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Statistical Indicators of Business-Cycle Changes

The accompanying table shows the direction of recent changes in monthly data, the latest 3-month moving averages of the statistical indicators, and our appraisals of their current cyclical statuses. The last reflect consideration of associated and component monthly and weekly series in addition to the data available for each series. The accompanying charts show monthly changes in the indicators since 1950. Periods of cyclical contractions, identified by the National Bureau of Economic Research as occurring in 1953-54, 1957-58, and 1960-61, are shown by shaded areas. The tabulated series are those enumerated in the 1960 list of the National Bureau of Economic Research except for three quarterly series of leading indicators, which have been omitted because they are seldom available in time for use as "leaders" in appraising current cyclical changes, and except for Gross National Product in constant 1954 dollars, which, under current circumstances, moves consistently and concurrently with Gross National Product in current dollars.

All series charted or tabulated are seasonally adjusted except those of common stock prices, industrial raw

THE STATISTICAL INDICATORS

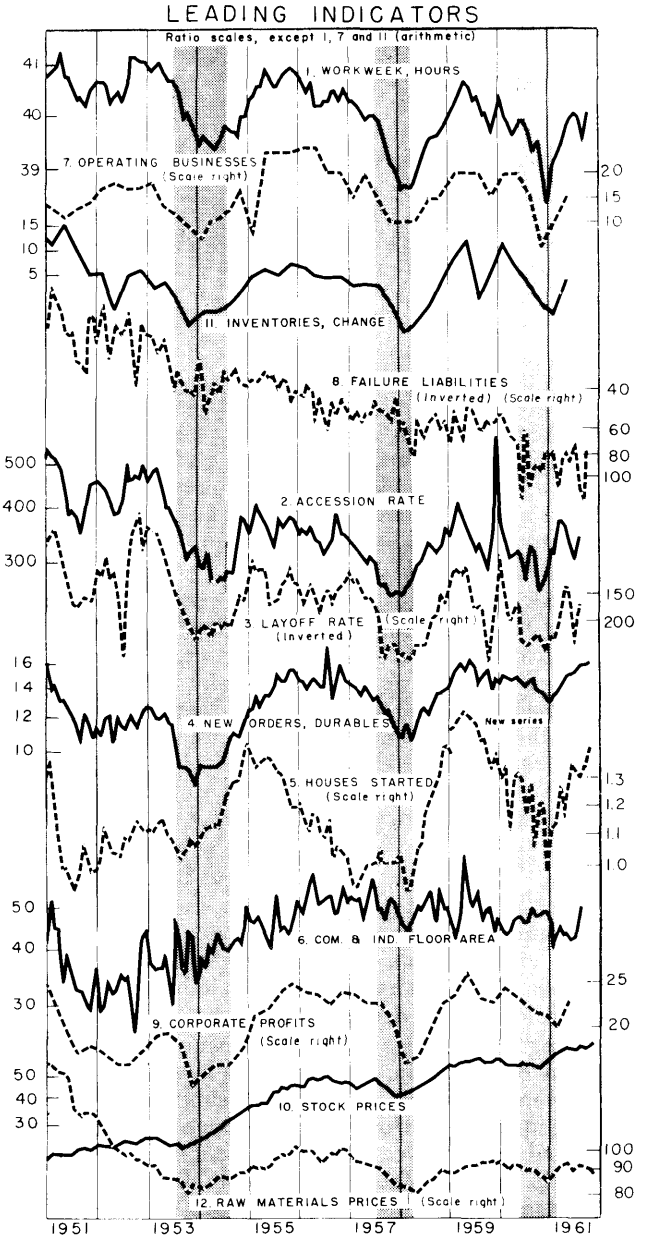
	Direction of Change				Latest 3-Mo.	Apparent Cyclical
Leading	*Aug.*	*Sept.*	*Oct.*	*Nov.*	*Average*	*Status*
Avg. weekly hours	−	−	+		+	+
Accession rate	+				−	?
Layoff rate*	+				−	?
New orders, durables	+	+	+		+	+
No. houses started	−	+	+		+	+
Com. & ind. floor space	+	−e			−	−?
Failure liabilities*	−	−	+		−	−
Common stock prices	+	−	+	+e	+	+
Ind. raw mat. prices	+	nc	−	−e	−	−
Percent expanding	67				44	44
Roughly Coincident						
Empl. nonagr. estabs.	+	+	+		+	+
Unempl. rate*	nc	+	nc		+	?
Ind. production	+	−	+		+	+
GNP, current $	+	+a	+a	+a	+	+
Bk. debits out. NYC	+	−	+	−e	+	+
Personal income	−	+	+		+	+
Retail sales	+	−	+		+	+
Ind. whole. prices	−	+	−	−e	−	−
Percent expanding	69	63	81		88	75
Lagging						
Plant & equip. expends.	+a	+a	+a	+a	+	+
Unit labor cost	−	+	−		−	−?
Mfrs. inventories	+	+			+	+
Consumer install. debt	+	−			−	−?
Bank rates, bus. loans	+	+			+	+
Percent expanding	80	80			60	60

