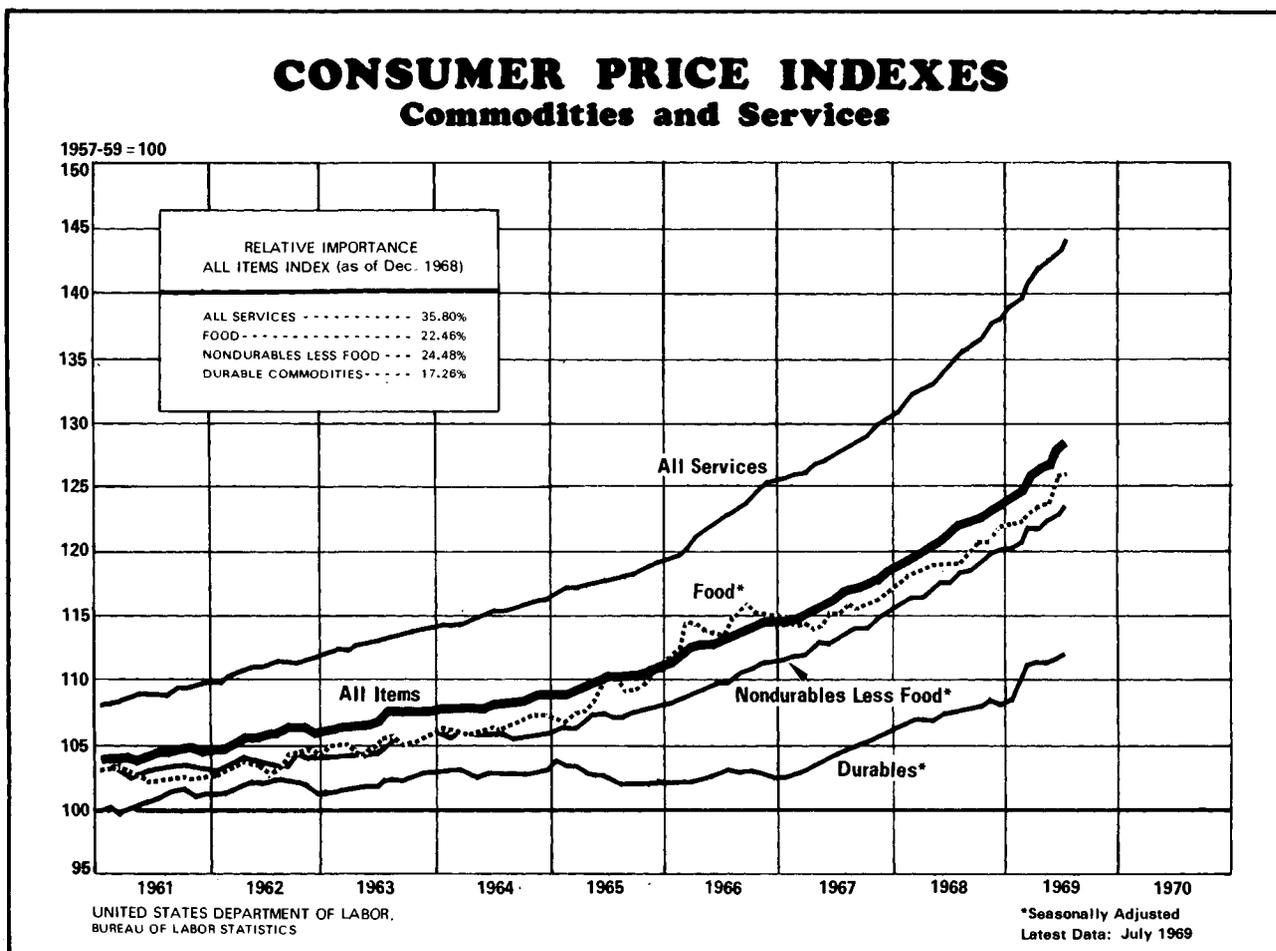




U.S. DEPARTMENT OF LABOR
 George P. Shultz, Secretary
 BUREAU OF LABOR STATISTICS
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the consumer price index

a monthly report
 on consumer price movements
 including statistical tables
 and technical notes.



