"Civilian Employment" is forecast to increase by 1 million in 1969 compared with 1,500,000 in 1968.

"Unemployment," as a percent of the civilian labor force, is expected to increase from the low level of 3.6 percent in 1968 to an average level of 3.9 percent in 1969.

"Average Hourly Earnings in Manufacturing Industries" are predicted to increase by 14 cents per hour in 1969 compared with 18 cents in 1968. This reduced rate of increase in wages in 1969 results from two factors. First, several important wage contracts made in 1968 provide for smaller increases this year than last. Second, premium payments for overtime worked will be lower in 1969 because of the shorter average work week expected.

"Short-term Interest Rates," as measured by the yield on 3-month Treasury bills, are expected to decline slightly from the high average level of 5.34 percent in 1968 to 5.15 in 1969. These rates are high now but are expected to decline in the second half of the year.

"Long-term Interest Rates," as measured by the yield on Moody's Aaa corporate bonds, are forecast to decline very slightly from 6.18 percent in 1968 to 6.15 percent in 1969.

"Corporate Profits," before taxes and adjusted for inventory valuation, increased by nearly $9 billion to a record level of $89.2 billion in 1968 and are expected to increase to $92 billion in 1969.

"Stock prices," as measured by the Dow-Jones Average of 30 industrial stocks, are expected to break 1,000 before the end of 1969. This barrier was approached early in 1966, when the DJIA reached 995, and again in November 1968, when the average reached 985. Early last week the stock market declined, allegedly in reaction to some of the testimony and discussions in this committee. At present, the DJIA is near the lower end of the range between 900 and 1,060 which we expect in 1969.

The Forecast of GNP in 1969

Table 2 shows the forecast of GNP and its major components for 1969. GNP stated in current dollars is expected to increase 60.3 billion or 7 percent in 1969, compared with an increase of $71 billion or 9 percent in 1968. In real terms, the expected increase is 3.4 percent in 1969 compared with 5 percent in 1968. The price increase in 1969, as reflected in the implicit price deflator for total GNP, is expected to be 3.5 percent, slightly less than the 3.8-percent increase recorded in 1968.

All components of GNP shown in table 2 are expected to increase except two, change in inventories—line 10—and net exports of goods and services—line 11—which are expected to decline slightly. Personal consumption expenditures are expected to increase $36.1 billion or 6.8 percent, gross private domestic investment by $8.5 billion or 6.7 percent, and total government purchases of goods and services by $16.1 billion or 8.2 percent.