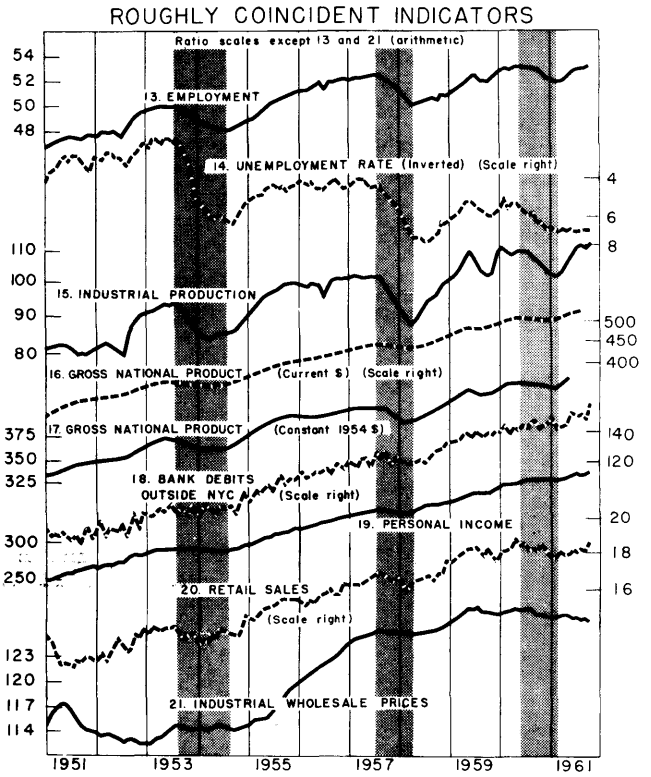
e Estimated. nc No change. a Anticipated.

Note: Plus or minus signs indicate respectively increases or decreases in monthly or moving-average data and expansion or contraction in the current appraisals of the cyclical status of each series. A blank space indicates that data are lacking.

Asterisks indicate series that have been inverted so that their movements will conform directionally with those of the other series; this is done for series which usually decrease during business expansions and increase during business contractions.

A question mark following a classification sign indicates some reason to doubt the classification.





material prices, and bank rates on business loans.

The overall status of the indicators remains substantially similar to that of a month ago, characterized by firmness of the roughly coincident group but by continuing uncertainties among the leaders. Although October data reported in late November were unusually favorable and were widely hailed as indicating the resumption of expansion following the September setback, most of them related to series already classified as expanding and few related to series previously classified as contracting. Consequently, the percentages of the three groups expanding remained at 44, 75, and 60, respectively.

Among the leading indicators, expanding classifications of four monthly series were further confirmed by October increases, but the other five series, a majority of the group, still are classified as contracting or doubtful. The downtrend of industrial raw material prices was further confirmed by October and preliminary November reports; the moving average of inverted failure liabilities remained at a low level despite a 1-month reversal; and the two turnover series remained indeterminate.

