

rent quarter, it probably is still lower. The rate of addition to inventory will continue to slow down during the rest of the year.

However, considering the relatively low inventory-to-sales ratios, it is unlikely that business will reverse its policy soon and let its inventories run off. However, a declining rate of inventory addition means that the negative impact on our Nation's total dollar volume of business has already taken place.

Consumer expenditures, which are by far the largest sector of the total business picture, are dependent on many psychological factors. I will leave the discussion of this sector to George Katona, except to note that as long as personal income rises, and at this time we cannot see any reason to expect it to turn down before yearend, consumer spending on goods and services may be expected to follow the same general path.

Housing is booming. Private starts in the second quarter were exceedingly high at an annual rate of nearly 1.5 million units, despite a drop in June. And because of the lag between a start and put in place construction, we can look for the dollar volume of new housing construction to break through previous record highs.

The net export balance is just about holding its own. Exports have been holding up very well, while imports have not increased significantly. We do not expect to see a significant change from the current rate of surplus of exports over imports during the rest of the year. Thus the net export situation will have a neutral effect on the economy in the months ahead.

This year's Federal budget guarantees a modest rise in Federal spending right through the end of the fiscal year, June 30, 1963. However, the increase during the current fiscal year will be considerably smaller than the big gain registered during fiscal 1962.

Meanwhile, State and local spending on highways, schools, and other projects is due for a large increase over the coming months. States and cities are taking advantage of relatively easier money markets to issue a record volume of construction bonds.

In conclusion, the pluses and minuses of the various sectors of the economy add up favorably for the rest of the year. There is nothing now in sight which clearly indicates that in the next few months there will be a marked change in the direction of the economy.

Chairman PATMAN. Thank you, sir.

Senator DOUGLAS. There is just one question I would like to ask, Mr. Chairman. This is a very able statement, but the witness stated that States and cities are taking advantage of relatively easy money markets. I wonder what your evidence is for the money markets being easier.

Mr. GREENWALD. We were looking at the rates on State and municipal bonds, and we found that they were around 3.27 in early June.

Senator DOUGLAS. 3.29 as of July 14.

Mr. GREENWALD. But this compares with 3.40, 3.50, and 3.60 in earlier periods of this year.

Senator DOUGLAS. In April it was 3.08 and in the last 3 months they have gone up 21-hundredths of a percentage point, or relatively speaking, have gone up 7 percent.

Mr. GREENWALD. I think, Senator Douglas, you are looking at the figures on the triple A State and local.