5	101.8	2.7	54.1	53.9	.2	110.4	107.9	2.5	95.0	28.9
II	293.3	288.4	4.9	108.0	103.1	4.9	53.3	54.0	.7	112.5	108.3	4.3	96.8	28.5
III	295.6	289.8	5.8	108.1	103.3	5.8	55.8	54.7	1.2	113.2	108.6	4.7	97.0	28.9
IV	297.3	293.2	4.1	109.4	105.4	4.1	56.2	54.9	1.3	113.3	110.5	2.8	99.6	28.2
1949: I	291.5	292.0	−.4	104.0	104.5	−.4	52.5	52.0	.4	111.8	112.5	−.9	99.4	28.1
II	290.3	290.3	−0.0	101.4	101.4	−0.0	50.0	54.9	−4.8	111.4	112.5	−1.3	100.3	28.5
III	295.0	297.6	−2.6	102.7	105.7	−3.0	55.8	55.5	−.2	106.4	110.2	−1.8	101.8	30.1
IV	293.0	299.1	−6.0	100.0	106.0	−6.0	49.5	54.7	−5.2	110.5	111.4	−.8	101.2	31.8
1950: I	303.7	300.0	2.7	106.7	104.1	2.7	57.3	54.5	−.8	113.0	109.5	3.4	102.7	33.3
II	312.0	306.6	5.4	113.1	107.7	5.4	62.0	57.9	4.2	111.1	109.9	1.2	103.7	35.2
III	325.6	320.4	5.2	183.9	178.7	5.2	71.3	68.5	2.8	112.6	110.2	3.4	105.4	36.3
IV	331.6	316.1	15.5	186.0	171.4	15.5	74.9	63.4	11.5	111.8	108.0	3.9	109.4	36.3
1951: I	334.0	324.0	10.0	187.2	177.2	10.0	71.5	66.3	5.2	115.7	110.9	4.8	110.2	36.0
II	340.0	325.6	14.5	190.1	175.6	14.5	75.3	64.5	10.8	114.8	113.1	3.6	113.7	38.2
III	346.3	336.5	9.8	194.6	184.8	9.8	77.4	68.2	9.2	117.3	116.6	.6	116.0	35.8
IV	346.0	342.4	4.5	194.5	190.0	4.5	74.1	70.5	3.0	120.4	119.4	.9	116.8	35.6
1952: I	349.0	345.0	4.0	194.4	189.8	4.6	75.0	71.7	3.3	119.4	118.1	1.3	118.9	36.3
II	349.3	352.0	−2.7	192.3	195.0	−2.7	73.7	75.5	−1.8	118.6	119.5	−.9	120.1	35.9
III	352.6	348.9	3.8	196.0	192.2	3.8	71.0	70.5	.5	124.9	121.7	3.2	119.0	36.8
IV	362.3	357.4	4.9	204.5	199.6	4.9	80.6	77.8	2.8	123.9	121.8	2.1	120.3	37.5
1953: I	368.0	365.4	2.6	208.6	206.1	2.6	82.7	79.2	3.5	125.9	126.9	−1.0	121.5	38.8
II	373.2	370.0	3.2	211.7	208.5	3.2	83.0	80.7	2.2	128.7	127.7	1.0	122.9	38.7
III	370.2	369.4	.7	208.5	207.8	.7	83.3	80.9	2.4	124.2	126.9	−1.7	123.0	38.7
IV	363.9	368.5	−4.6	203.1	208.8	−4.6	74.4	78.7	−4.2	127.6	128.0	−.3	122.7	39.1
1954: I	360.4	362.9	−2.5	197.8	200.4	−2.5	72.3	75.8	−3.5	125.5	124.6	.9	122.7	39.0
II	359.4	362.3	−2.9	194.9	197.8	−2.9	70.5	74.5	−4.0	124.4	123.2	1.2	123.8	40.7
III	362.1	364.1	−2.0	195.7	197.7	−2.0	70.3	72.6	−2.5	125.6	125.1	.5	124.3	42.1
IV	370.1	369.2	.8	201.1	200.3	.8	73.1	73.3	−.2	128.0	127.0	1.0	125.5	43.5
1955: I	382.2	377.5	4.7	208.1	203.4	4.7	78.7	76.8	1.9	129.4	126.6	2.8	128.8	45.3
II	389.5	383.0	6.5	214.4	207.8	6.5	82.9	78.7	4.2	131.4	129.1	2.4	129.2	45.9
III	397.5	391.5	6.0	220.8	214.8	6.0	84.8	82.5	2.3	130.0	132.2	3.8	131.0	45.7
IV	401.1	394.0	7.1	224.2	217.1	7.1	85.9	82.4	3.5	138.3	134.7	3.0	131.6	45.3
1956: I	398.8	393.0	5.8	222.1	216.3	5.8	87.1	82.3	4.8	134.9	134.0	.9	132.8	43.0
II	398.9	394.8	4.1	220.9	216.8	4.1	84.3	82.0	2.3	136.6	134.8	1.8	133.7	44.3
III	400.2	396.2	3.9	219.6	215.8	3.9	82.7	81.9	.8	136.9	133.7	3.2	136.6	44.0
IV	405.5	401.5	4.0	223.2	219.2	4.0	85.6	82.8	2.8	137.6	136.4	1.2	138.8	43.5
1957: I	409.6	407.1	2.5	226.5	224.0	2.5	86.6	85.4	1.2	139.3	138.5	1.3	138.9	44.2
II	410.0	407.2	2.8	225.2	222.4	2.8	87.6	85.5	2.0	137.6	136.9	.7	140.8	43.9
III	411.0	408.7	2.3	224.6	222.3	2.3	87.3	85.2	2.2	137.2	137.1	.1	142.7	43.8
IV	403.8	404.8	−1.0	217.2	218.2	−1.0	80.3	81.9	−1.6	136.9	136.3	.6	142.4	44.2
1958: I	391.8	397.0	−5.2	205.5	211.7	−6.2	69.5	75.9	−6.3	135.9	135.8	.1	142.1	44.0
II	394.6	398.7	−4.1	207.1	211.2	−4.1	69.4	73.6	−4.2	137.7	137.7	.1	144.5	43.0
III	403.1	404.4	−1.3	212.7	214.0	−1.3	71.0	72.5	−1.5	141.7	141.5	.2	146.3	44.0
IV	414.8	411.4	2.9	219.5	216.6	2.9	76.0	74.7	1.3	143.5	141.9	1.6	148.3	46.5
1959: I	422.9	416.1	6.8	225.4	218.6	6.8	81.7	76.9	4.9	143.7	141.8	2.9	148.5	48.9
II	434.2	424.1	10.1	233.7	223.6	10.1	87.1	80.2	6.9	146.6	143.4	3.2	150.7	49.8
III	426.3	426.3	−.0	225.2	225.2	−.0	78.5	81.1	−2.6	146.7	144.1	2.6	152.5	48.6
IV	429.1	425.3	3.8	228.8	225.0	3.8	81.2	79.8	1.4	147.7	145.2	2.4	154.5	45.7
1960: I	440.5	430.7	9.8	237.5	227.7	9.8	88.7	80.4	8.3	148.6	147.3	1.5	155.5	47.4
II	442.2	437.4	4.8	237.1	232.3	4.8	85.3	83.6	2.7	151.8	149.6	2.2	157.4	47.6
III	438.0	437.4	.6	231.5	230.9	.6	81.4	81.5	−.1	150.1	149.4	.7	158.8	47.7

