

THE CONSUMER PRICE INDEX
FOR
JANUARY 1971

The Consumer Price Index rose 0.1 percent in January to 119.2 percent of its 1967 base. The increase was the smallest since February 1967. Higher prices for consumer services were largely offset by declines for used cars, apparel, and some grocery store items. The January CPI was 5.2 percent higher than it was a year ago, the smallest 12-month rise since March 1969.

On a seasonally adjusted basis, the January increase was 0.3 percent, less than the 0.5 percent in December and the same as the increase in November. After allowance for seasonal variations, average food prices were unchanged in January. Prices of commodities other than food rose 0.2 percent in January compared with an average monthly increase of nearly 0.6 percent in the previous 4 months. The 0.6-percent advance in prices of consumer services was the same as the average monthly rise since last May.

Summary of month-to-month percent changes 1/

Month	All items		Food		Commodities less food		Services 1/
	Unadj.	Seas.	Unadj.	Seas.	Unadj.	Seas.	Unadj.
		Adj.		Adj.		Adj.	
January 1970 -----	0.4	0.5	0.6	0.4	-0.2	0.3	0.9
February -----	.5	.5	.5	.6	.3	.2	.8
March -----	.5	.4	.1	.2	.3	.2	1.1
April -----	.6	.5	.4	.3	.7	.6	.7
May -----	.4	.5	.3	.4	.5	.5	.5
June -----	.5	.4	.3	-.3	.4	.4	.6
July -----	.3	.2	.5	.0	.0	.1	.5
August -----	.2	.2	.1	.0	.1	.2	.6
September -----	.5	.6	-.2	.3	.7	.6	.7
October -----	.5	.5	-.2	.1	1.0	.6	.5
November -----	.3	.3	-.5	-.1	.5	.3	.6
December -----	.5	.5	.3	.2	.3	.7	.6
January 1971 -----	.1	.3	.2	.0	-.3	.2	.6

1/ All percent changes are computed from 1967=100 indexes. Percent changes for services are based on unadjusted indexes.

Food

Prices of food purchased in grocery stores declined 0.4 percent after seasonal adjustment. Except for increases in September and December, these prices have been declining since last May. The decrease this January was due largely to meat and fresh fruit and vegetable prices which moved down instead of rising as they usually do between December and January.

Meat prices, which fell sharply in the last quarter of 1970, declined 0.7 percent on a seasonally adjusted basis in January. Pork prices dropped 2 percent to a level 12.3 percent below the January 1970 level. Beef and veal prices edged down 0.1 percent, but were 3.3 percent higher than year-earlier levels. The downtrend in pork prices was sustained by large increases in production and cold storage holdings in the final 3 months of 1970. Pork production in December 1970 was up 24 percent from year-earlier levels. In contrast, beef production was up just 2 percent.

After rising sharply in December, retail prices for poultry declined more than they usually do in January as production picked up. Although poultry production in December was just 1 percent higher than it had been in December 1969, for the entire year, it was 11 percent greater than it had been in 1969. Prices in January 1971 were down 5 percent from January 1970.

The late 1970 downtrend in retail prices for fruits and vegetables continued into January with a seasonally adjusted decline of 1.9 percent. Domestic production and imports of tomatoes, green peppers, lettuce and other fresh vegetables from winter producing States increased substantially in December and early January. Fresh fruit prices, however, increased as did prices of most processed fruits and vegetables, except frozen orange concentrates and canned peas. Prices of eggs and dairy products, which normally decline in January, rose 3.8 percent and 0.3 percent, respectively. Higher egg prices were due to slower movement of eggs to retail outlets in some areas affected by heavy snow, and increases in demand relative to supply. Despite the January increase, egg prices were down 23.4 percent from the year-ago levels. The price increase of 0.7 percent for cereal and bakery products was sharper than it was in November or in December. The increase of 0.6 percent for restaurant meals and snacks away from home was the largest monthly increase since May 1970.

Retail food prices generally tend to follow changes in wholesale food prices. The WPI for consumer foods declined sharply in the fourth quarter of 1970. In January, however, it rose 1.0 percent after seasonal adjustment, the largest increase since July 1970. The rise was due mostly to sizable advances in meat and fresh vegetable prices connected with adverse weather conditions which curtailed livestock marketings and reduced supplies of fresh vegetables from winter producing States. In addition, prices of frozen orange concentrates were raised by most processors soon after the mid-January freeze in Florida. The full effect of the freeze on the vegetable and citrus crops has not yet been determined by the Department of Agriculture.

Despite short-run distortions in marketing schedules caused by weather conditions, pork supplies are expected to remain ample over the next 6 months. Hogs and pigs on farms on December 1, 1970 were estimated to be up 19 percent from year-earlier levels and the June-November pig crop was up 18 percent. On the other hand, some tightening in beef supplies is indicated; on January 1, 1971 cattle and calves on feed for the slaughter market in 39 feeding States were estimated to be 3 percent less than they had been a year earlier.

Commodities less food

Prices of commodities other than food rose at a slower pace in January primarily due to price declines for apparel commodities and used cars. The only item to advance substantially was new cars which rose instead of falling seasonally for the second consecutive month.

Retail prices of durable commodities rose 0.2 percent on a seasonally adjusted basis in January, compared with 0.8 percent in December 1970 and an average monthly increase of about 0.5 percent in the second half of 1970. Used car prices dropped noticeably after several months of increases. The price index for household durables remained unchanged after a small rise of 0.1 percent in December. Prices of household appliances continued to move up due to manufacturers' price hikes; but furniture and bedding prices declined because of widespread sales as retailers sought to reduce inventories. House prices advanced further in January, but by considerably less than they had in the past several months.

New car prices rose 2 percent, about the same as in December, due to higher list prices on 1971 models and lower than normal dealer concessions for both the 1970 and 1971 models. A shortage of cars created by the strike at General Motors and a rebound in new

car sales accounted for smaller concessions. January production of domestic passenger cars was up 20.3 percent over production in January 1970 as General Motors attempted to build up dealer inventories. Nevertheless, new car dealers' inventories at the end of January remained below the January 1970 level, because domestic new car sales increased 8.7 percent, the first over-the-year sales increase since June 1970.

On a seasonally adjusted basis, prices of nondurable commodities other than food increased 0.1 percent in January, down from December's rise of 0.6 percent. A decline of 0.2 percent in apparel prices was chiefly responsible for the slowdown. Clearance sales on fall and winter apparel items were more extensive and widespread than usual. Also, year-round items which normally are not affected by end of the season sales registered declines. Among the year-round items were women's dresses chiefly made of man-made fibers. Sales of dresses reportedly have been suffering partly due to the great acceptance of pant suits. Therefore, stores have apparently cut dress prices to clear stocks. The decline in January was slightly larger than the 0.1-percent in July at the time of spring and summer clearance sales. The last time prices declined on a seasonally adjusted basis was September 1965. Prices of gasoline increased less in January than in December, 0.3 percent compared with 1.2 percent. Fuel oil and coal prices increased 1.0 percent seasonally adjusted. The rapid upward pace of 1970 continued because of higher wholesale and jobber prices and slightly larger profit margins of retail fuel distributors. Average prices of alcoholic beverages were 0.7 percent higher in January, considerably more than in recent months, mainly as a result of 1.3-percent increase for beer served away from home and a 0.5-percent increase for beer at home.

