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THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 22, 1975

Handwritten initials: MKY

MEMORANDUM FOR THE PRESIDENT

Subject: March Consumer Price Index

Consumer prices rose 0.3 percent in March, the smallest monthly increase since July 1973. There has been a very significant reduction in the rate of increase in consumer prices since last autumn. During the past three months consumer prices have risen at a seasonally adjusted rate of 6.6 percent, much less than the 12.2 percent rate of increase during the last half of 1974. The attached table indicates the extent of the price slowdown for the various categories of the consumer price index.

The deceleration in consumer prices in March was widespread. On a seasonally adjusted basis food prices fell by 0.5 percent, the first decline since last July. It reflects the very sharp decline which has taken place in farm product prices since last autumn. Commodity prices excluding food rose by a seasonally adjusted 0.6 percent while service prices rose by only 0.4 percent, one-half the rate of the first two months of the year. The easing was evident even in the medical care category when prices rose by 0.7 percent.

The March release is extremely encouraging. However, it does not indicate a correspondingly large permanent or enduring reduction in the rate of inflation. An increase in wholesale prices during April is likely to be reported in a couple of weeks. The upward pressure on food prices has diminished but further declines in retail food prices on the order of the drop reported for last month are doubtful. The downward pressure on inventory liquidation on prices is most intense now. These factors suggest that the pace of consumer price increases in the months ahead is likely to exceed the 3.8 percent annual rate reported for March.

Handwritten signature: Alan Greenspan
Alan Greenspan
Chairman



Percent changes in consumer price index and components

(Seasonally adjusted annual rates)

Group	December 1974 to March 1975	June 1974 to December 1975
All items	6.6	12.2
Commodities	5.9	12.1
Nondurables	3.1	11.1
Food	1.4	13.4
Apparel	.0	7.2
Other nondurables	8.5	9.9
Durables	12.4	15.4
Household durables	6.9	13.4
New cars	8.7	12.3
Used cars*	-8.7	28.3
Other durables	20.8	11.1
Services*	8.2	12.4
Addendum:		
Medical care	13.4	13.8
Energy	9.3	2.5

*Not seasonally adjusted