

JULY 1958

SURVEY OF
CURRENT
BUSINESS



U. S. DEPARTMENT OF COMMERCE

OFFICE OF BUSINESS ECONOMICS

NATIONAL INCOME NUMBER

SURVEY OF CURRENT BUSINESS

Vol. 38



No. 7

JULY 1958

National Income Number

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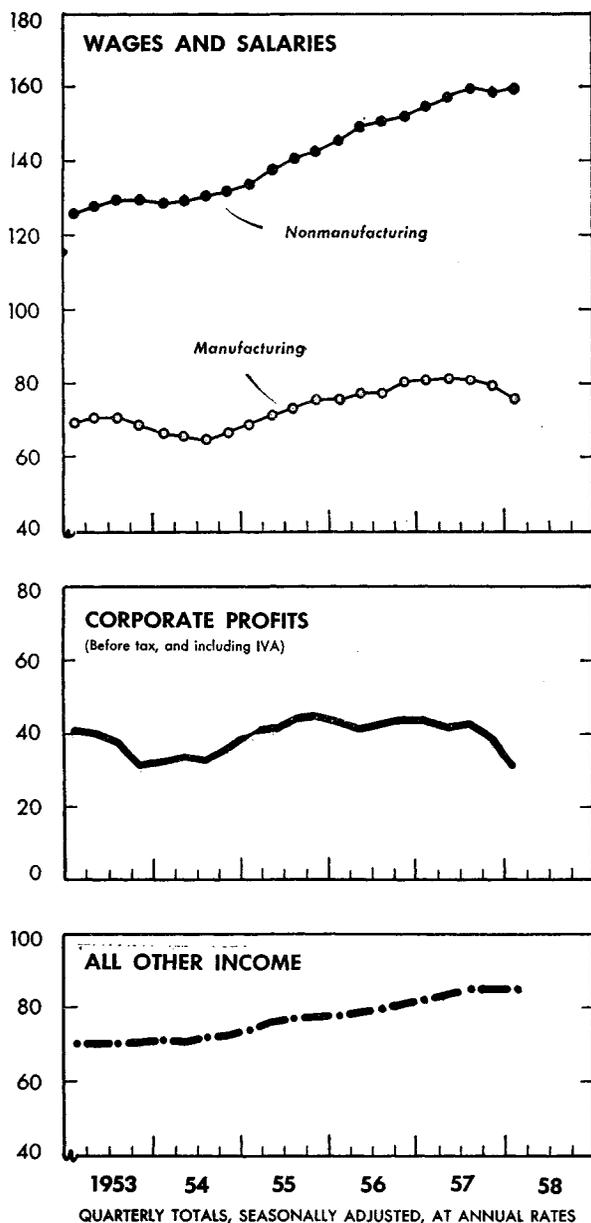
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The Business Situation

By the Office of Business Economics

National Income

Billion Dollars



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

58-15-1

ECONOMIC developments in June supplied additional evidence of firmer business conditions, and for the second quarter as a whole the total volume of activity matched that recorded for the preceding 3-month period.

Fixed investment has moved lower and the draw-down of business stocks is continuing. The pace of inventory liquidation has been about the same as earlier in the year, however, and thus has exerted no further downward pressure on business activity. Consumer buying improved slightly in the spring months, and Government purchases of goods and services also appear on the up-grade.

The flow of consumer purchasing power has advanced in the recent period, making up the decline which occurred between last summer's peak and the mid-winter low. As emphasized previously in the SURVEY, transfer payments and dividends were major factors sustaining personal income better than production during the period of downturn. In the past few months, however, individuals' earnings from current production showed signs of leveling out and most recently of advance reflecting changes in the labor market situation.

The number of workers in nonfarm establishments was close to 50½ million in June, up slightly from the April low after allowance for seasonal influences, and about 2 million below a year ago. Factory employment, which has borne the brunt of the cyclical downturn, remained virtually stable in May and June, not only in total but for most of the major industry groups which had cut back their work forces sizably. The manufacturing workweek was lengthened somewhat more than seasonally over the spring period, and this factor also served to sustain earnings in private production.