Services

Overall, charges for consumer services continued to advance at about the same pace as in the last 9 months of 1970, but some significant changes were recorded within the services group of the CPI. Average prices of household services, which is the largest service category, were unchanged over the month for the first time since March 1966. The increase of 0.6 percent for medical care services was somewhat smaller than the increase in the previous month. The increase of 1.6 percent for transportation services was the largest since January 1970, and the increase of 1.0 percent in other services was the sharpest monthly rise since March 1968.

A substantial decline of 1.4 percent in mortgage interest rates on VA-guaranteed and conventional mortgages was primarily responsible for the leveling out in the charges for household services in January. After advancing rapidly from mid-1967 through the first quarter of 1970, mortgage interest rates remained almost level for the balance of 1970. With definite evidence of improvement in the mortgage market, the interest rate ceiling on FHA (excluding 0.5 percent for insurance) and VA loans was lowered early in December 1970 from 8.5 percent to 8.0 percent. The ceiling was reduced again early in January 1971 to 7.5 percent and in mid-February to 7.0 percent. The January decline in the CPI for mortgage interest rates reflected the early December decline of 1/2 percent in the VA rate ceiling as well as some decreases in rates on conventional mortgages. Usually VA mortgages lag 1 month and FHA mortgages 2 months before a majority of loans is made predominantly at the low rates. Conventional mortgages usually have no lag. Charges for other household services continued to move up; particularly large increases were recorded for residential gas and telephone bills and flatwork laundry prices.

The acceleration in the rise in transportation services occurred mostly in auto-related services. Automobile insurance rates rose 2.8 percent in January as rates for both physical damage and liability insurance were raised in a number of cities. Part of the increase in physical damage insurance rates was due to higher premiums for an air conditioned car over a comparable model non-air conditioned car. The change was attributed to the higher cost of repairing a car with air conditioning if involved in a front end accident.

Auto registration fees increased 3.2 percent as yearly fees were calculated for places where auto registration is renewed in January. Fees were higher in New York, Buffalo, Philadelphia, Denver, Minneapolis, and other cities due to the increased shipping weights of new cars.

The sharp advance for other services resulted primarily from increases for college tuition. In addition, charges for most winter-oriented recreational services showed large increases, particularly bowling fees. Showing of special movie features at higher prices was reflected in a 1.0-percent rise in adult motion picture admission charges. Among apparel services, automatic laundry service prices increased 1.6 percent because of higher water rates and capital equipment costs.

Seasonally adjusted monthly percent changes in the index and some of its major components for the past 6 months are given in the following tabulation:

	<u>January</u>	<u>December</u>	<u>November</u>	<u>October</u>	<u>September</u>	<u>August</u>
Consumer Price Index:						
All items -----	0.3	0.5	0.3	0.5	0.6	0.2
Commodities -----	.1	.4	.3	.4	.5	-.1
Food -----	.0	.2	-.1	.1	.3	.0
Food at home -----	-.4	.3	-.2	-.1	.4	-.2
Apparel commodities -	-.2	.3	.4	.6	.6	.4
Nondurables less food						
and apparel -----	.4	.5	.4	.5	.3	.0
Durables -----	.2	.8	.5	.4	.7	.3
Services ^{1/} -----	.6	.6	.6	.5	.7	.6
Rent -----	.3	.7	.4	.5	.4	.4
Household services						
less rent -----	.0	.7	.7	.5	.8	.7
Transportation -----	1.6	.5	.8	.9	.8	.2
Medical care services	.6	.8	.6	.2	.6	.7
Other services -----	1.0	.3	.3	.6	.5	.4

^{1/} All percent changes are computed from 1967=100 indexes. Percent changes for services are based on unadjusted indexes.

Cost-of-Living-Adjustments

Approximately 67,000 workers will receive cost-of-living wage increases based on the Consumer Price Index for January. About 30,000 workers will receive hourly pay increases ranging from 2 to 5 cents based on the change in the national index since October 1970. An additional 17,000 workers, including 11,000 employees of General Dynamics Corporation in California, will get pay raises ranging from 3 to 8 cents per hour based on the change in the national index since January 1970.

More than 20,000 transit workers in the Boston, Chicago, Los Angeles, and Pittsburgh areas will receive hourly pay increases ranging from 1 to 5.5 cents, based on the rise since October 1970 in the index for their areas.

About 2,300 other workers whose escalator reviews are tied to the January index will not receive an adjustment because they have already received the maximums stipulated in their contracts.

NEW BASE PERIOD FOR CONSUMER PRICE INDEX

Beginning with the release of data for January 1971, the reference base for the Consumer Price Index is 1967=100. The change in base period does not affect percentage changes in the index over time except for rounding differences. The new base was established by the U.S. Office of Management and Budget for use by all Government statistical agencies in line with the longstanding policy that index base be updated periodically. For the convenience of index users, the all items indexes for the U.S. city average and the 23 major cities will also be published on their former official reference base (1957-59 in most cases). A description of the methodology of rebasing the index will be available on request.

A NOTE ABOUT CALCULATING INDEX CHANGES

Effective with the February 1970 release, and continuing thereafter, percent changes expressed as annual rates will be computed according to the standard formula for compound growth rates. These data indicate what the percent change would be if the current rate were maintained for 12-month period.

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

Index Point Change		Percent Change
January 1971 CPI (1967=100)	119.2	Index point difference divided
less December 1970 index	<u>119.1</u>	by the index for the previous
index point difference =	0.1	period:
		$\frac{119.2 - 119.1}{119.1} \times 100 = 0.1$

Effective with the July 1970 release, and continuing thereafter, seasonally adjusted percent changes in the U.S. All Items Index will be based on seasonal adjustment factors and seasonally adjusted indexes carried to two decimal places. This procedure will help to eliminate rounding error in the percent changes.

THE CONSUMER PRICE INDEX
FOR
FEBRUARY 1971

The Consumer Price Index rose 0.2 percent in February to 119.4 percent of its 1967 base. The increase in January was 0.1 percent. The effects of higher prices for food, apparel, and most consumer services were moderated by declines in mortgage interest rates, and prices of used cars and gasoline. The February CPI was 4.8 percent higher than it had been a year ago, less than the 6.3 percent rate in February 1970, and the smallest 12-month rise since February 1969.

The seasonally adjusted increase in February was also 0.2 percent. This rate was the same as the increase last July and August and below monthly increases ranging from 0.3 to 0.6 percent during the September-January period. Food prices increased 0.4 percent, the largest rise since last May. Prices of commodities other than food edged down 0.1 percent. Prices of consumer services rose 0.2 percent, the smallest rise since mid-1967.

