

ECONOMIC TRENDS LATE IN THE YEAR

DEMAND

Available evidence indicates that the demand for goods and services may have moderated during the summer and fall. Total spending rose from the first to the third quarter at a 6.6-percent annual rate, down from the 9.5-percent rate of the preceding five quarters. (See chart, p. 8.) Whether, in view of resource bottlenecks and problems of shifting to more military production, there has been adequate reduction in the excessive demand of late 1965 and early 1966 remains to be seen.

Growth of several elements of total demand for goods and services has slackened considerably. The rate of growth of retail sales has declined from 13 percent in the last half of 1965 to 5 percent during the first half of 1966 and has since shown little net change. The increase in net business outlays for inventories, which was at a \$12 billion annual rate from the first to the second quarter, slowed to a \$10 billion rate from the second to the third quarter. Expenditures on new homes, which were about unchanged from the first to the second quarter, fell at an annual rate of \$5 billion from the second quarter to October. Large offsets to these declines have been provided by increasing Government outlays and by more business spending on equipment. Personal income, a measure of purchasing power, has been rising at about an 8-percent rate in recent months.

REAL OUTPUT

The rate of growth in real output has also declined. Total output, measured in constant dollars, increased 7 percent in 1965, at a 6-percent annual rate in the first quarter of 1966, and at a 3-percent rate from the first to the third quarter. Industrial production, which

New Construction

