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Central Files

THE PRESIDENT HAS SEEN *h.g.*

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 8, 1975

MEMORANDUM FOR THE PRESIDENT

Subject: April Wholesale Price Index

NR 7

Summary

The Wholesale Price Index increased by 1.5 percent in April, reversing a 4-month decline. Prices increased sharply for farm products and processed foods and feeds (4.8 percent). More recent evidence suggest the possibility that declines in farm prices can be expected in next month's WPI release. The increase in the industrial commodity index was small (0.1 percent) and although unchanged from the previous month, reflects a nearly continuous decline in the rate of inflation in this sector in the last nine months. The increase in the industrial commodity index was dominated by the increase for fuels and power.



Alan Greenspan



Detail

Although the all commodity WPI increased by 1.5 percent in April, the annualized rate of increase from January to April has been 0.6 percent, substantially below the 12.7 percent increase since last April.

The April WPI increase is attributable to a sharp increase in the prices of farm products and processed foods and feeds. The monthly increases of 4.8 percent reversed four months of declines ranging from 2.2 to 3.7 percent. Whereas both components decreased in the four previous months, the indexes for farm products and for processed foods and feeds both increased in April, by 6.7 percent and 3.5 percent, respectively.

The seasonally adjusted rate of increase in the industrial commodity WPI was 0.1 percent. The rate of increase in the index had declined sharply since the 2.9 percent rate of increase in July 1974.

Fuels and related products and power showed a substantial increase in April (1.1 percent). Although the index declined in February, it increased (0.6) percent in March. The prices for most items in this category are lagged and refer to a month or two earlier than the index month. The index may, therefore, be reflecting some of the impact of the February increase in oil import taxes.

Wholesale prices of consumer finished goods, which have a major but lagged impact on commodity prices in the CPI, increased at a seasonally adjusted monthly rate of 1.3 percent, after declining in the 2 previous months. The increase was largest for foodstuffs (2.6 percent), smaller for nondurables excluding food (0.3 percent), and unchanged for durables.