Recent pay raises to Federal personnel, military and civilian, are currently providing a particular fillip to total payrolls and, in addition, this income flow is being augmented currently by the retroactive feature of the civilian worker increase.

Mixed pattern of demand

The recent showing of personal income has been reflected in consumer markets. Outlays for soft goods and services continued to edge upward this past spring and are currently at new highs. The decline in outlays for consumer durables, consumers' buying, appeared to have been substantially arrested.

Sales of new automobiles were at a fairly even pace during the first half of this year, but—at an annual rate of slightly better than 4 million—were well below the volume in any year since 1952. To some extent, recent purchases of new cars involved a drawing down of dealers' inventories. These are at present moderately below a year ago, though still on the high side, given the current rate of consumer buying.

Consumer buying of other hard goods has also shown little change in recent months, and in total was moderately below a year ago.

Government spending appears to be tilting upward as Federal purchasing has made a mild turn around and State and local expenditures continue on a rising trend. Overall changes are not large, with national security outlays at about last autumn's rate.

As indicated by the recent OBE-SEC survey, business outlays for plant and equipment are scheduled to continue downward for some time. On the other hand, residential construction appears to have been fairly well maintained in recent months, after a somewhat larger than season fall-off during the winter period.

Actions preliminary to building suggest some possible improvement in home construction in the period immediately ahead. Requests for Government-supported mortgage financing were exceptionally high this past spring, far above a year ago. Total private housing starts in recent months exceeded 1 million units on a seasonally adjusted annual rate basis, up noticeably from the relatively low volume of last winter and slightly above the same period of 1957.

Factory sales steady

The recent leveling of activity was reflected in manufacturers' sales and new orders. Factory shipments rose slightly in May, the second month of relative firmness following a 14-month decline. Manufacturers' incoming business was also up a little. However, the flow of new orders continued below shipments and backlogs were again lowered.

Manufacturers have continued to reduce substantially their stocks of goods on hand. This liquidation, proceeding at a uniform rate of roughly $\frac{1}{2}$ billion a month from last December, carried total inventories in May \$3 billion under a year ago, with holdings of durable-goods producers accounting for the bulk of the decline. The reduction most recently was mainly in finished goods, whereas earlier it had centered in working stocks. With sales somewhat firmer, inventory-sales ratios have recently moved a little lower but remain in excess of a year ago, most notably in the durable-goods industries.

NATIONAL INCOME LEVELS OFF

Reflecting the contraction of business since last summer, the flow of national income in the first half of 1958 was down about 5 percent from the third-quarter 1957 rate.

In terms of the new and revised series presented in this issue, national income declined \$7 billion in the fourth quarter and \$11 billion in the first, to a seasonally adjusted annual rate just over \$350 billion. No marked change in the total is indicated for the second quarter, for which data are at hand except for corporate profits.

Declines from last summer's peak to the first part of the current year have centered in corporate profits and, to a relatively lesser extent, in private payrolls. Changes in other types of income have been mixed. Proprietors' earnings reflect a contraction in the nonfarm segment and an approximately offsetting advance in the income of farm operators. Net interest has continued its postwar uptrend in recent quarters, and the rental income of persons likewise has moved fractionally higher.

Compensation of employees for the first half was \$4 billion below the annual rate recorded in the final quarter of last year, and \$6 $\frac{1}{2}$ billion under the summer peak. The first-quarter 1958 figure of \$251 billion was substantially maintained during the spring, however, as private payrolls expanded somewhat in May and June to cancel most of the month-to-month decline registered earlier in the year.

The firming of wage and salary income, like the earlier contraction, stemmed chiefly from developments in durable-goods manufacturing and in other commodity-producing industries. Payrolls in manufacturing showed signs of improvement this spring, after having recorded marked declines in the fourth and first quarters. Earnings from contract construction recovered the bulk of last winter's greater than seasonal drop; mining, however, slowed further in the second quarter after having contributed to the earlier decline.

