

What's AHEAD for Minnesota Farmers

MAGR
GOVS
MN 2000 WH/GE-
1960



1961
GENERAL ECONOMY

AGRICULTURAL EXTENSION SERVICE

UNIVERSITY OF MINNESOTA

INSTITUTE OF AGRICULTURE

AT A GLANCE: Even though business activity appears to contain both strong and weak aspects, expenditures for food should hold up well for the next year.

SITUATION

OUTLOOK

The U. S. economy recovered rapidly from the affects of the steel strike and showed considerable strength early this year. At the present time, however, the economy presents a mixed picture of considerable strength in some areas and possible sources of weakness in others.

| | Second quarter 1960 | Change from first quarter 1960 |
|-----------------------------------|------------------------|--------------------------------------|
| | billions* | |
| G. N. P. | \$505.0 | + 3.7 |
| Personal Consumption Expenditures | 329.0 | + 5.7 |
| Private Investment | 75.5 | - 3.8 |
| Net Exports | 2.0 | + .8 |
| Fed., State, & Local Expenditures | 98.6 | + 1.1 |

* Seasonally adjusted annual rate in current dollars.

After declining by \$6.5 billion between the third and fourth quarters of 1959, Gross National Product (total U. S. production of goods and services) passed the \$500 billion mark early in the year. Between the first and second quarters GNP rose by a moderate \$3.7 billion.

Personal consumption expenditures, one of the four major categories of demand, averaged a \$329 billion annual rate in the spring quarter, an increase of over \$5.5 billion over the first quarter. More than half of the increase in spending represented gains in real volume of consumption, though rising prices played a considerable part in the case of some commodities.

Expenditures on non-durables such as food and clothing played an important part in the increase in expenditures as did spending for services. Combined expenditures on durables such as automobiles and appliances held about steady. The former, however, moved up and the latter declined.

Expenditures on nondurables and services have tended to continue strong in the past even in the face of moderate declines in business activity. This seems to indicate that even though marked improvement in the weaker elements of business might not occur, the demand for food will continue strong.

As in the past, prices received by farmers will be greatly influenced by commodity supply conditions.

(Continued on back)



This archival publication may not reflect current scientific knowledge or recommendations.
Current information available from University of Minnesota Extension: <http://www.extension.umn.edu>

SITUATION

Private investment after increasing by an annual rate of \$11.8 billion between the third quarter of 1959 and the first quarter of 1960, declined by \$3.8 billion between the first and second quarters. Most of this variation reflects the effect of inventory changes. After the steel strike inventories were rebuilt rapidly. Since then inventories have been accumulated at a much slower rate particularly in the steel-using industries and by durable goods distributors.

Outlays for housing appears to have leveled off at a rate about 10% below the all time high of last year. Business investment purchases of construction and durable equipment continue as a strong element, showing a \$2 billion gain in the second quarter. This brought investment in fixed facilities for the first half of 1960 to a rate of \$5 billion above the same period in 1959.

During the second quarter of 1960 net exports were at a \$2 billion annual rate, the highest since late 1957. During 1959 we were on a net importing basis. Since then imports have held about steady but exports of industrial materials such as copper and steel and exports of aircraft have increased.

Federal, state and local government expenditures advanced by about \$1 billion in the second quarter over the first quarter rate. State and local buying approached a \$47 billion rate against a \$44 billion rate a year earlier. Total federal buying so far in 1960 has been down more than \$1 billion from last year's second half annual rate. The Federal budget picture for the current fiscal year is not yet definitely established.

Employment declined in the durable goods industries this year but these declines were more than offset by increases in other sectors of the economy such as nondurable goods manufacturing, trade, construction, services and state and local governments. Employment increased about 7% between January and July. However, since the size of the labor force has also increased, seasonally adjusted unemployment stood at 5.4% in July.

Recently reserve authorities have taken steps to increase the availability of credit.

OUTLOOK

In the past private investment has been the most variable source of demand. This category of demand presents a picture both of strengths and weaknesses. Much of what happens to business activity this fall and winter will depend upon changes in this sector.

Easier credit could help to stimulate business activity this fall and winter.