Paralleling the 1957 experience, construction outlays were firm after the peak in general business in both 1948–49 and 1953–54, total expenditures remaining about unchanged during the following half year in each case. In the two earlier postwar recessions, construction activity then rose rapidly and was a substantial expansionary element in the economy.

As in the more recent period, its general strength reflected the basic uptrend in government purchasing and firmness followed by rapid expansion in residential building as the Federal authorities took affirmative action. Earlier the backlog and legacy of the war had been factors.

National Product and Income

(Continued from page 12)

The recent course of the various types of personal income is traced in table 11, and quarterly changes so far this year are summarized on a national income basis in the accompanying text table.

Income from corporate business

The production declines which took place were largely in areas such as manufacturing, metal mining, and rail transportation, where the corporate form of business organization is the rule. A number of the areas where expansion occurred, by contrast, are largely or entirely outside the corporate sphere. Government, for example, provided much of the increase over the second quarter in total compensation of employees.

This pattern of change in the industrial composition of the national income was not favorable to corporate business, and meant more pressure on profit margins, which moved lower. From present indications there was a substantial reduction in profits, though data are not available to measure its size. Marked declines in profits and margins are reported for primary metals, auto manufacturing and chemicals, among other industries.

Pattern of payroll rise

Strength in the wage and salary component of national income since midyear has been mainly a reflection of developments in government and other lines which are more influenced by the growth trend in the national economy than by short-term market fluctuations. Underlying the $2-billion increase in the annual payroll rate for the summer quarter was a $1-billion dip in manufacturing, mining, and railroads, more than offset by increases of $3 billion elsewhere. Of the latter total, the Federal Government accounted for $1 billion—mostly reflecting the recent pay increase—and State and local governments provided $½ billion. Most of the remainder came from trade, construction, and services, in roughly equal proportions; minor advances also occurred in finance and communications. In the majority of these industries, the flow of labor income continued strong from month to month during the third quarter.

The decline in manufacturing was sharpest in those durables industries for which production cutbacks have been noted in the analysis elsewhere in this issue. Among the nondurables, wage and salary payments reflected some tapering in employment and hours worked in food, textile and certain other lines.

Table 17.—Changes in National Income, 1960

	Change from preceding quarter at seasonally adjusted annual rates		
	I	II	III
	(Billions of dollars)		
National income, total	11.6	4.9	n.a.
Wages and salaries:			
Private	8.5	3.4	0.5
Government	.7	1.0	1.4
Supplements to wages and salaries	1.4	.4	.4
Interest income	.9	.8	.6
Proprietors' and rental income	−.3	2.0	.2
Corporate profits and inventory valuation adjustment	2.4	−2.6	n.a.

The factors responsible for payroll change were somewhat different after midyear than before. Overall—and in most of the individual industries for which data are available—shifts in employment and weekly hours played a neutral or negative role; expansion stemmed from pay increases.