

However, as previously indicated, the pace of advance was not satisfactory. And any appraisal of the outlook must also recognize the recent softness of many indicators which record current decisions and which point toward future economic decisions. For example, the movements of orders and contracts are likely to foreshadow changes in production and shipments. New orders for durable goods have been moving downward since January and in June were 7 percent below their January peak. Machinery and equipment orders are lower than in January, although they recovered some lost ground in May and held almost even in June. Housing starts and building permits have shown considerable strength in recent months, even though the latest figures are considerably below the high points of the present expansion. Commercial and industrial construction contracts are another area of recent strength on which the latest returns point downward. The factory workweek frequently indicates the needs of manufacturing firms for additional labor. It has declined during both May and June. The stock market is one of the many factors which help mold and reflect economic expectations and attitudes toward spending, but the full implications of the slide in the market from March to June will not be clear for many months.

As we look ahead, we see mixed evidence on the various components of expenditure.

CONSUMPTION

Consumers have raised their spending in pace with gains in their incomes during the current expansion, and there is little evidence to suggest a marked departure from that pattern in the months ahead. A rather sharp and widespread decline in retail sales during June was worrisome, but preliminary data for July indicate a strengthening in department store sales, new auto sales, and total retail sales, after allowing for seasonal changes. Past experience and current surveys indicate only a limited possibility that consumers will spark a renewed advance in the economy. (I believe you reviewed some of those current surveys this morning.) Such a spark would probably have to arise from the volatile area of durable goods purchases. In the current expansion, autos have supplied most of the strength in that sector, and it would be surprising if demand for 1963 autos were to top the brisk activity in 1962 models.

HOUSING

With the aid of rising incomes, readily available mortgage credit, and lower interest rates, homebuilding has done very well. The sharp rise in starts this spring carried housing activity to high levels. But, following a sharp decline in starts for June, total housing outlays fell in July. Permits come first in the chronological sequence of permit-start-construction activity. The recent data on permits point neither to a continued slide in starts below the June level nor to a resurgence to the high levels of April and May.

PLANT AND EQUIPMENT

Surveys of business intentions point to continued modest increases in fixed investment during the remainder of 1962. The recent Mc-