Payrolls in the distributive industries have been relatively stable over the past year. While since last summer cuts in railroad wages and salaries have lowered the transportation component, employee earnings in trade have been comparatively well maintained, and the utilities have moved up slightly in the face of the general cyclical downswing. The service industries have likewise manifested strength. In the government category, a moderate advance has reflected growth at the State and local level, supplemented by the pay increase recently approved for Federal employees.

Profits lowered

Accounting for the larger part of the drop in national income, the corporate profits share—profits plus inventory valuation adjustment—fell from a \$43-billion rate in the third quarter of 1957 to less than \$39 billion in the fourth, and to \$31 $\frac{1}{2}$ billion in the first quarter of this year. While second-quarter data are not yet available, it would appear that, with production cuts tapering in the hard-hit durables manufacturing groups and retail sales firmer, the profit downturn was slowed if not reversed.

Book profits reflected the production decline as well as a falling off of the inventory gains which bolstered them in 1957. Profits after taxes, at an annual rate of \$15 $\frac{1}{2}$ billion in the first quarter, were down one-fourth from year-end and nearly one-third from last summer. Corporate income tax accruals showed a similar movement.

These developments have had marked effect on the finances of Federal and State governments as well as of corporate business. For corporations, maintenance of dividends close to 1957 levels has involved cutting back earnings retention to the low annual rate of around \$3 billion. For the Government, the curtailment of profits tax revenues has been a major element in the shift to a deficit position.

In terms of industrial composition, the decline in corporate earnings since last summer has conformed to the broad pattern of shifts in output. Reflecting the substantially lower level of motor vehicle production which has prevailed since late 1957, auto makers' earnings softened in the fourth quarter and dropped sharply in the first. With the contraction in business outlays for durable equipment, profits in the machinery industries have fallen. The reduced demand on the part of auto and machinery manufacturers, in turn, has reacted upon profits in steel and other primary metals.

Declines occurred in rubber and certain other groups which supply the auto and metalworking industries. A variety of special situations also contributed to the reduction in manufacturers' profits.

Although more than two-thirds of the total drop in seasonally adjusted corporate earnings from the third quarter of 1957 to the first quarter of 1958 was in manufacturing, contraction was widespread among other industry divisions as well. In transportation, the characteristically sensitive railroad industry has borne the brunt of the recession. In mining, the profits decline has been marked in the nonferrous metals component, and the available data suggest some contraction in other branches as well. In retail trade, the reductions have centered in autos and general merchandise.

New Estimates

of National Income, 1946-57

NEW and revised estimates of United States national income and product are presented here for the postwar period. This report is an interim one, furnishing key annual, quarterly, and monthly statistics pending the availability of detailed information in a comprehensive bulletin now in preparation.

The tables which follow are intended for use in conjunction with the 1954 *National Income* supplement. The annual series included are shown for convenience back to 1929. Quarterly national income and product and monthly personal income are given on a revised basis for the entire period from 1946 to 1957. Extensions of these less-than-annual measures into 1958 may be found on page S-1 of this issue of the SURVEY OF CURRENT BUSINESS.

The revisions of the national income and product estimates stemmed from a major statistical review occasioned principally by the availability of tabulations from the 1954 Census of Manufactures and Census of Business. These sources have been utilized to prepare new benchmarks for consumer commodities and producers' durable equipment, and they also yielded requisite basic data for numerous individual series of consumer expenditures for services.

At the same time, the opportunity was taken to incorporate numerous other data sources which had become available since the last major revision 4 years ago, and to carry through desired improvements in estimating techniques. All of the many income and product components were carefully reexamined, and alterations were made wherever there was felt to be an appreciable need.

