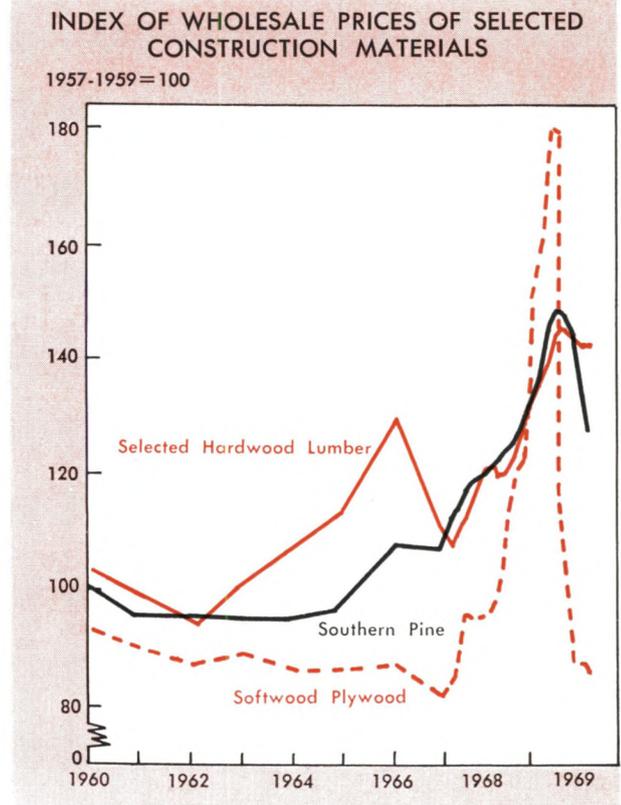
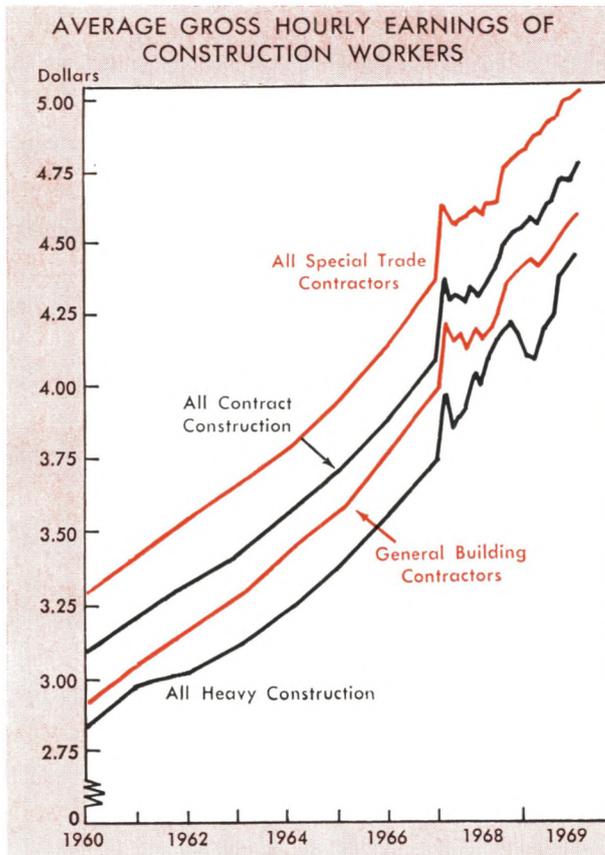


While inflation has reached virtually every sector of the economy, perhaps the most dramatic price increases have occurred in the construction industry. Between 1965 and August 1969, construction costs as measured by the Department of Commerce composite index rose 24% to 143% of the 1957-59 average. In comparison, the consumer price index during the same time span climbed 17% to 128.7% of the 1957-59 level, and the wholesale price index advanced about 11% to 113.4%.