Six of the roughly coincident indicators, previously classified as expanding, continued to expand in October. The inverted unemployment rate continued unimproved for the eighth month after a year-long slide from its last peak in February 1960; and industrial wholesale prices continued to decrease.

Among the lagging indicators, manufacturers' inventories increased again, and plant and equipment expenditures were expected to increase substantially during coming quarters. However, consumer-installment debt continued to contract, and wage and salary payments per unit of manufacturing output decreased further after a small September reversal.

The leading indicators still fail to justify optimism concerning future business expansion, although the roughly coincident indicators continue to reflect moderate current expansion.

DEMAND

The Harwood Index of Inflation

We estimate that the Harwood Index of Inflation for November will be 216, or 3 points more than the index for October. At this level the index would be 3 points less than that for November 1960.

During October net investment-type assets of the commercial banking system increased $4.3 billion to a total of $183.4 billion, nearly 9 percent more than that of a year earlier.

Savings-type liabilities of the commercial banking system increased $0.6 billion during October to $104.9 billion, 14 percent more than the total at the end of October 1960.

The net result of these changes in investment-type assets and savings-type liabilities was an increase of $3.7 billion in inflationary purchasing media in use, nearly 2 percent more than that at the end of October last year. The effect on the index of the month's increase in inflationary purchasing media in use was augmented by a decrease of $0.6 billion in noninflationary purchasing media. (The index is the ratio of all active purchasing media to all noninflationary purchasing media.)

Two recent developments that could have important bearing on the future course of inflation in the United States are (1) the President's directive to his Cabinet officers and agency heads to follow "a most careful and frugal policy with respect to commitments and expenditures"; and (2) the third-quarter deterioration in the Nation's balance-of-payments position as evidence of the continuing threat of domestic inflation to the dollar abroad. Although the fiscal results of the President's appeal for restraint in Government spending will not appear until after mid-1962, its effectiveness should be reflected in the budget the Administration is scheduled to submit to Congress next January.

The third-quarter deterioration in the United States' balance-of-payments position presumably was an important if not the dominant consideration in the apparent reversal of the President's position on spending. Certainly weakness of both the Nation's gold position and of the dollar abroad demand the restraint on Government spending advocated by the President in order that more inflation, even the prospect of which threatens to weaken the dollar further, may be avoided.

Of more immediate effect on underlying money-credit conditions is the probability that the cyclical recovery of business is continuing. Higher interest rates associated with the recovery phase of the business cycle may discourage the outflow of short-term funds; but increasing domestic prosperity already has encouraged imports and thereby aggravated the Nation's balance-of-payments position.

We expect a further seasonal increase in the Harwood Index of Inflation during December followed by the usual tax-payment deflation in the first quarter of 1962. More extensive deflation may occur if the Federal Reserve Board decides to reduce the risk of a foreign creditors' "run" on U.S. gold by tightening money rates. Under present circumstances an attempt by the Administration to inflate further and acquiescence in such efforts by the Federal Reserve Board would be evidence of irresponsibility bordering on sheer folly.