As a result of this reworking of the statistical series, the estimated current levels of gross national product, national income, and personal income have been raised moderately. For example, the new estimate of GNP for 1957, \$440 billion, exceeds the previous figure by about \$6 billion, or somewhat more than 1 percent. This increase in level, it should be noted, dates largely from 1955, with the revisions serving to accentuate the picture of strong economic recovery already shown for that year. The 1955-57 expansion in GNP, as well as in the income flow, recorded by the revised figures is closely similar to that previously measured.

The new national income bulletin, in presenting the complete set of revised data for the postwar period, will feature a reorganization and expansion of the statistical tables in which the estimates have been presented for more than a decade. The text of the volume will consist of an analysis of the American economy as viewed through the national income accounts, a discussion of the development of the accounts over the past quarter century and of the needed directions of future research, and a review and evaluation of the statistical basis of the estimates.

The forthcoming document, a special supplement to the SURVEY OF CURRENT BUSINESS, marks a third major advance in the official national income work during the postwar period. It follows the basic recasting and expansion of the estimates in 1947 and the provision of full explanations of concepts and methods in 1951 (with an updating in 1954).

The new report will not replace the 1954 *National Income* supplement. The latter will remain the basic reference source for descriptions of the technical bases of the income and product estimates, as well as for numerous statistical tables for the period 1929-45.

Notice of the publication date and price of the bulletin will appear in the SURVEY.

Unless otherwise stated, statistics through 1956 and descriptive notes are shown in the 1957 edition of BUSINESS STATISTICS

Table with columns for years 1957 (May-December) and 1958 (January-June)

GENERAL BUSINESS INDICATORS—Continued

Main data table with columns for months and rows for Industrial Production (Unadjusted and Seasonally Adjusted), Consumer Durables Output, and Business Sales and Inventories.

† Revised. † Preliminary. † Corrected. ♂ See corresponding note on p. S-2. §The term "business" here includes only manufacturing and trade. Business inventories as shown on p. S-1 cover data for all types of producers, both farm and nonfarm. Unadjusted data for manufacturing are shown on p. S-4; those for retail and wholesale trade on pp. S-9, S-10, and S-11. ¶Data beginning January 1948 for wholesale trade (not published in the 1957 edition of BUSINESS STATISTICS) are available as follows: For 1948-50, upon request; for 1951-56, on p. 32 of the August 1957 SURVEY.

Unless otherwise stated, statistics through 1956 and descriptive notes are shown in the 1957 edition of BUSINESS STATISTICS

Table with columns for months May through June 1957 and 1958. Section: ELECTRIC POWER AND GAS—Continued. Rows include Natural gas (quarterly) customers, sales to consumers, and revenue from sales to consumers.

FOODSTUFFS AND TOBACCO

Large table with columns for months May through June 1957 and 1958. Section: ALCOHOLIC BEVERAGES and DAIRY PRODUCTS. Rows include Beer, Distilled spirits, Whisky, Wines and distilling materials, Butter, creamery, Cheese, Condensed and evaporated milk, Fluid milk, and Dry milk.

* Revised. † Preliminary. ‡ Totals include data not shown separately. Revisions for 1st and 2d quarters of 1956 are available upon request. § Data beginning July 1957 exclude production of wines and vermouth; for July 1956-June 1957, such production totaled 146,000 gal. ¶ Revisions for the indicated items and for the periods specified are available upon request as follows: Butter, cheese (total and American), dry whole milk, and nonfat dry milk solids (production)—January 1955-September 1956; condensed milk and evaporated milk—January-September 1956; fluid milk—January-December 1956; nonfat dry milk solids (stocks)—January 1954-December 1956.

