

Now, one of the main components—as you can see in that table, we are estimating that personal consumption expenditures will rise from \$492 billion to \$526 billion, up about 7 percent. We think this is a reasonable assumption. The big thing that is going to occur here is that personal income, assuming that the unemployment rate stays below 4 percent, and that you get some lengthening of the work week, will rise strongly, particularly in the first half of the year, when there will be an extra fillip to personal income through the increase in the minimum wage, and through increased social security benefits—something in the order of \$5 billion in the first half of the year.

Even applying a 7 percent or better savings rate, you come out with this sort of picture on consumer expenditures.

I should say, generally, that we see the first half of the year much stronger than the second half. Our pattern of GNP would be as follows—for the entire GNP, a \$19 billion increase in the first quarter, \$19 billion increase in the second quarter, and then a dropping off to \$14 billion and \$13 billion in the third and fourth quarters.

That is the pattern.

Of course, our thinking is that in the first half we will get the added benefit of the building of steel inventories, and also the pickup in some of the purchases of automobiles lost last year during the strike, and also the additional benefit of the increased income that will flow in through the increase of the minimum wage and the additional social security benefit payments. So, we see the first half stronger than the second half.

That is the pattern.

I think the consumer expenditure figures are fairly conservative in their position—if you accept our flow of income figures. We do have the durables up 10 percent. We are anticipating there that the big factor will be an increase in automobile sales up to a little over 9 million cars in total, and that will account for a large part of the increased durable consumer expenditures.

We also are figuring that housing will be quite strong this year. Our forecast would assume starts, total starts, of 1.5 million, and we think that the higher level of starts is going to help the durable goods side of the sector somewhat.

In the Federal area, as I have indicated, in the defense spending part of this, we are roughly in accord with the budget. We are a little higher than the budget, because we think there will be some updrift in defense spending. We have seen some things happen already—the sending of 10,000 additional troops to Vietnam, and a few other things that are developing, such as the \$100 million for South Korea—that suggest maybe a couple of billion dollars updrift in the defense spending area.

I do not think there is much question about the other expenditures—State and local—this has been a pattern developing, and also the other Federal spending is in line with the Budget.

In the fixed investment area, under nonresidential fixed, we have a 7-percent increase. Now, that is an area in which some economists would quarrel with us. Some forecasters feel that capital spending is not going to rise to that extent. The more standard forecast would be an increase of maybe 5 percent. We are one of the groups that do a survey of capital spending, and last September our survey results