SUPPLY

Industrial Production

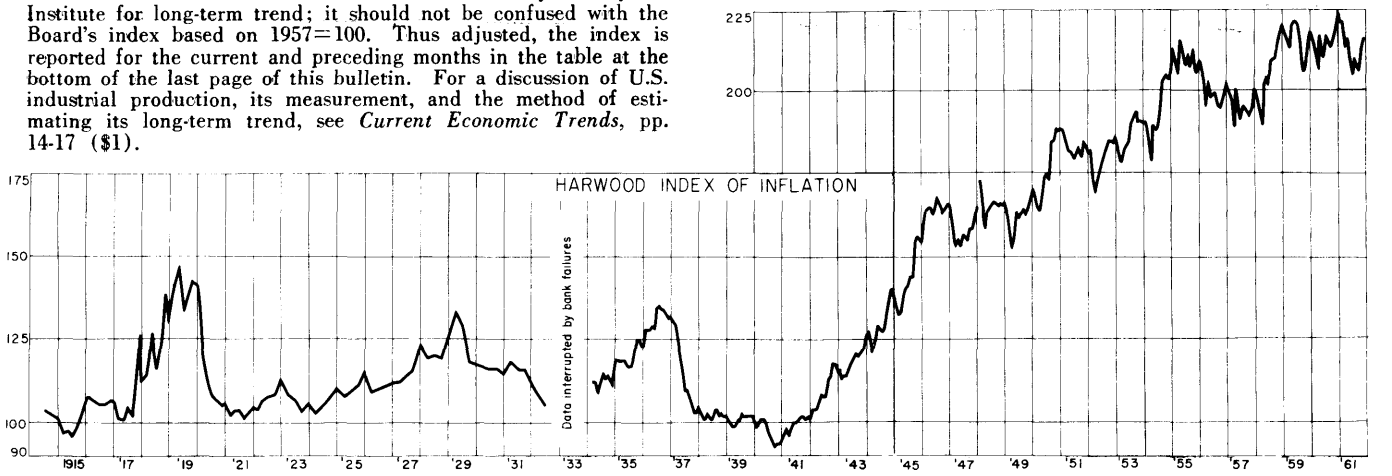
We estimate the index of industrial production for November, after adjustment for seasonal variation and long-term trend, to be 117, one point more than the index for October and 7 points more than that of a year earlier.*

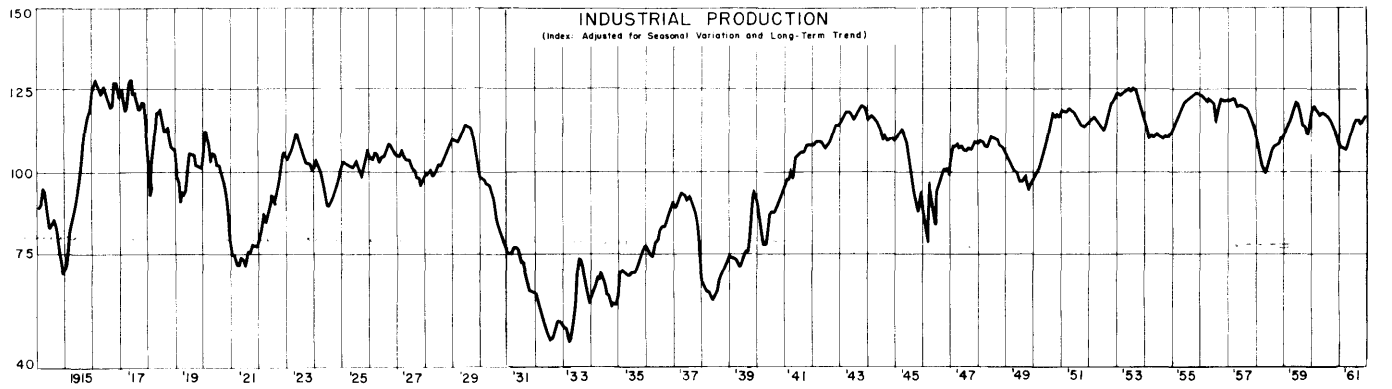
The upward trend of industrial production was resumed in October, when seasonally adjusted production was 1½ percent greater than that in September and equal to the record production in August. Production of durable goods, which comprises one-half of all industrial production, was 2 percent greater in October than that in September. Production of nondurable goods, which accounts for about one-third of all industrial production, was seven-tenths of 1 percent greater in October than that in September; output of utilities also increased seven-tenths of 1 percent, while that of the mining industry increased 1 percent.

