

Our Changing Economy

Slight Turndown In Area Possible

By Philip Stoddard Brown

NO improvement in business activity in the Washington area is likely this fall. Indeed, it would not be surprising if there were a slight downturn, in view of the declining backlog of authorized construction and the reductions in federal employment presently decreed.

If any downturn does occur, it will not be directly attributable to "inventory adjustments" underway elsewhere in the country, in the steel, aluminum, petroleum, textile and other industries. Nor will it be indirectly attributable, so far as I can see, to renewed doubts about national business conditions, which have caused a \$25 billion markdown since Sept. 1 in shares listed on the New York Stock Exchange alone.



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Misgivings Detailed

MY misgiving about the immediate outlook for business in the Washington area are as follows:

- The Defense Department apparently intends to go through with the announced cutback of 2600 in Washington civilian employment by the end of the calendar year. In other departments and agencies too, some reductions are being achieved. What the exact magnitude of the net reduction will be over the next couple months I am unable to say. But the change of pace from an increase of 7000 in the past year to a decrease of 3000 or 4000—possibly more—in a short period may have an appreciable impact upon local business.

- In August, for the first time in two years, employment in the construction field was less than that of a year ago. Moreover, it looks as though the backlog of construction work might fall rapidly in the next few months. Over 25 per cent less private building was authorized in the first seven months of this year than in the same period last year. The decline, by some \$56 million, was equally divided between residential and non-residential building. Permits for 3600 fewer dwelling units were issued this year and work commenced on fewer office buildings. Even the rate of public construction may have slowed temporarily, though it is harder to get a comprehensive assessment of this sector of the industry.

- The 7½ per cent pay increase to District firemen, policemen, and school employees may provide a slight fillip to trade activity. This increase, retroactive to July 1st, will be reflected in this week's paychecks. On the other hand, it may soon be offset by a decline in the payroll, of some Federal agencies and by a more than seasonal drop in the payrolls of building contractors. Personal income, to be sure, is higher than it was a year ago, but its rate of increase certainly will be less this fall than it has been for over two years. Also, it should be noted that consumer prices in Washington were 1 per cent higher in August of this year than in August, 1959.

- Retail trade even now is not as great as one might expect, in view of the increase in personal income of area residents. Department-store sales in the 4 weeks ending September 17 were 1 per cent less than a year ago. (In the District, they were 9 per cent less.) New-car sales in August were markedly higher than they were in August, 1959, but those of electric household appliances, probably a good deal less.

Activity Remains High

For a year and a half, business activity in Washington has been remarkably high. It is still high, and it would be a mistake, I think, to look for more than a slight downturn this fall.

At the same time, it is well to recognize that department-store sales since last April have been disappointing, that the number of persons in the District filing unemployment insurance claims and receiving benefits is a little higher than it was a year ago, that construction activity has fallen below that of a year ago and that the backlog of private work is smaller. Finally, one must expect, I think, some decline in Federal employment this fall, instead of the rise that occurred in the final quarter of 1959.