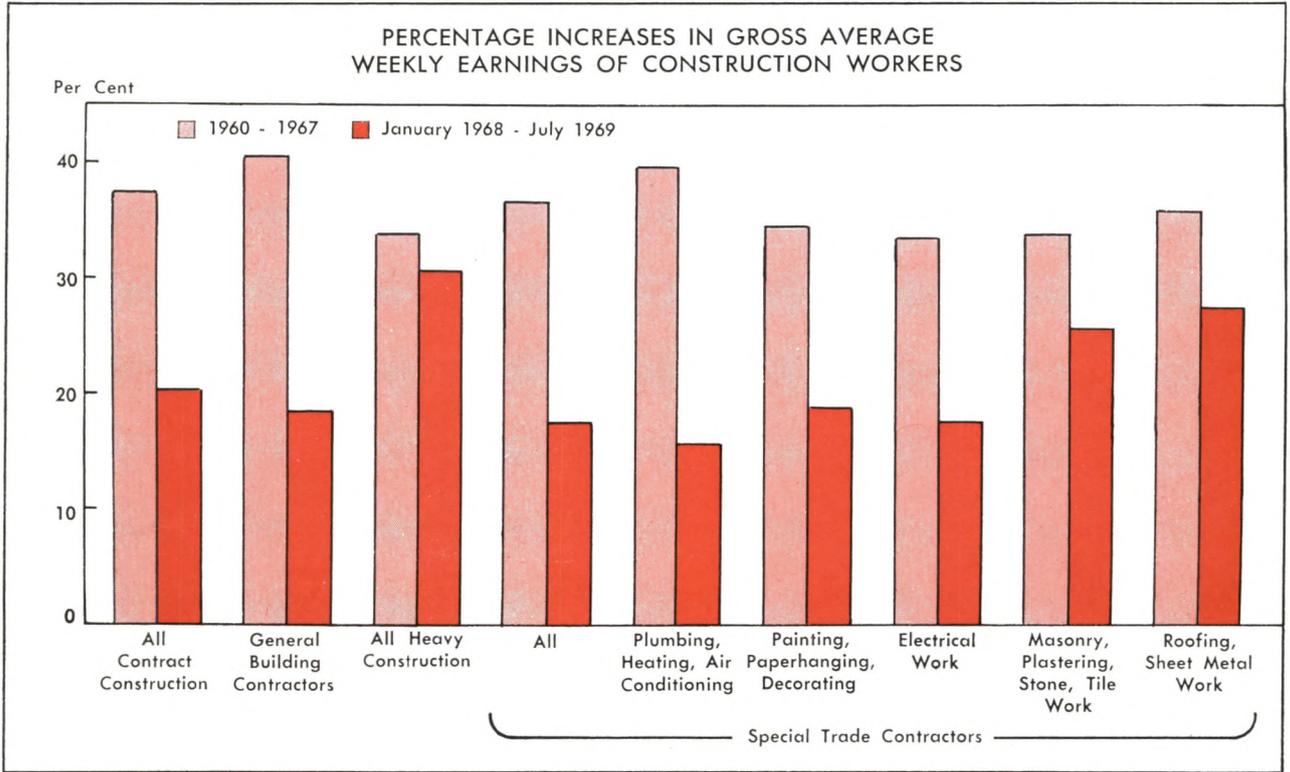
Construction materials, which constitute about one-third of the construction dollar, generally have trended upward in price although some highly publicized lumber price increases of 1968 and early 1969 have been modified or eliminated. For example, the recent meteoric rise in softwood plywood prices, which reflected in part heavy demand by the Defense Department and accelerated exports to Japan, was totally reversed by the fall of 1969.



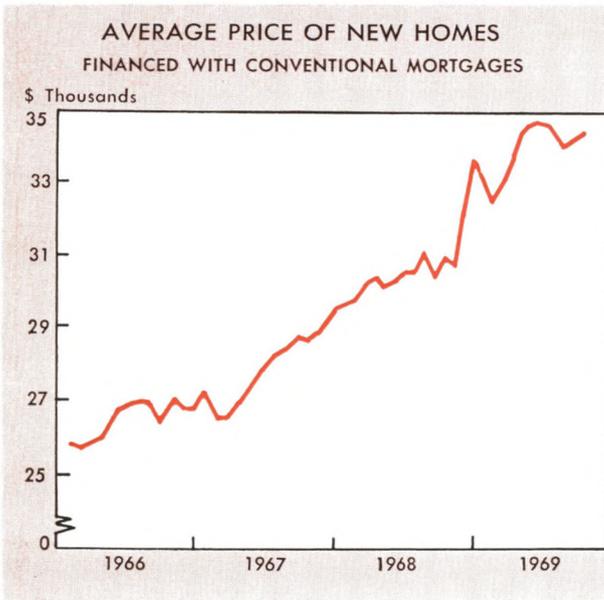
Recently, steep increases in wage rates have contributed to the upward pressures on construction costs.

Note: Data in Charts 1 through 3 are yearly through 1967 and monthly thereafter with the exception of the Index of Union Hourly Wage Rates which is quarterly from 1968.

CONSTRUCTION COSTS



During the 18-month period ending July 1969, the increases in the average weekly earnings of workers in most types of construction were at least half as large as during the preceding seven years. Among the factors tending to cause an acceleration in earnings are mounting demand for construction from both the public and private sectors of the economy, and the slow growth in the number of construction workers relative to demand. These factors, in turn, have led to a sharp increase in overtime earnings.



Soaring construction costs, together with rising land prices and high financing costs, have contributed to the steep rise in the average price of new homes.

Jane F. Nelson

Sources: Charts 1 through 4, U. S. Department of Commerce, *Construction Review*; Chart 5, Federal Home Loan Bank Board.