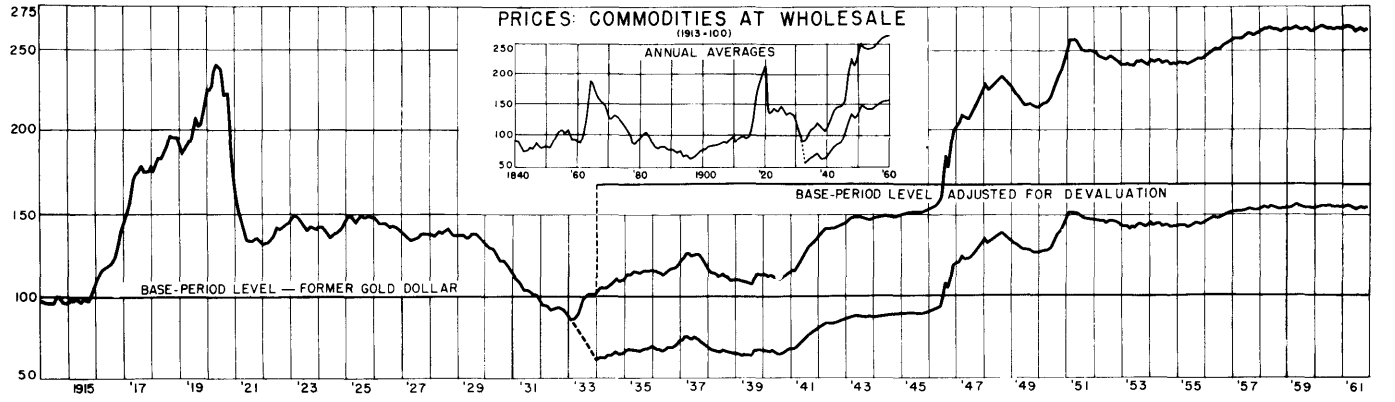
Automobile production seasonally adjusted was 25 percent greater in October than that in September but was 17 percent less than that in October last year. Interruption of new-car production by recent strikes may contribute to increased activity of that industry in November and December. Another development indicating further increases in industrial production is the recent increase in new orders for paperboard. (Because paperboard is so widely used in packaging of industrial products, changes in new orders for paperboard have tended to lead changes in industrial production.) If the sharply increased retail sales in October are sustained, such gains will strengthen the prospects for increased industrial production.

Demand for steel has been steady in recent weeks. The U.S. Steel Corporation has notified its customers

*The index is that of the Federal Reserve Board adjusted by the Institute for long-term trend; it should not be confused with the Board's index based on 1957=100. Thus adjusted, the index is reported for the current and preceding months in the table at the bottom of the last page of this bulletin. For a discussion of U.S. industrial production, its measurement, and the method of estimating its long-term trend, see *Current Economic Trends*, pp. 14-17 ($1).







that "in their own best interest they will have to stock some steel" in the first half of 1962 as protection against a possible labor stoppage in this industry next July 1. Although there is as yet no evidence of an accumulation of steel inventories, the threat of a steel strike in mid-1962 may stimulate production in that industry after the beginning of the year.

Further moderate increases in industrial production seem probable during the next few months.

Latest Weekly Data: Selected Items

Production of steel, automobiles, electric power, and lumber (1) in the 1- and 4-week periods ended on the indicated dates in the current year and (2) in the corresponding periods of earlier years was as follows:

	1929	*1932*	*1957*	*1958*	*1960*	*1961*
Steel						
Ingots—million tons						
1 week: November 18	1.01	0.29	1.99	2.02	1.47	2.04
4 weeks: November 18	4.29	1.20	8.10	8.10	5.98	8.19
Automobiles						
Vehicles—thousands*						
1 week: November 18	49	13	173	149	180	190*p*
4 weeks: November 18	261	44	628	520	693	759*p*
Electric Power						
Kilowatt-hours—billions						
1 week: November 18	1.8	1.5	12.0	12.4	14.0	15.7
4 weeks: November 18	7.2	6.1	47.5	49.2	56.0	61.9
Lumber						
New York Times Index						
1 week: November 11	127	37	109	113	108	110
4 weeks: November 11	126	37	109	119	107	108

* Cars and trucks in the United States and Canada.
p Preliminary.