Unless otherwise stated, statistics through 1956 and descriptive notes are shown in the 1957 edition of BUSINESS STATISTICS

Table with columns for years 1957 (May-June) and 1958 (January-June)

FOODSTUFFS AND TOBACCO-Continued

FRUITS AND VEGETABLES

Apples: Production (crop estimate), Shipment, Stocks, cold storage, end of month

Citrus fruits, carlot shipments, Frozen fruits, juices, and vegetables: Fruits, Fruit juices and purees, Vegetables

Potatoes, white: Production (crop estimate), Shipment, Price, wholesale, U. S. No. 1 (New York)

GRAIN AND GRAIN PRODUCTS

Exports (barley, corn, oats, rye, wheat)

Barley: Production (crop estimate), Receipts, Stocks, domestic, end of month: Commercial, On farms, Exports, including malts, Prices, wholesale

Corn: Production (crop estimate), Grindings, wet process, Receipts, interior primary markets, Stocks, domestic, end of month: Commercial, On farms, Exports, including meal and flour, Prices, wholesale

Oats: Production (crop estimate), Receipts, interior primary markets, Stocks, domestic, end of month: Commercial, On farms, Exports, including oatmeal, Price, wholesale

Rice: Production (crop estimate), California: Receipts, domestic, rough, Shipments from mills, milled rice, Stocks, rough and cleaned (cleaned basis), end of month, Southern States (Ark., La., Tenn., Tex.): Receipts, rough, at mills, Shipments from mills, milled rice, Stocks, domestic, rough and cleaned (cleaned basis), end of month, Exports, Price, wholesale

Rye: Production (crop estimate), Receipts, interior primary markets, Stocks, commercial, domestic, end of month, Price, wholesale

Wheat: Production (crop estimate), total, Spring wheat, Winter wheat, Receipts, interior primary markets, Disappearance (quarterly total), Stocks, end of month: Canada (Canadian wheat), United States, domestic, total: Commercial, Interior and merchant mills, elevators, and warehouses, On farms, Exports, total, including flour, Wheat only, Prices, wholesale

Prices, wholesale: No. 1, dark northern spring (Minneapolis), No. 2, hard winter (Kansas City), No. 2, red winter (St. Louis), Weighted avg., 6 markets, all grades

* Revised. * Preliminary. † December 1 estimate of 1957 crop. ‡ July 1 estimate of 1958 crop. § Old crop only; new grain not reported until beginning of new crop year. ¶ Revised beginning January 1954 to reflect data compiled from reports based on 5-day weeks (prior thereto, based on 6-day weeks). Revisions for January 1954 through July 1956 are shown in the October 1957 SURVEY. †† Excludes a small amount of pearl barley. ‡‡ Bags of 100 lb. §§ The total includes wheat owned by Commodity Credit Corporation and stored off farms in its own steel and wooden bins; such data are not included in the breakdown of stocks. ¶¶ Data for March, June, September, and December are not strictly comparable with those for other months, largely because of somewhat smaller coverage of the quarterly reports.

Unless otherwise stated, statistics through 1956 and descriptive notes are shown in the 1957 edition of BUSINESS STATISTICS

Table with 13 columns for months (May to June) and two main sections for 1957 and 1958.

FOODSTUFFS AND TOBACCO—Continued

GRAIN AND GRAIN PRODUCTS—Continued

Table listing grain statistics including Wheat flour, Operations, percent of capacity, and Prices, wholesale.

LIVESTOCK

Table listing livestock statistics including Cattle and calves, Hogs, and Sheep and lambs.

MEATS

Table listing meat statistics including Beef and veal, Lamb and mutton, Pork, and Lard.

POULTRY AND EGGS

Table listing poultry and egg statistics including Poultry and Eggs.

MISCELLANEOUS FOOD PRODUCTS

Table listing miscellaneous food products including Confectionery and Cocoa beans.

Revised. Preliminary. No quotation. Prior to 1957, figures include data for sausage and sausage-room products and edible offal; figure for December 1956 comparable with those beginning 1957, which exclude such items, is 606,490,000 lb. Substituted series; midmonth prices as reported by U. S. Department of Agriculture. Revisions for earlier months of 1957 (units as above): Flour—January, 22,292; February, 19,275; April, 18,937; offal—January, 423,000; February, 361,000; grindings of wheat—January, 51,942; February, 43,935; April, 43,321.

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