

For the year 1967, as a whole, the GNP is placed at \$787 billion, or 6 per cent above the corresponding output in 1966. The group's expectation is that the growth will be at a slower rate not only for the year 1967 but significantly slower in the second half than the first—up 3.2 per cent in the first half as against a rise of 2.7 per cent in the closing half. Thus, the GNP is estimated at about \$802 billion for the fourth quarter, 1967.

Changes in the index of industrial production are expected to be far more modest than the anticipated changes in the gross national product since the latter incorporates value as well as volume change.

Virtually every member of the forum indicated a continued increase in consumer prices, but with a slowing rate in the second half. Wholesale prices have stabilized of late, and the forum has them moving up in '67 less than the CPI.

For the last key aggregate, unemployment, the group was almost unanimous that full employment in the lexicon of the form will again prevail in 1967 but with some slippage in the closing half of 1967 to a figure of 4 per cent or slightly higher by year end.

A descriptive word, . . . on the basis of the forum's collective views, is "consolidation," certainly not recession. . . . As the second half of 1967 matures, there will be a regrouping of demand-and-supply forces far more sweeping than in the months immediately ahead. This consolidation process should be facilitated as we move into 1968, if not earlier, by the restoration of the 7 per cent investment incentive and liberalized depreciation.

Accelerated corporate tax payments, too, will have been eliminated, as we move into 1968. Far more attention, too, may very well have been extended to stepping up the rate of home-building activity, through both public and private measures.

The process of consolidation may thus be building this expansion on a sounder basis as the year ends than when it begins.

THE AMERICAN BANKERS ASSOCIATION: CREDIT POLICY COMMITTEE AND THE DEPARTMENT OF ECONOMICS AND RESEARCH

According to the Business and Credit Review and Outlook published by the A.B.A.'s Credit Policy Committee and the Department of Economics and Research, the present business expansion, now almost six years old, will continue to advance in '67 but at a slower rate than last year.

GNP in 1967 is expected to reach \$783.7 billion—an increase of 6.2 per cent over the previous year's estimated \$737.8 billion. Not all of this gain in GNP will be real in the year ahead. An increase in the physical output of goods and services will account for more than one-half of the increase, or about 3.5 per cent of the rise. The remainder—2.7 per cent—will be due to price increases.

In 1967, the thrust of the 6.2 per cent rise in GNP will again come from Government spending. The advance in this economic sector is estimated at 13 per cent. Consumer spending will be a little below that of the previous year, but will support the business advance by rising at an annual rate of 6.2 per cent. The growth in GNP, however, is expected to receive little impetus from business investment, residential construction, or from business inventories.

WILLIAM H. CHARTENER, ECONOMIST, GOLDMAN, SACHS & Co.: ADDRESS BEFORE THE FORECAST FORUM, INVESTMENT ANALYSTS SOCIETY OF CHICAGO, DECEMBER 15, 1966

There are signs that we are heading into a recession, although the recession may not even be detectable except by professional chart-watchers and people in afflicted industries. The leading indicators have had a dreary aspect for several months. We shall probably come out of this recession in a matter of months since the basic forces in the economy are unusually strong.

Defense spending is probably rising about \$3 billion, in annual rate terms, per quarter now. I expect the rise to be about \$2 billion by spring and \$1 billion per quarter later in 1967. But defense spending is still almost certain to remain among the more important expansive forces in the economy.

Inflation, which I would define pragmatically as the prices we pay rising faster than we care to see them rise, will continue through 1967.