Summary of month-to-month percent changes ^{1/}

	All Items		Food		Commodities less food		Services ^{1/}
	Seas.		Seas.		Seas.		Unadj.
	Unadj.	Adj.	Unadj.	Adj.	Unadj.	Adj.	
February 1970 -----	0.5	0.5	0.5	0.6	0.3	0.2	0.8
March -----	.5	.4	.1	.2	.3	.2	1.1
April -----	.6	.5	.4	.3	.7	.6	.7
May -----	.4	.5	.3	.4	.5	.5	.5
June -----	.5	.4	.3	-.3	.4	.4	.6
July -----	.3	.2	.5	.0	.0	.1	.5
August -----	.2	.2	.1	.0	.1	.2	.6
September -----	.5	.6	-.2	.3	.7	.6	.7
October -----	.5	.5	-.2	.1	1.0	.6	.5
November -----	.3	.3	-.5	-.1	.5	.3	.6
December -----	.5	.5	.3	.2	.3	.7	.6
January 1971 -----	.1	.3	.2	.0	-.3	.2	.6
February -----	.2	.2	.3	.4	.0	-.1	.2

^{1/} All percent changes are computed from 1967=100 indexes. Percent changes for services are based on unadjusted indexes.

Food

Retail food prices, which usually decline slightly in February, rose 0.3 percent because of higher prices of food purchased in grocery stores as well as restaurant meals and snacks consumed away from home. Prices of grocery store foods, which usually register a small decline in February, rose 0.4 percent. In January, they averaged unchanged instead of showing their usual large seasonal advance. Except for increases in September and December 1970 and February 1971, prices of grocery store foods had been declining since May 1970.

Prices of fresh fruits and vegetables rose substantially in February. The mid-January freeze in Florida, which cut supplies of green peppers, cucumbers, cabbage, tomatoes, and citrus fruits, was largely responsible for the increase.

Prices of beef and veal rose more than is usual for February as production and cold storage holdings declined over the month. Contrary to their usual seasonal increases, pork, poultry and egg prices declined in February. The decrease in pork prices was not as great as it has been in recent months. Pork production fell in February, but cold storage holdings increased. Prices for poultry declined for the second consecutive month, because of increased production of frying chickens. Egg prices dropped as stocks of shell eggs increased 6 percent during January.

Instead of declining as they usually do in February, prices of dairy products increased 0.1 percent. Heavy demand for cheese was largely responsible for the rise. Prices for most cereal and bakery products continued to advance in February. White bread, used as a price leader to encourage sales, posted the only price decline.

Prices of restaurant meals and snacks consumed away from home increased 0.4 percent in February, about the same as the average monthly rise since mid-1970, and smaller than the rise during the first six months of 1970. Over the year, prices of restaurant meals increased 6.0 percent, compared with a rise of 0.4 percent in the prices of grocery store foods. Restaurant owners usually attribute higher prices to higher operating costs. The increase in wages is one contributing factor. On February 1, the Federal minimum wage increased to \$1.60 an hour from \$1.45 for restaurant workers who were brought under the Fair Labor Standards Act of 1966. In the past 3 years, average hourly earnings for nonsupervisory workers in eating and drinking places increased about 7 percent each year.

Commodities less food

The seasonally adjusted decline in prices of nonfood commodities was the first since July 1965. The February decline of 0.1 percent compares with an increase of 0.2 percent in January and increases of 0.3 to 0.6 percent during the last 4 months of 1970. Prices of durables also declined 0.1 percent on a seasonally adjusted basis in February as prices of used cars and homes fell. Average new car prices which advanced steadily during the preceding 7 months were unchanged as dealer concessions on new cars increased about as much as they usually do in February. Production and sales of new cars continued to recover from low levels recorded during the General Motors strike. Inventories rose in February but were still slightly below the February 1970 level.

Prices of household durables increased 0.3 percent in February; prices were unchanged in January and up 0.1 percent in December. Furniture prices, which were down 0.3 percent in January, rose by the same amount in February. Many sales prices were returned to regular levels and higher prices were reported on new lines of furniture as a result of earlier wholesale price increases. The increase in steel prices was an important factor in the rise at both wholesale and retail in furniture items such as bedding which contain large amounts of steel. Retail prices of floor coverings, continued to rise, in part, as a result of higher wholesale prices of vinyl floor products. Prices of most major home appliances rose again.

In February, retail prices of nondurable goods other than food were the same as in January on a seasonally adjusted basis and 0.1 percent higher than those for December 1970. Prices of gasoline declined, but prices of most other groups of commodities, particularly women's apparel, rose after seasonal adjustment. The decrease in gasoline prices occurred chiefly on the West Coast and in Detroit.

Despite a decline in prices of footwear, retail apparel prices rose 0.3 percent, seasonally adjusted, in February. The increase, which followed a decline of 0.2 percent in January, was less than the increases recorded in the fall of 1970. Prices of women's apparel advanced 0.7 percent in February and men's apparel edged up only 0.1 percent; they both fell in January. Women's spring coats, blouses, and cotton slacks showed large increases. Some items of men's clothing were higher, but others were on sale.

Services

The rise in charges for consumer services slowed noticeably in February from the 0.6 percent average monthly increase for the past 10 months. This slowing resulted entirely from the decline of 0.5 percent in the household service category which, in turn, was due to a substantial drop in mortgage interest rates.

After a decline of 1.4 percent in January, mortgage interest rates fell 3.0 percent in February to a level 0.5 percent lower than a year ago. This decline marked the first time since January 1967 that mortgage rates were lower than year-earlier levels. Improvement in the mortgage market in the second half of 1970 resulted in a lowering of the interest rate ceiling on FHA (excluding 0.5 percent for insurance) and VA loans early in December from 8.5 to 8.0 percent. The ceiling was reduced again in early January to 7.5 percent and in mid-February to 7.0 percent. The February decline in the CPI for mortgage interest rates reflected the early January reduction in the VA rate ceiling and the December reduction in the FHA rate ceiling as well as some decreases in rates on conventional mortgages. Usually a lag of 1 month in VA mortgage and 2 months on FHA mortgages occurs before a majority of loans are made predominantly at the lower rates.

Charges for most other household services continued to rise. The increase of 0.6 percent in rent in February was almost as large as it was in December. In both of these months, the rent index was influenced by the increase for both controlled and uncontrolled rental units approved last fall in New York City. Rent was also higher in other cities such as Detroit and San Diego. Residential gas and electricity rates increased in a number of cities. Higher interstate telephone rates, which applied to all 48 contiguous States, were largely responsible for the 1.0 percent increase in residential telephone rates.

Costs of transportation services continued to advance sharply. Auto insurance rates increased 2.8 percent in January and rose another 3.0 percent in February. Higher premiums for both physical damage and liability insurance went into effect in a number of cities. Parking fees advanced 2.4 percent in February, considerably more than in recent months. Private lot and municipal parking rates were raised in cities such as Detroit, New York, Seattle, and Baton Rouge. One of the factors contributing to increases in municipal fees has been the growing need of cities for additional revenues.

Charges for medical care services rose 0.7 percent, about the same as the average monthly rise over the past year. Fees for professional services and cost of most services connected with hospital care continued to rise in February. Among other services, the cost of funeral services rose 1.0 percent as a result of higher prices for caskets.

