The road ahead for 1967 may be rougher than it was for previous years. There will be more bottlenecks, more labor disputes, more price rise. Policy will be determined largely by the political developments in Southeast Asia and other parts of the world; by decisions at what level to continue economic and social programs that have been initiated; by the need to combat the threat of inflation and the balance of payments deficit by monetary, fiscal, and price-wage policies, and particularly by the necessity to better balance these component parts of a comprehensive anti-inflation program; and, finally, by psychological factors of importance under conditions of uncertainty. How the partly conflicting goals of policy will be reconciled in the political arena is a question which the economic crystal-ball gazer is even less equipped to answer than the political soothsayer.

DR. OLIVER JONES, DIRECTOR OF RESEARCH, MORTGAGE BANKERS ASSOCIATION OF AMERICA, DECEMBER 29, 1966

The most optimistic projection of business plans for plant and equipment expenditures foretell a lower volume of business demands for credit. After a rapid build-up in inventories, the slowed pace in autos, appliances, retail sales, and steel also suggest that business will require less credit in 1967. Bank loans to business have already slowed, but some of this demand has shifted to the capital markets. The momentum already built up will keep business demands for credit relatively high during the first half of 1967, but a marked reduction can be anticipated in the second half.

Consumers have already slowed down their credit demands. Net additions to consumer installment credit in the second half of this year have been running below 1965, and in October the $380 million added to consumer installment credit was the smallest in several years. Surveys of consumer buying intentions indicate that those moderating influences will continue in 1967. There is good reason for these changes. Buying power has eroded steadily in 1966 and reduced the consumer's discretionary income. Still consumer expenditures will continue to rise throughout 1967 but the pace will be slower, releasing some credit for other uses and discouraging further expansion of productive capacity.

We have little hard information about the federal budget at this time, but a deficit of $12 billion is clearly possible. Thus, the Treasury will remain a heavy borrower during much of next year. Even so, government expenditures are not likely to increase enough to offset in full a slower rate of growth in the private economy.

All of this adds up to a gross national product of $772 billion for 1967. Government expenditures will be increasing throughout the year. Consumer expenditures, particularly on durables, will increase at a slower pace. The drag on the economy during the first half of the year will be in residential nonfarm construction outlays and moderately in inventory adjustments. In the second half, residential construction should increase sharply while additions to inventories and plant and equipment expenditures are reduced.

In this frame, private nonfarm housing starts will continue at a relatively low level during much of the first half of 1967, around the prevailing 1 million unit annual rate, and pick up sharply during the second half to reach a 1.6 million annual rate by December. This delayed turnaround will produce an average volume of private nonfarm starts of 1,188,000 units, only slightly below this year's 1,220,000 units. More important, the trend will be up.

"THE AGRICULTURE SITUATION AND OUTLOOK FOR 1967": REX F. DALY, CHAIRMAN, OUTLOOK AND SITUATION BOARD, NOVEMBER 14, 1966

Another good price and income year is in prospect for farmers in 1967, even if realized net farm income does not quite measure up to the near-record 1966 level. This is the best judgment we can make in the face of the greater-than-usual uncertainties in the agricultural outlook for 1967.

Prospective developments for the next 6 to 9 months seem fairly clear. But the picture becomes a bit more blurred than usual as we project further into the 1967/68 marketing year. Among the uncertainties in the economic outlook for 1967 are possible changes in the Vietnam conflict and their impact on the general economy and agriculture; new grain programs with added acreage and