

Personal Income and Expenditures. As noted in our November review, there has been an unprecedented decline in consumer purchasing power beginning in 1973. This has been reflected in a cut-back in real consumer spending. While disposable personal income in 1974 was higher than 1973 in current dollars, real income after adjusting for inflation was down. Real compensation per man hour in the private nonfarm economy has declined for seven consecutive quarters. Similarly, personal expenditures in real terms declined in 1974 although bolstered by a reduction in the rate of personal savings. Retail sales in both current dollars and constant dollars have continued to trend downward. 83

The tax cuts anticipated this year are expected to help personal income in 1975, but may do little to increase consumer spending or turn the economy around this year. Because of inflation, real disposable income is not forecast to rise significantly before the last half of 1975.

For the total year 1975, real disposable income is expected to show little change from 1974. Personal expenditures over the entire year are expected to be down about 1.7% because of increased rates of savings. An improvement in real income and expenditures as forecast for the latter part of the year, however, would be a significant factor in the start of a general business and economic recovery.