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*Central Files*

THE PRESIDENT HAS SEEN....  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

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

March 20, 1975

*MR 7*

MEMORANDUM FOR THE PRESIDENT

SUBJECT: February Consumer Price Index

Consumer prices rose 0.6 percent in February, the same increase as in January and about the same as in December. Food prices in February rose only 0.1 percent as lower prices for meats and sugar almost offset price increases for other food items. Nonfood commodity prices in February were up 0.8 percent, which was more than in December and January. Service prices also rose 0.8 percent in February, which was very close to the increases in each of the four preceding months.

Consumer price performance in the past three months has shown a very distinct improvement. From November to February the CPI rose at an annual rate of 8.1 percent. Over the preceding year (November 1973 to November 1974) the CPI rose 12 percent.

Provided we do not have bad luck on crops we should be seeing a slower rate of inflation as 1975 progresses, but further improvement compared with the past three months is likely to be slow.

These data were released Thursday, March 20,  
at 10:00 a.m.

*Gary L. SeEVERS*  
Gary L. SeEVERS  
Member

*A*  
Alan Greenspan  
Chairman



Additional Detail

The small rise in food prices played a key role in holding down the overall February price increase. Excluding food the CPI have risen 0.9 percent in February, as compared to 0.6 percent in December and 0.7 percent in January.

The price behavior of nonfood commodities is showing a perverse trend, with the February rise of 0.8 well above the December increase of 0.4 percent and the January rise of 0.6 percent. Clothing prices rose in February after falling in December and January. This probably means that retailers are taking smaller markdowns as consumer spending firms up. In February, prices of gasoline continued to rise rapidly, fuel oil prices stopped declining and new car prices rose after dropping in December and January. Although prices of new American-made cars dipped in February, this was more than offset by a rise for imported cars.

CPI and Major Components - Percent Change  
and Contribution to Change

(Seasonally adjusted annual rates)

<u>Period</u>	<u>All items</u>	<u>Food</u>	<u>Purchased energy</u>	<u>All others items</u>
Feb. '74-May '74	11.0	4.1	36.7	10.7
May '74-Aug. '74	12.4	5.6	10.3	15.1
Aug. '74-Nov. '74	13.0	19.9	-.5	12.4
Nov. '74-Feb. '75	8.1	6.5	8.8	8.6
Feb. '74-Feb. '75	11.1	8.9	13.0	11.7
Percent Contribution to change	100	20	8	72