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Central File

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
WILLIAM J. FELLNER
GARY L. SEEVERS

January 15, 1975

MS

MEMORANDUM FOR THE PRESIDENT

Subject: December Wholesale Price Index

Summary

Wholesale prices fell by 0.5 percent (seasonally adjusted) from November to December. This was the first decrease in the wholesale price index since October 1973. The December decline reflected a 2.5 percent drop in the prices of farm products and processed foods and feeds and an encouraging "no change" in industrial prices.

These data were released on Wednesday, January 15 at 10:00 a. m.



Alan Greenspan
Chairman



Gary L. Seevers
Member



WPI and Major Components -- Percent Changes and
Contribution to Change

(Seasonally adjusted annual rate)

Three months ending	All commodi- ties	Farm pro- ducts and processed foods and feeds	Industrial commodities		
			Total	Fuels and related products and power	All other indus- trials
March 1974	24.5	10.8	32.3	136.2	22.4
June 1974	12.2	-29.3	35.7	52.2	33.5
September 1974	35.2	59.2	28.3	31.6	27.7
December 1974	13.4	21.9	8.2	10.4	8.0
December 1973 to December 1974	20.9	11.0	25.6	51.2	22.3
Percentage contribution to 12-month change	100	17	83	19	65



Additional Detail

The failure of wholesale industrial prices to rise is welcome news but it would be premature to think of the December results as the start of an actual downward trend in prices in this sector. The December change reflected decreases in textiles, hides and leather, and metals offset by increases in most of the other broad sectors. Nonetheless, it seems clear that the weakening economy has been accompanied by a very distinct slowdown of the industrial price rise over the past three months. From September to December industrials rose at a seasonally adjusted annual rate of 8.2 percent. From September 1973 to September 1974, they rose by 27.9 percent.

The most pronounced changes are occurring in crude materials, which showed a very large seasonally adjusted decline of 3.3 percent in December following small decreases in October and November, and a rise of 42.7 percent from September 1973 to September 1974.

Prices of intermediate materials rose 0.2 percent in December, which was the best monthly performance since July 1973. Wholesale prices of consumer goods other than foods rose 0.4 percent in December, or the same as the November increase. Prior to November, the smallest monthly rise for this group in 1974 had been 1.2 percent. Wholesale prices of consumer foods declined 1.2 percent in December but this followed



extremely large (3-1/2 to 4-1/2 percent) increases in October and November. Thus, while the retail outlook for consumer nonfood commodities in coming months appears favorable, we probably face additional price increases in the CPI food component.

