GNP was dominated by a record $11 billion drop in the rate of inventory accumulation. The big swing in stockbuilding had its major impact on durable goods manufacturing, which experienced a decline in output and employment.

Apart from inventories, expenditures increased in most areas. To be sure, the slowdown was intensified by an unexpected and unusual burst of personal saving. There was a $2 billion drop in consumer spending on automobiles. Even so, total consumer outlays advanced nearly $6 billion for the quarter. Meanwhile, Government purchases of goods and services—Federal and State and local—were the key stimulative force, registering a large increase of $8 billion. In sum, including a notable rebound of $1½ billion in net exports and a tiny gain in residential construction activity, total final sales—i.e., GNP excluding inventory investment—registered a brisk advance of more than $15 billion. This growth of final sales actually exceeded the average quarterly increase experienced during 1966. But the $11 billion drag in inventory investment held the GNP gain to small dimensions.

Obviously, we can offer only a most preliminary and tentative appraisal of the pattern of activity in the current quarter. Nevertheless, the available evidence strongly suggests that the increase in GNP is outrunning that of the first quarter by a significant margin, and that real output is renewing its advance. Final sales are likely to repeat approximately the same $15 billion gain registered in the first quarter. The pattern of advance in final sales should differ somewhat from that of the first quarter, with a stronger rise in consumer expenditures, a more moderate advance in Government spending, and a significant gain in homebuilding activity. Meanwhile, the $11 billion dent that inventory investment put into the first quarter's performance will not be repeated. More likely, the decline in inventory investment in the current quarter should range between $4 and $6 billion, with a resulting gain of roughly $10 billion in GNP.

EMPLOYMENT DEVELOPMENTS

Despite the slow pace of economic activity thus far in 1967, the unemployment rate has remained essentially on a plateau at 3¾ percent of the civilian labor force. There has even been a continued decline in the number of long-term unemployed, i.e., those out of work for 15 consecutive weeks or longer. Unfortunately, however, the unemployment rate of nonwhites—and especially of nonwhite teenagers—has risen.

The overall stability in the unemployment rate has reflected, in large measure, a substantial decrease in the civilian labor force. Many women and teenage workers who were not the primary breadwinners for their families simply dropped out of the labor force when jobs were no longer readily available. The stability has also been aided by the eagerness of many firms in retail and wholesale trade and in services to take on additional workers once the labor market loosened up. Apparently, the needs for workers in these areas had not been fully met during 1966. From December to May, trade and services added 400,000 workers to their payrolls. State and local governments also were a major source of job gains, taking on an extra 250,000 workers.

Manufacturing firms did reduce employment by 300,000 in the first 5 months of 1967. A significant part of the adjustment in their