Seasonally adjusted monthly percent changes in the index and some of its major components for the past 6 months are given in the following tabulation:

	February	January	December	November	October	September
Consumer Price Index:						
All items -----	0.2	0.3	0.5	0.3	0.5	0.6
Commodities -----	.1	.1	.4	.3	.4	.5
Food -----	.4	.0	.2	-.1	.1	.3
Food at home -----	.5	-.4	.3	-.2	-.1	.4
Apparel commodities ---	.3	-.2	.3	.4	.6	.6
Nondurables less food and apparel -----	.0	.4	.5	.4	.5	.3
Durables -----	-.1	.2	.8	.5	.4	.7
Services ^{1/} -----	.2	.6	.6	.6	.5	.7
Rent -----	.6	.3	.7	.4	.5	.4
Household services less rent -----	-.5	.0	.7	.7	.5	.8
Transportation -----	1.4	1.6	.5	.8	.9	.8
Medical care services	.7	.6	.8	.6	.2	.6
Other services -----	.2	1.0	.3	.3	.6	.5

^{1/} All percent changes are computed from 1967=100 indexes. Percent changes for services are based on unadjusted indexes.

Cost-of-Living Adjustments

Approximately 551,000 workers will receive cost-of-living wage increases based on the national or city Consumer Price Indexes for February. About 530,000 workers, including 527,000 employees in the trucking industry, will receive annual hourly pay increases ranging from 3 to 8 cents based on the national index. An additional 13,000 employees in various industries will get quarterly, or semiannual pay increases of 2 to 7 cents also based on the national index.

About 5,500 retail and wholesale bakery employees in New York will receive a pay increase of 2 percent based on the index for the New York-Northeastern New Jersey area.

Approximately 17,000 other workers whose escalator reviews are tied to the February index will not receive an adjustment because they have already received the maximums stipulated in their contracts.

A NOTE ABOUT CALCULATING INDEX CHANGES

Effective with the February 1970 release, and continuing thereafter, percent changes expressed as annual rates will be computed according to the standard formula for compound growth rates. These data indicate what the percent change would be if the current rate were maintained for a 12-month period.

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

Index Point Change		Percent Change
February 1971 CPI (1967=100)	119.4	Index point difference divided
less January 1971 index	<u>119.2</u>	by the index for the previous
index point difference =	0.2	period:
		$\frac{119.4 - 119.2}{119.2} \times 100 = 0.2$

Effective with the July 1970 release, and continuing thereafter, seasonally adjusted percent changes in the U.S. All Items Index will be based on seasonal adjustment factors and seasonally adjusted indexes carried to two decimal places. This procedure will help to eliminate rounding error in the percent changes.

THE CONSUMER PRICE INDEX
FOR
MARCH 1971

The Consumer Price Index rose 0.3 percent in March to 119.8 percent of its 1967 base. The effects of higher prices for most goods and services were moderated by a substantial decline in mortgage interest rates and a decrease in prices of new cars. Over two-thirds of the rise that occurred in March was due to higher prices for food, particularly meats and fresh fruits and vegetables. The March CPI was 4.6 percent higher than it had been a year ago.

On a seasonally adjusted basis, the March increase was 0.2 percent, the same as in February. The annual rate of increase in the first quarter of 1971 was 2.7 percent, the smallest increase since the first quarter of 1967. In the 6 months ended in March, the CPI rose at an annual rate of 4.1 percent. Food prices rose 1.1 percent in March, the sharpest monthly rise since late 1969. Commodities less food, which declined slightly in February, increased 0.2 percent. Charges for most types of consumer services continued to rise in March. However, the index for all consumer services was unchanged for the first time since 1964 because of the decline in mortgage interest rates.

Month	Percent Changes in CPI and Components									
	All Items		Food		Commodities less food		Services	All Items		
	Unadj.	Seas. Adj.	Unadj.	Seas. Adj.	Unadj.	Seas. Adj.	Unadj.	3 Months SAAR ^{1/}	6 Months SAAR ^{1/}	
1970										
March	0.5	0.4	0.1	0.2	0.3	0.2	1.1	6.2	6.2	
April	.6	.5	.4	.3	.7	.6	.7	6.1	6.7	
May	.4	.5	.3	.4	.5	.5	.5	6.1	6.6	
June	.5	.4	.3	-.3	.4	.4	.6	6.1	6.1	
July	.3	.2	.5	.0	.0	.1	.5	4.9	5.5	
August	.2	.2	.1	.0	.1	.2	.6	3.5	4.8	
September	.5	.6	-.2	.3	.7	.6	.7	4.2	5.1	
October	.5	.5	-.2	.1	1.0	.6	.5	5.1	5.0	
November	.3	.3	-.5	-.1	.5	.3	.6	5.8	4.6	
December	.5	.5	.3	.2	.3	.7	.6	5.5	4.9	
1971										
January	.1	.3	.2	.0	-.3	.2	.6	4.8	4.9	
February	.2	.2	.3	.4	.0	-.1	.2	4.0	4.9	
March	.3	.2	.9	1.1	.3	.2	.0	2.7	4.1	

^{1/} Seasonally adjusted compound annual rate.

Food

Food prices, including food purchased for home consumption and restaurant meals and snacks, rose during the first quarter of 1971. Generally they show no change between December and March. The seasonally adjusted increase of 1.6 percent from December of 1970 to March 1971 was the largest since the fourth quarter of 1969. Average retail prices of food purchased in grocery stores were unchanged in January instead of moving up as they usually do. They rose, however, in February and March, contrary to their usual downward trend during these months. Much of the increase was due to a 3.6 percent seasonally adjusted increase from December to March in wholesale prices of consumer foods.

Sharply higher prices for meats and fresh fruits and vegetables explained much of the overall increase. Retail meat prices, which had declined in the second half of 1970 and in January of this year, moved up in February and March for a seasonally adjusted

increase of 2.0 percent in the first quarter. The increase in March was especially large because of the sharp rise in February at the wholesale level. Beef production fell 5 percent and pork 15 percent from January to February. Beef in cold storage fell 7 percent and pork stocks decreased 2 percent. In March, wholesale prices for pork declined and beef prices leveled out as output rose. These changes were not reflected at the retail level in March. Retail prices for poultry, which had decreased in February, rose more in March than they usually do, mostly due to the drop of 11 percent in production and cold storage stocks during February.

After declining in the fourth quarter of 1970 and in January 1971, prices of fresh fruits and vegetables recorded larger-than-normal increases in February and March. Reduced supplies of fresh fruits and vegetables, due in part to the Florida freezes, caused higher prices in February and again in March for grapefruit, oranges, green peppers, cucumbers, and tomatoes. The sharp rise in lettuce prices was due to interruptions in supplies as production shifted to different areas. Most processed fruit and vegetable items also registered higher prices. Smaller holdings by processors of many items and prospects for lower juice supplies from the Florida citrus crops accounted for the price increases. Prices of fruits and vegetables rose 2.8 percent seasonally adjusted in the first quarter--the sharpest increase since the fourth quarter of 1969.

Among prices of dairy products, milk prices rose in March despite seasonal increases in milk production. Retail cheese prices moved up reflecting wholesale price increases caused by short supplies of several varieties and strong demand. The first quarter seasonally adjusted rise of 1.0 percent for dairy products was larger than the increases in the last 3 quarters of 1970 but half as much as in the first quarter of last year. Egg prices decreased less than they usually do in March; in February, they recorded a large contraseasonal decline. Over the quarter, egg prices were down 0.5 percent after seasonal adjustment.