Consumer Price Index for July 1969

The Consumer Price Index continued to climb rapidly in July, advancing 0.5 percent to 128.2 (1957-59=100). The increase, due largely to higher prices for foods and consumer services, left the index 5.5 percent higher than a year ago. So far this year, retail prices have climbed 3.6 percent compared with a 2.8 percent increase in the similar 1968 period.

The rise in food prices, largely due to seasonal influences, stemmed primarily from increases for meats and poultry and accounted for nearly half of the index advance. Services continued their strong climb, led by increased charges for household and medical care services. However, they rose at a pace well below the annual rate of about 8½ percent recorded for all services during the first four months of this year. Prices of commodities other than food posted a comparatively small rise, 0.1 percent, due to the moderating effects of lower prices for used cars, gasoline, and apparel.

Approximately 45 percent of the rise in retail prices since July 1968 resulted from an increase of nearly 7 percent in charges for consumer services. The over-the-year increase in food prices, a good part of which has taken place in the past several months, and in prices of other nondurable goods, each accounted for about one-fifth of the twelve-month rise in the all items index. Higher prices for durable goods accounted for the remainder.

Food

Retail food prices climbed somewhat more than usual for July, 0.2 percent on a seasonally adjusted basis. Prices of food purchased in grocery stores rose 1 percent, unadjusted, and prices of restaurant meals and snacks advanced 0.8 percent, for the largest monthly increase on record. The July increase left the index of retail food prices 5.6 percent higher than its level of July last year. Three-fourths of this increase resulted from a 5.4 percent rise in prices of food purchased for home consumption; a 6.1 percent rise for restaurant meals and other food consumed away from home accounted for the remainder.

The July increase in prices of grocery store food stemmed primarily from the continued advance in prices of meats and poultry. Beef and veal climbed considerably more than is usual at this season, because consumer demand remained relatively strong and supplies declined somewhat. Pork prices were also up appreciably, but the increase was largely seasonal. Significant advances were posted for poultry prices, despite an increase in supplies, as demand was bolstered by consumers' substitution of poultry for relatively higher priced red meats.

Fruits and vegetables also were more expensive at retail in July, but the price increases from June were significantly less than usual. The average rise was held below its usual proportions primarily by a sharp, contraseasonal decline for tomatoes, a larger than normal drop for watermelon, and a less-than-seasonal advance for apples. Supply conditions were primary factors in all three instances. Prices of eggs and dairy products averaged higher, in part because of increased demand resulting from high meat prices.

About two-thirds of the advance in grocery store food prices since July 1968 has resulted from a rise of nearly 12 percent in prices of meats, poultry, and fish. Prices of beef and pork were responsible for much of this increase, climbing 16.2 and 10.9 percent respectively over the twelve months.

Services

For the third consecutive month, prices of consumer services experienced an annual rate of increase of nearly 6 percent. Charges for services associated with homeownership continued to exert the strongest upward influence and medical care services posted a further substantial advance. The rise brought the increase in service costs since the beginning of the year to 4.3 percent. In the similar 1968 period, they rose 3.7 percent.

Charges for household services less rent rose sharply, after a comparatively moderate advance in June. The costs of mortgaging a home continued their steep climb and reached a point nearly 20 percent above year-earlier levels. Property taxes and insurance also moved higher as did prices for home maintenance and repair services. Approximately one-tenth of the increase in nonrent household services in July was due to widespread increases for housekeeping services, particularly household moving and babysitting. Residential gas and electricity rates were the only household services to show an appreciable decline. Residential rents sustained their steady uptrend, apparently reflecting very strong demand. Hotel and motel room rates registered an unusually large gain in July, due to both seasonal factors and the growing expense of providing these services. In the first seven months of this year, hotel and motel room rates have advanced faster than in any similar period.

Doctors' and dentists' fees and hospital daily service charges pushed medical care services up in July and helped to maintain the annual average rate of increase (about 7 percent) evident in the past several months. This increase represents a substantial slowdown from the annual rate of nearly 11 percent recorded in the first four months of this year.

Since July 1968, prices consumers pay for services have risen 6.7 percent. Excluding rents, which have provided a moderating influence, services have advanced 7.4 percent over the same period. Prices of household services, particularly home mortgaging, have played the most important role; they accounted for about half the increase.

