

who would have been happier if we had not tried to draw savings out to finance that deficit.

Representative REUSS. My time is up.

Chairman PATMAN. May I make one comment here. We asked Dun & Bradstreet to speed up their regular survey of business expectations, to give us the benefit of it during these hearings. We have received a report. I will read part of it. It is titled: "Businessmen's Expectations, Fourth Quarter, 1962.

Sales by the Nation's business firms will turn down in the fourth quarter if the expectations of the executives hold true. The Dun & Bradstreet sales optimism index for the last 3 months of this year stands at 57, the lowest point since the second quarter of 1961.

For the current third quarter it registered 73. The latest survey among 1,500 of the leading manufacturers, wholesalers, retailers was conducted in July. Dampened enthusiasm for the last 3 months of the year is most pronounced among durable goods manufacturers where the index level dropped from 78 in the last survey to 58 currently, and among wholesalers where it dropped from 69 to 47.

Retailers are still fairly optimistic. The net decline in that area of the economy being only 5 percentage points.

Without objection, I will put in the whole statement with charts and other information from Dun & Bradstreet.

(Documents to be supplied follow:)

BUSINESSMEN'S EXPECTATIONS FOURTH QUARTER 1962

BUSINESSMEN'S OPTIMISM SLIPS

Sales by the Nation's business firms will turn down in the fourth quarter, if the expectations of executives hold true. The Dun & Bradstreet sales optimism index for the last 3 months stands at 57—the lowest point since the second quarter of 1961. For the current, third quarter, it registered 73.

The latest survey, among 1,500 of the leading manufacturers, wholesalers, and retailers, was conducted in July. Executives were asked how anticipated sales of their products and services in the fourth quarter would compare with the same period last year. The index reflects the net difference in the percent of those expecting increases, less the percent of those anticipating decreases. Over the last two recessions there has been a remarkable parallel (see accompanying chart) between the fluctuations of this index and total business sales, as reported by the Department of Commerce, even though the index relates to expected sales levels 4 months ahead on the average, whereas Government figures are released more than a month after the fact.

This is not to say that businessmen are clairvoyant any more than the stock market is a sure-fire indication of business in the near future. And there is no question that business optimism has been seriously influenced by the poor showing in Wall Street possibly as much as by conditions in the economy itself. But it is worth noting that the index signaled the bottom of the 1960-61 recession well before most economists saw it clearly, and in February of this year, while economists were generally forecasting continued gains throughout 1962, the index for the second quarter turned down slightly, pointing to the fact that the rate of gain was already declining.

Dampened enthusiasm for the last 3 months of the year is most pronounced among durable goods manufacturers, where the index level dropped from 78 in the last survey to 58 currently, and among wholesalers where it dropped from 69 to 47. Retailers are still fairly optimistic; the net decline in that area of the economy being only 5 percentage points.

Executives interviewed in this survey were also asked about the outlook for profits, selling prices, inventory levels, and number of employees. At no time during the current recovery has the outlook for increased profits been as favorable as the anticipated gains in sales volume, and now, with lower sales volume in prospect, the number of executives who expect year-to-year gains in earnings is even smaller.