Prices of restaurant meals and snacks consumed away from home rose 0.3 percent in March, slightly less than the increases in the 2 preceding months. The rise of 1.2 percent in the first quarter was larger than in the last 2 quarters of 1970 but smaller than last year's gain of 1.6 percent in the first quarter and 1.9 percent in the second.

Commodities less food

On a seasonally adjusted basis, prices of nonfood commodities rose 0.2 percent in January, declined 0.1 percent in February, and increased 0.2 percent in March. In March 1971 price rises for used cars, men's apparel, footwear, and furniture were moderated by declines in prices of new cars, women's apparel, and gasoline. The resulting December-March increase of 0.3 percent was considerably smaller than the quarterly advances in 1970 and the smallest since the fourth quarter of 1966.

In the durable goods component, used car prices advanced in March after declining substantially in the first 2 months of this year. New car prices, on the other hand, rose contraseasonally in January, moved down about as much as is usual in February, and declined more than they usually do in March. The decline--the first on a seasonally adjusted basis since March 1970--stemmed partly from the continued recovery in auto production following the General Motors strike. Part of the decline was due to a change in the treatment of anti-pollution devices for autos. In March, the cost of these devices was removed from the index. From October through February, charges for anti-pollution devices were treated in the index as price increases. This change in the treatment did not affect the percent increase in the March All Items CPI.

Prices of household durables edged up 0.1 percent on a seasonally adjusted basis in March, after a rise of 0.3 percent in February. The first quarter increase of 0.4 percent was the smallest since the fourth quarter of 1969. In March, appliance prices declined for the first time in 6 months, and average prices for floor covering were unchanged after they had risen 0.3 percent in each of the 3 preceding months. Furniture prices, however, rose 0.4 percent in March, following an increase of 0.3 percent in February. They had declined 0.3 percent in January. Retail furniture prices rose 0.5 percent on a seasonally adjusted basis in the first quarter of 1971. This increase was about half as large as increases in most quarters of last year.

Among nondurables other than food, men's and boys' apparel prices rose considerably in March. On a seasonally adjusted basis, the March increase was 1.0 percent, and followed a small rise of 0.1 percent in February. In January they had declined 0.4 percent. The March rise was mostly due to the reintroduction of tropical suits at regular or higher prices after widespread sales last July, and also price increases for other year-round items of tailored clothing. Higher prices for tailored clothing resulted mostly from increases at the wholesale level. Despite the large increase in March, the first quarter rise in prices of men's and boys' apparel of 0.7 percent after seasonal adjustment was the smallest quarterly increase since the second quarter of 1966 (except for the 0.1 percent rise in the third quarter of 1970).

Women's and girls' apparel prices moved down 0.8 percent on a seasonally adjusted basis in March, after a rise of 0.7 percent in February. In January, they declined 0.3 percent. Lower prices for women's dresses and blouses were chiefly responsible for the March decline. In March retail prices of women's and girls' apparel were 0.4 percent below their December levels on a seasonally adjusted basis. Except for the decline of 0.1 percent in the first quarter of 1970, this drop was the first quarterly decline since the third quarter of 1965. The behavior of apparel prices in the first quarter indicated continued weakness in the demand for apparel items. Apparel store sales in March were down 7 percent from March 1970. Since prices were higher, the physical volume of sales decreased even more.

Footwear prices rose 0.4 percent after seasonal adjustment in March. Except for a small decline in February, footwear prices have been rising at a fairly steady pace. In the first quarter, they rose 0.8 percent, about the same as the increase during each of the preceding 3 quarters, but half as large as the rise in the first quarter of 1970. Among the factors which contributed to the rise in retail footwear prices were the sharp first quarter increase in wholesale prices, and relatively strong demand, particularly for men's shoes. Shoe store sales in the first 2 months of 1971 were about 10 percent larger than in the same period of 1970.

Among nondurable goods other than food and apparel, prices of gasoline continued to decline in March, although not as much as in February. In March, prices declined in 18 of the cities priced in the CPI. In Los Angeles, however, temporary dealer discounts were removed and prices were restored to normal levels in March following price wars in February.

Prices of alcoholic beverages rose 0.3 percent in March for an increase of 1.2 percent for the first quarter. Most of the rise was due to higher beer prices which stemmed from increased cost for cans and other packaging materials. Higher wages to drivers of beer trucks also contributed to the increase. Prices of housekeeping supplies such as soaps, detergents, and paper napkins rose substantially in March. Prices of newspapers and magazines continued to increase.

Average charges for consumer services were unchanged in March, after a small rise of 0.2 percent in February. During the preceding 10 months, service charges rose an average of 0.6 percent a month. The increase in the first quarter of 0.8 percent was the smallest since the second quarter of 1967. This slowdown was due almost entirely to the drop in mortgage interest rates, a component of household services.

Mortgage interest rates declined 1.4 percent in January, 3.0 percent in February, and 4.2 percent in March for a drop of 8.4 percent in the first quarter. The decline in the mortgage interest rate index in March reflected lower rates for conventional mortgages, as well as the February decline from 7.5 to 7.0 percent for VA rates and the mid-January decline from 8.0 percent to 7.5 (excluding 0.5 percent for insurance) in rates on FHA loans. Usually a 1-month lag occurs for VA and a 2-month lag for FHA before a majority of the loans are made at the lower rates. The March decline in mortgage interest rates is estimated to have lowered the March rise in the All Items CPI by 0.2 percentage points.

Most other household service charges continued to rise in March. Charges for property insurance rose as both fire and extended coverage and homeowners insurance premiums were increased. Charges for all types of home maintenance services averaged 1.0 percent higher, a usual pattern for the spring months after depressed rates of increase in the winter months. Water and sewer rates increased sharply as a result of annual rate changes in many cities. Large increases were registered in Atlanta, Honolulu, and other cities. Housekeeping services rose reflecting in part an increase in the minimum wage for household help.

Increases in the charges for transportation services were significantly smaller in March than in the 2 preceding months. After rising substantially in January and February, auto insurance rates and parking fees recorded considerably smaller increases. On the other hand, local transit, intercity bus, railroad, and airplane fares increased significantly in March. Prices of auto repairs rose 1.0 percent as a result of higher prices for parts and labor. Wholesale prices for replacement parts rose considerably in the first quarter.

Charges for medical care services rose 0.9 percent, the largest rise since March 1970. Continued increases for professional services and most services connected with hospital care were mainly responsible for the rise.