PRICES

Commodities at Wholesale

The Bureau of Labor Statistics Index of Wholesale Prices for November is estimated at 261 (converted to 1913 base), two-tenths of 1 percent more than the estimate for October but eight-tenths of 1 percent less than the index for November 1960. Prices of farm products increased one-half of 1 percent. Food prices decreased one-tenth of 1 percent, while prices of meats decreased 1.3 percent. Prices of industrial commodities increased two-tenths of 1 percent.

Prices received by farmers decreased eight-tenths of 1 percent in October from those in September, while prices paid by farmers remained unchanged. The parity price ratio remained at 80 in October for the third consecutive month but was 1 point less than that of a year earlier.

The Bureau's daily index of spot-market prices of 22 basic commodities decreased 1.9 percent between mid-October and mid-November and was four-tenths of 1 percent less than that of a year earlier. The index of prices of 13 industrial materials, a component of the larger index and a leading indicator of business-cycle changes, decreased 4.1 percent between mid-October and mid-November but was two-tenths of 1 percent more than the index for a year earlier. The Dow-Jones index of commodity futures in mid-November was seven-tenths of 1 percent more than that of a month earlier and 3.8 percent more than that of a year earlier.

Among the weakest prices this year have been those of raw materials traded in world markets. Perhaps influenced by this development, the Administration has indicated willingness to support international cartel agreements intended to stabilize commodity prices. Experience indicates, however, that such agreements are not effective without close government control of output. At their recent conference, lead and zinc producers could not agree on the allocation of production cutbacks to stem recent price decreases; even in the highly protected U.S. market lead prices are the lowest since price controls were removed in 1946. Sugar prices, also, decreased to post-World War II lows in world markets while the International Sugar Council struggled unsuccessfully to limit production. The International Coffee Agreement has attempted without success to restrict production of coffee through a system of export quotas. The Organization of Petroleum Exporting Countries is trying to establish a system of controls, administered by the member nations, to prevent discounts on crude oil prices.

In domestic markets, an absence of substantial inflating of the purchasing media has been followed by stability of wholesale prices. Despite some attempts by manufacturers to increase prices, such recent attempts have generally been unsuccessful. Prices in the building materials industry have been among the most recent to weaken. A large manufacturer of fiberboard roof insulation has announced that a 7-percent decrease in list price "was being made to meet unofficial discounts offered for several months by other producers."

Despite improving business conditions, adequate supplies of most industrial materials and ample productive capacity seem to preclude an early advance of industrial materials prices.

Latest Indexes

Index	*1960* *Nov. 20*	*1961* *Nov. 13*	*1961* *Nov. 20*
Spot-market, 22 commodities	255	253	254
Commodity-futures	299	312	312
Steel-scrap	$28.33	$32.83	$32.83

Note: The indexes are respectively those of the U.S. Bureau of Labor Statistics, Dow-Jones, and *Iron Age*. The spot-market and futures indexes are converted so that their August 1939 daily averages equal 100. The steel-scrap index is a composite price for No. 1 heavy melting scrap.

BOOK REVIEW

Economic Geography by Loyal Durand, Jr.
Thomas Y. Crowell Company, 432 Park Avenue South, New York 16, New York ($7.25)

This book is an economic geography of the world. The material is organized according to products, product groups, and manufactures.

Indexes of Production, Inflation, and Prices

	1960		*1961*										
	Nov.	*Dec.*	*Jan.*	*Feb.*	*Mar.*	*Apr.*	*May*	*June*	*July*	*Aug.*	*Sept.*	*Oct.*	*Nov.*
Industrial Production	110	108	107	106	106	110	112	114	116	116	114*	116*	117*
Harwood Index of Inflation†	219	224	221	221	213	216	209	205	210	208	206	213	216
Commodities at Wholesale	263	263	264	264	264	263	261	260	261	262	261	261*	261*
Commodities at Wholesale§	156	156	156	156	156	155	154	154	154	155	155	154*	154*

*Preliminary.
†All data reported are preliminary.
§In terms of former gold dollars.