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Central File

THE PRESIDENT HAS SEEN *def.*

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 18, 1975

RAY

MEMORANDUM FOR THE PRESIDENT

Subject: First Quarter Gross National Product Estimates

The Commerce Department released its estimates of the first quarter gross national product today. There are few surprises in the preliminary first quarter figures but several significant developments have been confirmed. The rate of inflation declined to an 8 percent annual rate - sharply below the 14.4 percent rate of the final quarter of 1974 and the actual reduction in inflationary pressures has been considerably more than indicated by the first quarter estimate.

Although production or real GNP declined at a 10.4 percent annual rate final sales, after allowance for inventory changes, were steady following the 11.7 percent rate of decline during the final quarter of last year. With sales holding up and production down sharply a very large amount of inventories was worked off. Total business inventories declined in the first quarter at a seasonally adjusted annual rate of \$18 billion compared with the large involuntary \$17.8 billion rate of accumulation during the fourth quarter of last year. Inventory investment, as a result, declined by \$35.8 billion during the first quarter.

Real consumer expenditures, after allowance for inflation, rose slightly in the first quarter. If final demand continues to hold up we anticipate another large volume of inventory liquidation in the second quarter -- a development which will greatly strengthen the prospects for some significant stabilization in the economic decline during the second quarter and a turnaround midyear. As the inventory adjustment begins to slow production will be forced upward to the level of final sales.



Alan Greenspan



Quarterly Changes in Real Gross National Product,
Inventory Investment and Fiscal Demand

(Seasonally Adjusted Annual Rate)

	Gross National Product		Inventory Change	Final Demand	
	Billions 1958 \$	Percent change	Billions 1958 \$	Billions 1958 \$	Percent change
1973: I	832.8	9.5	7.3	825.5	10.4
II	837.4	2.2	7.8	829.6	2.0
III	840.8	1.6	8.0	832.7	1.5
IV	845.7	2.3	20.0	825.7	-3.3
1974: I	830.5	-7.0	10.6	819.9	-2.8
II	827.1	-1.6	8.2	818.9	-.5
III	823.1	-1.9	5.0	818.1	-.4
IV	804.0	-9.0	10.9	793.1	-11.7
1975: I	782.3	-10.4	-11.0	793.3	.1