Seasonally adjusted monthly percent changes in the index and some of its major components for the past 3 months, and quarterly changes for the past year are given in the following tabulation:

	1-month change			1971	3-month change ending:				
	1971				1970				
	March	February	January	March	December	September	June	March	
All items	0.2	0.2	0.3	0.7	1.3	1.0	1.5	1.5	
Commodities	.4	.1	.1	.6	1.1	.6	1.2	.9	
Food	1.1	.4	.0	1.6	.2	.3	.4	1.2	
Food at home	1.1	.5	-.4	1.3	.0	.1	.1	1.2	
Apparel commodities	.0	.3	-.2	.2	1.3	.9	.9	.6	
Nondurables less food									
and apparel	.1	.0	.4	.4	1.4	.8	1.4	.6	
Durables	.2	-.1	.2	.3	1.8	1.2	2.0	.7	
Services*	.0	.2	.6	.8	1.7	1.7	1.8	2.8	
Rent	.3	.6	.3	1.2	1.5	1.0	.9	1.0	
Household services less									
rent	-.7	-.5	.0	-1.1	1.9	2.1	1.9	3.5	
Transportation	.5	1.4	1.6	3.5	2.2	2.0	1.7	4.1	
Medical care services	.9	.7	.6	2.3	1.6	2.0	2.0	2.4	
Other services	.2	.2	1.0	1.4	1.2	1.2	2.1	1.0	

* Changes for services are based on unadjusted indexes.

Cost-of-Living Adjustments

Approximately 43,400 workers and 1,850,000 retirees will receive cost-of-living increases in wages or annuities based on the March U.S. city average Consumer Price Index or one of the individual city indexes.

About 41,000 workers will receive hourly wage increases based on the national index. A 2-1/2 percent annual increase will be given to 10,300 employees of the United Aircraft Corporation. An additional 9,600 employees, including 4,500 employees of the Westinghouse Air Brake Company, will receive annual increases ranging from 4 to 8 cents. Quarterly increases of 2 to 8 cents per hour will be given to 17,250 workers. Most of these workers, who are employed by Greyhound Lines Incorporated, will receive 2 cents per hour. About 1,500 workers will receive a semiannual increase of 2 cents and 2,300 workers will receive a monthly increase of 1 cent per hour.

About 875 local transit workers in Atlanta and 1,600 in Baltimore will receive quarterly pay increases based on indexes for their cities. Workers in Atlanta will receive 3 cents per hour and those in Baltimore will get 5-1/2 cents.

A NOTE ABOUT CALCULATING INDEX CHANGES

Effective with the February 1970 release, and continuing thereafter, percent changes expressed as annual rates will be computed according to the standard formula for compound growth rates. These data indicate what the percent change would be if the current rate were maintained for a 12-month period.

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

Index Point Change		Percent Change
March 1971 CPI (1967=100)	119.8	Index point difference divided by the index for the previous period: $\frac{119.8 - 119.4}{119.4} \times 100 = 0.3$
less February 1971 index	<u>119.4</u>	
index point difference =	0.4	

Effective with the July 1970 release, and continuing thereafter, seasonally adjusted percent changes in the U.S. All Items Index will be based on seasonal adjustment factors and seasonally adjusted indexes carried to two decimal places. This procedure will help to eliminate rounding error in the percent changes.

THE CONSUMER PRICE INDEX
FOR
APRIL 1971

The Consumer Price Index rose 0.3 percent in April to 120.2 percent of its 1967 base. The effects of higher prices for most goods and services were moderated by a decline in mortgage interest rates and gasoline prices. Almost three-fourths of the rise that occurred in April was due to higher prices for food, apparel, and used cars. The April CPI was 4.3 percent higher than it was a year ago, the smallest year-to-year change since August 1968.

On a seasonally adjusted basis, the April increase was also 0.3 percent. This rate compares with 0.2 in February and March and 0.3 in January. The annual rate of change for the 3 months ending in April was 2.8 percent, the same as in the December-March period and the smallest such increase since the 3-month period ending in June 1967. Food prices rose 0.9 percent in April after seasonal adjustment, the same as in March. Prices of commodities other than food also increased at their March rate of 0.2 percent. Average charges for consumer services, which were unchanged in March, rose 0.2 percent.

Table A. Percent changes in CPI and components, selected periods

Month	Changes from preceding month						Changes in all items at seasonally adjusted compound annual rate			
	All items		Food		Commodities less food		Services	From 3 mos. ago	From 6 mos. ago	From 12 mos. ago
	Unadj.	Seas. adj.	Unadj.	Seas. adj.	Unadj.	Seas. adj.					Unadj.
April 1970 ---	0.6	0.5	0.4	0.4	0.7	0.6	0.7	6.2	6.7	6.0
May -----	.4	.5	.3	.2	.5	.5	.5	5.9	6.5	6.1
June -----	.5	.4	.3	-.1	.4	.4	.6	5.9	6.0	6.0
July -----	.3	.3	.5	.1	.0	.2	.5	4.8	5.5	5.9
August -----	.2	.3	.1	.0	.1	.3	.6	3.9	4.9	5.6
September ----	.5	.5	-.2	.3	.7	.5	.7	4.5	5.2	5.7
October -----	.5	.5	-.2	.0	1.0	.4	.5	5.2	5.0	5.8
November ----	.3	.3	-.5	.1	.5	.4	.6	5.6	4.7	5.6
December ----	.5	.5	.3	-.1	.3	.7	.6	5.3	4.9	5.5
January 1971--	.1	.3	.2	.0	-.3	.2	.6	4.5	4.9	5.2
February ----	.2	.2	.3	.5	.0	-.1	.2	4.0	4.8	4.8
March -----	.3	.2	.9	.9	.3	.2	.0	2.8	4.1	4.6
April -----	.3	.3	.7	.9	.3	.2	.2	2.8	3.6	4.3

NOTE: In accordance with longstanding policy, seasonal adjustment factors have been recalculated to reflect developments during past 12 months. For this reason, some of the seasonally adjusted figures shown above differ from those previously reported. The new factors, to be used through March 1972, can be found on table 4-A of this report.

Food

Prices of food purchased in grocery stores rose 0.9 percent in April, the third consecutive contraseasonal increase. The March increase of 1.1 percent was the largest in over a year. About two-thirds of the April rise was due to higher prices for fruits and vegetables. Prices of fresh fruits and vegetables, which usually increase about 1 percent in April, advanced 5 percent. Except for lettuce and asparagus, prices rose for most items--particularly green peppers, cucumbers, carrots, strawberries, and citrus fruits. Higher prices reflected smaller supplies as a result of adverse weather conditions during the winter and early spring in California, Florida, and Texas.

Processed fruit and vegetable prices rose 1.1 percent in April, the sharpest monthly increase since December 1967. Although prices rose for all canned and frozen fruits and vegetables, the increase of 2.4 percent in the price of frozen orange juice was especially significant. Prices of frozen orange juice declined steadily from May 1969 through January 1971 before increasing slightly in February and March. Wholesale prices for frozen orange juice concentrates started to increase after the January freeze in Florida. Wholesale prices rose 2.5 percent in February and 5 percent in March; although there was no change in April, the May increase was 10.2 percent.

Prices of beef and veal, cereal and bakery products, and dairy products increased instead of declining as they usually do in April. The 1.5 percent contraseasonal increase in beef and veal prices compares with increases of 1.3 percent in February and 2 percent in March. Usually there is little change in February and March and a decrease of about 0.3 percent in April. The steady rise this year resulted from strong demand and a slight decrease in supplies. The price rise of 0.8 percent for cereal and bakery products was the largest monthly increase since August 1970. Higher prices for white bread reflected a return to regular prices in many areas after sales in February and March. Prices were higher also for whole wheat bread, flour, cracker meal, cookies, and most other bakery and cereal products. Milk prices rose 0.4 percent in April after an increase of 0.5 percent in March; they generally decline in these 2 months.