Nondurable goods other than food

Retail prices of nondurable goods rose contraseasonally in July, largely because clothing prices failed to decline as much as usual and tobacco prices rose sharply. The increase brought the rise in prices of these goods so far this year to 2.3 percent; in the similar 1968 period they rose 2.1 percent.

Apparel prices declined 0.2 percent, about one-third as much as usual for July. Summer clearance sales, which account for the weakness in clothing prices at this season, were not as extensive as in previous years and were largely offset by price increases for items not subject to seasonal price reductions. Prices of women's apparel, climbing 0.7 on a seasonally adjusted basis, were particularly strong in July. Significant increases were recorded for street and cocktail dresses and seamless nylon hosiery.

Prices of tobacco products jumped nearly 2 percent, because of widespread increases for cigarettes, a continued response to an earlier price rise by manufacturers. Gasoline prices were down in July. The decreases were centered in the West and Midwest, and were generated by competitive conditions in those areas. Alcoholic beverages, toilet goods, and newspapers also showed appreciable price increases.

Over the past year, retail prices of nondurable commodities other than food have advanced 4.7 percent. Higher prices for apparel commodities, up 6.1 percent, were responsible for about half of this increase. The steep uptrend in clothing prices at retail is due both to a sustained high level of consumer demand and higher manufacturing and marketing costs. Price increases for gasoline, cigarettes, alcoholic beverages, newspapers, and magazines since July 1968 also have played a very important part in the increase for nondurable goods.

Durables

Prices of durable goods advanced moderately and more than seasonally in July, despite a sizeable decline for used cars. So far this year, prices of durable goods have risen nearly 3 percent--approximately twice as fast as in the similar period last year. The quicker pace for 1969 reflects larger price increases for nearly all consumer durables, but

particularly for used cars and houses.

Used car prices, which generally remain rather strong in the summer months, dropped nearly 1 percent in July. A continued uptrend in prices of houses and household durables offset the drop for used cars. Furniture prices moved higher, because of higher wholesale prices and retailing costs. Prices of durable home maintenance and repair commodities, which in June had reached a point almost 20 percent higher than a year ago, declined in July. The decrease was due largely to lower prices for pine shelving, the item responsible for much of the previous increase; the lower prices were due to earlier sharp price reductions for lumber at wholesale.

Nearly all of the 4 percent increase for durable goods since July last year has resulted from price increases for houses and household durables. Prices of new cars were up less than 2 percent, and used car prices were about 1 percent lower than their year-earlier level.

Cost-of-Living Adjustments

Approximately 1,150,000 workers will receive cost-of-living pay increases based on the July Consumer Price Index. About 1,050,000 of them are employed in automobile manufacturing, automotive parts and farm machinery industries. They will receive an 8 cent per hour increase based on averages of the May, June and July indexes. Nearly 800,000 of them have foregone another 1 cent per hour increase which is to be applied toward an additional holiday. On a similar contract, about 18,000 employees of John Deere will receive a 2½ percent increase. These are all maximum adjustments permitted under the contracts.

About 60,000 other workers will receive pay adjustments ranging from 1 to 18 cents in annual, quarterly, and monthly reviews based on the national index. Nearly 20,000 employees will have pay increases based on indexes for Chicago, Illinois, Pittsburgh, Pennsylvania, and Boston, Massachusetts.

Approximately 17,000 workers who are covered under escalator provisions subject to adjustment on the July index will not receive increases this month because they have already reached the maximums stipulated in their contracts.

A NOTE ABOUT CALCULATING INDEX CHANGES

Movements of the indexes from one date to another are usually expressed as percentage changes rather than changes in index points because index points changes are affected by the level of the index in relation to its base period while percentage changes are not. The following example illustrates the computation of index point and percentage changes:

Index Point Change		Percentage Change
July 1969 CPI (1957-59=100)	128.2	Index point difference divided by the index for the previous period: $\frac{128.2 - 127.6}{127.6} \times 100 = .5 \text{ percent}$
less June 1969 index	<u>127.6</u>	
Index point difference =	0.6	