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THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

November 14, 1974

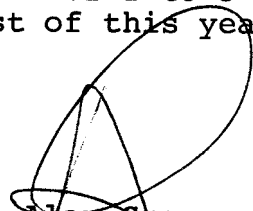
MEMORANDUM FOR THE PRESIDENT

Subject: Wholesale Prices in October



Summary

Wholesale prices, which had risen by only 0.1 percent (seasonally adjusted) in September, increased by 2.3 percent in October. The main difference between the good September performance and the bad October performance centered in the farm products and processed foods sectors, both of which rose almost 5 percent in October following declines the month before. Industrial prices, which had risen 1 percent in September, showed a similar rise of 1.1 percent in the latest month. Increases of 1 percent per month are large but they are well below the increases of 2 to 3 percent per month from January through August of this year.



Alan Greenspan  
Chairman



## Supplementary Material

Most sectors showed higher prices in October but changes were by no means uniformly upward. Because of weak demand prices of textiles and clothing decreased for the second month in a row while continued weakness in home-building led to another substantial decrease in lumber prices. Prices of metals and metal products, which have risen almost 38 percent over the past year were unchanged in October following a small rise in September. On the other hand, increases were very large in chemicals and in a number of finished items such as machinery and equipment, furniture and appliances, and transportation equipment.

Signs of a weaker demand situation have shown up in recent months in key sectors of the economy. Prices of crude materials, which many believe is an indicator of future price movements, declined by 0.4 percent in October following a rise of 0.5 percent in August and no change in September. Since the first of the year the average monthly rise for these items was 2.8 percent. Also, there has been a pronounced slowdown in prices of intermediate materials -- about 1 percent per month in September and October as compared to 2.7 percent per month since the first of the year. This relative improvement is not yet showing up in the finished goods sector, where the very large price increases for materials earlier in 1974 are now being reflected in very substantial increases for finished goods. The very recent slowdown of the price rise of materials is a favorable sign that will affect the rate of inflation next year but we still have far to go before it falls to acceptable levels.

These figures were released at 10:00 a.m. on Thursday, November 14.