Pork and egg prices, on the other hand, declined more than they usually do in April in response to increased production and cold storage holdings. Pork prices declined 2.3 percent in April; they had a contraseasonal increase of 2.7 percent in March. The April index was 12.5 percent below the April 1970 level.

Prices of restaurant meals and snacks consumed away from home increased 0.4 percent, about the same as in February and March. The rate of advance in these prices has moderated since April 1970. Prices of food consumed away from home rose 5.1 percent between April 1970 and April 1971, compared with 8.3 percent between April 1969 and April 1970.

Commodities less food

Prices of commodities other than food rose 0.2 percent on a seasonally adjusted basis in April. This rise compares with an increase of 0.2 percent in January and March and a decline of 0.1 percent in February. The rate of advance in the 4-month period was the smallest since late 1966 and early 1967.

In April gasoline prices declined substantially, contrary to their usual seasonal advance. About 40 percent of the April decline of 2.0 percent resulted from lower prices in Los Angeles. In March, higher prices in Los Angeles had just about offset decreases in a number of other cities. Declines in April also were widespread and occurred in cities such as Denver, Pittsburgh, Houston, Minneapolis, and New York. In Chicago and Philadelphia, gasoline prices decreased for the second month in a row.

New car prices decreased 0.4 percent; they usually move down by this amount in April. Used car prices, on the other hand, advanced noticeably for the second month in a row and apparel commodity prices rose more than is usual for April. Increases in prices of used cars and apparel commodities accounted for about three-fourths of the April rise in the prices of commodities other than food.

Men's and boys' apparel prices rose 0.4 percent after seasonal adjustment in April; the increase was 0.8 percent in March. Prices of year-round suits, slacks, and work clothing, which increased in March, continued to rise in April. Prices for lightweight jackets and cotton shirts declined in April trimming some of their March increases. Prices

of women's and girls' apparel, which had declined 0.6 percent in March, rose 0.4 percent in April. In January prices declined and in February they increased. Much of this month-to-month fluctuation in the rate of change was due to changes in the prices of women's dresses. Also the April increase was due to the fact that spring and summer skirts and slacks were reintroduced at the same or higher prices than those which prevailed at the end of the season in 1970, and underwear prices rose substantially. Footwear prices also rose 0.4 percent seasonally adjusted in April. Prices rose for all categories of footwear, particularly children's shoes.

Despite rising wages, materials, and overhead costs, the weakness in retail apparel sales through March had a moderating influence on price rises for apparel commodities. In April, however, sales in apparel stores showed a marked improvement, about 14 percent more than in March. Price rises have been accelerating for the textile and leather products which are used in the production of consumer apparel. Effective February 1, 1971, a large group of textile workers received a 5-percent deferred wage increase. Furthermore, on May 7, 1971, the Argentine government placed a limitation on exports of hides and skins. The wage agreement with the Clothing Manufacturers' Association of America, covering 125,000 workers, will expire at the end of May.

Price increases in April of 1.1 percent for housekeeping supplies, 0.9 percent for newspapers, and 2.9 percent for magazines were larger than those in recent months. The April increase in new home prices was larger than the increases in the first 3 months of 1971 but considerably less than in 1970. Prices of household durables rose 0.3 percent, the same as in February and March. Furniture prices which rose 0.6 percent in March, moved up another 0.6 percent in April. The April rise was attributed mostly to the reintroduction of aluminum folding chairs at higher prices than at the end of the 1970 season. Appliance prices were up 0.2 percent after a decrease of 0.1 percent in March. Prices of floor covering were unchanged in April for the second month in a row; they had increased 0.3 percent in each of the 3 preceding months.

Services

In April, as during the preceding 2 months, the effect of declines in mortgage interest rates moderated the overall rise for consumer services. Estimates are that the index for all consumer services would have risen 0.5 percent in April rather than 0.2 percent if mortgage interest rates had not declined. The CPI for mortgage interest rates dropped 2.9 percent in April, after falling 3.0 percent in February and 4.2 percent in March. The rates for conventional mortgages continued to move down in April. Also, the February decline in the FHA rates from 7.5 to 7.0 percent (excluding 0.5 percent for insurance) was reflected in the April CPI. Usually a 2-month lag occurs before a majority of the FHA loans are made at the lower rates. VA rates were unchanged for the April index.

Charges for most other household services continued to increase. Property insurance rates rose because of higher premiums for fire and extended coverage. In addition, increased deductibles on homeowners insurance policies in New York and New Jersey resulted in a quality adjusted price increase. Residential gas charges rose 0.9 percent, led by a large extra charge for gas purchased in Buffalo, and rate increases in four other cities. Charges for home maintenance services, which rose 1.0 percent in March, increased 0.7 percent in April. As is usual, increases in the spring months were larger than in the winter months.

The rise in the cost of transportation services of 0.8 percent in April was larger than in March. Auto insurance rates rose 1.3 percent because of increases in physical damage and liability insurance rates. Auto registration fees increased 1.7 percent as yearly fees were calculated for cities where automobile registration must be renewed by

April 1. Registration fees were higher because some new cars were heavier than last year's model. On the other hand, the increase of 0.4 percent for local transit fares in April was the smallest since last December.

Charges for medical care services rose 0.6 percent, less than in February and March. Increases in physicians' fees were considerably smaller in April. Other services connected with hospital care, however, continued to increase rapidly.

Seasonally adjusted monthly percent changes in the index and some of its major components for the past 6 months are given in the following tabulation:

	April	March	February	January	December	November
Consumer Price Index:						
All items -----	0.3	0.2	0.2	0.3	0.5	0.3
Commodities -----	.3	.5	.1	.1	.4	.3
Food -----	.9	.9	.5	0	-.1	.1
Food at home -----	1.0	1.1	.5	-.3	-.2	.1
Apparel commodities --	.3	0	.3	-.1	.3	.3
Nondurables less food						
and apparel -----	0	.2	0	.3	.4	.4
Durables -----	.2	.2	0	.2	.9	.4
Services ^{1/} -----	.2	0	.2	.6	.6	.6
Rent -----	.4	.3	.6	.3	.7	.4
Household services						
less rent -----	-.4	-1.0	-.5	.2	.8	.7
Transportation -----	1.0	.5	1.3	.9	.3	.7
Medical care services	.6	.6	.7	.5	.7	.7
Other services -----	.1	.2	.2	1.1	.3	.3

^{1/} All percent changes are computed from 1967=100 indexes. Percent changes for total services and rent are based on unadjusted indexes.

Cost-of-Living Adjustments

Approximately 72,700 workers will receive cost-of-living escalator adjustments based on the April U.S. city average Consumer Price Index or one of the individual city indexes.

About 55,000 workers will receive hourly wage increases based on the national index. An annual increase of \$11.00 per month will be given to over 28,000 classified employees of the State of Wisconsin. An additional 7,450 employees will receive annual increases ranging from 5 to 10 cents. Quarterly increases of 2 to 4 cents per hour will be given to 16,925 workers including 3,300 employees of the Tecumseh Product Company in Tecumseh, Michigan. About 1,150 workers will receive a semiannual increase of 5 cents and 1,500 workers will receive a monthly increase of 1 cent per hour.

About 17,700 transit workers, including 13,200 in Chicago and Pittsburgh, will receive quarterly pay increases based on indexes for their cities. Workers in Pittsburgh will receive 4 cents per hour and those in Chicago will get 5-1/2 cents.

Approximately 11,500 other workers will not receive adjustments because they have already received the maximum stipulated in their contracts.

A NOTE ABOUT CALCULATING INDEX CHANGES

Effective with the February 1970 release, and continuing thereafter, percent changes expressed as annual rates will be computed according to the standard formula for compound growth rates. These data indicate what the percent change would be if the current rate were maintained for a 12-month period.

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

Index Point Change		Percent Change
April 1971 CPI (1967=100)	120.2	Index point difference divided by the index for the previous period: $\frac{120.2 - 119.8}{119.8} \times 100 = 0.3$
less March 1971 index	<u>119.8</u>	
index point difference =	0.4	

Effective with the July 1970 release, and continuing thereafter, seasonally adjusted percent changes in the U.S. All Items Index will be based on seasonal adjustment factors and seasonally adjusted indexes carried to two decimal places. This procedure will help to eliminate rounding error in the percent changes.

THE CONSUMER PRICE INDEX
FOR
MAY 1971

The Consumer Price Index rose 0.5 percent in May to 120.8 of its 1967 base. Higher prices for apparel, used cars, homes, and postage accounted for half the increase. The May CPI was 4.4 percent higher than it was a year ago.

On a seasonally adjusted basis, the May rise was 0.6 percent compared with increases of 0.2 to 0.3 percent in each of the first 4 months of this year. In the 3 months ending in May, the CPI rose at an annual rate of 4.2 percent. The 3-month rate was 2.8 percent in March and in April. The annual rate of change for the 6 months ending in May was 4.1 percent--higher than the 3.6-percent rate for the 6 months ending in April, but below the 6.5-percent rate in the 6 months ending in May of last year. Food prices rose 0.2 percent in May after seasonal adjustment, much less than in February, March, and April. Prices of nonfood commodities and services, however, increased more than in the preceding 3 months.

Percent changes in CPI and components, selected periods

Month	Changes from preceding month							Changes in all items at seasonally adjusted compound annual rate		
	All items		Food		Commodities less food		Services	From 3 mos. ago	From 6 mos. ago	From 12 mos. ago.
	Unadj.	Seas. adj.	Unadj.	Seas. adj.	Unadj.	Seas. adj.	Unadj.			
May 1970 -----	0.4	0.5	0.3	0.2	0.5	0.5	0.5	5.9	6.5	6.1
June -----	.5	.4	.3	-.1	.4	.4	.6	5.9	6.0	6.0
July -----	.3	.3	.5	.1	.0	.2	.5	4.8	5.5	5.9
Aug. -----	.2	.3	.1	.0	.1	.3	.6	3.9	4.9	5.6
Sept. -----	.5	.5	-.2	.3	.7	.5	.7	4.5	5.2	5.7
Oct. -----	.5	.5	-.2	.0	1.0	.4	.5	5.2	5.0	5.8
Nov. -----	.3	.3	-.5	.1	.5	.4	.6	5.6	4.7	5.6
Dec. -----	.5	.5	.3	-.1	.3	.7	.6	5.3	4.9	5.5
Jan. 1971 -----	.1	.3	.2	.0	-.3	.2	.0	4.5	4.9	5.2
Feb. -----	.2	.2	.3	.5	.0	.1	.2	4.0	4.8	4.8
Mar. -----	.3	.2	.9	.9	.3	.2	.0	2.8	4.1	4.6
Apr. -----	.3	.3	.7	.9	.3	.2	.2	2.8	3.6	4.3
May -----	.5	.6	.3	.2	.7	.7	.6	4.2	4.1	4.4

Food

Prices of food purchased in grocery stores rose 0.2 percent in May, compared with increases of 1.1 percent in March and 0.9 percent in April. The May slowdown resulted from smaller price increases for fruits and vegetables, cereal and bakery products, and beef, as well as declines in pork and egg prices. The decline of 3.3 percent in egg prices, however, was much smaller than usual for May. Prices of dairy products and restaurant meals and snacks away from home continued to advance.

Meat prices, which rose 2.0 percent in March and 0.1 percent in April, decreased 0.1 percent in May--the first decline since January of this year. Pork prices moved down 1.4 percent in May after falling 2.3 percent in April--sharper than usual declines in both months--as cold storage holdings continued to rise. Competition from lower pork prices was a factor in the smaller-than-usual increase in beef and veal prices in May.

They rose 0.3 percent after rising 1.2 percent in February, 2.0 percent in March, and 1.5 percent in April. Chicken prices declined but not as much as they usually do in May. Turkey prices advanced sharply. Fish prices continued to rise.

Fresh fruit and vegetable prices rose 1.6 percent in May after advancing about 5 percent in each of the 3 preceding months. The May increase was smaller than seasonal as larger supplies resulted in sharp price declines for strawberries, bananas, green peppers, and cucumbers. In addition, price rises for potatoes, cabbages, apples, and celery were smaller than usual. On the other hand, prices rose more than seasonally for lettuce, tomatoes, onions, and carrots because of reduced planting of spring crops and poor weather. Strong demand from processors of citrus fruits pushed up prices for fresh oranges. The May increase of 0.3 percent in processed fruit and vegetable prices was smaller than the rise of 1.1 percent in April.

Prices of dairy products rose 0.4 percent in April and again in May. The April increase was contraseasonal and the May rise was slightly larger than usual. Prices of most dairy items advanced in April and May except butter. The higher support rate for "manufacturing" milk and strong demand for cheese and skim milk contributed to higher prices for these dairy products. The support price for manufacturing milk for the 1971/72 marketing year, which started April 1, was raised to \$4.93 per 100 pounds--85 percent of the March parity equivalent price--up from \$4.66 in the previous year. To achieve this support level, Commodity Credit Corporation raised its purchase prices 2-3/4 cents per pound for Cheddar cheese (to 54-3/4 cents) and 4-1/2 cents per pound for nonfat dry milk (to 31.7 cents). The support purchase price for butter, however, was lowered 2 cents per pound (to 68-3/4 cents, Grade A at New York). The lower support purchase price for butter was made possible by the Agriculture Act of 1970 which suspended until April 1974 the requirement to support butterfat in farm-separated cream. (See Dairy Situation, Economic Research Service, U.S. Department of Agriculture, May 1971.)

Commodities Other Than Food

Prices of commodities other than food, which usually do not change much between April and May, rose 0.7 percent. This was the same as the seasonally adjusted increase in December of last year and considerably larger than the increase in the first 4 months of this year. About three-fourths of the May rise resulted from higher prices for apparel, homes, and used cars. Prices of new cars and gasoline increased instead of declining as they usually do in May. Prices of most other nonfood commodities, including furniture, housekeeping supplies, newspapers, and drugs and prescriptions continued to increase. Cigarette prices rose because of higher taxes in Massachusetts. Prices declined for a few items, notably carpets and textile housefurnishings.

Apparel prices rose 1.0 percent in May. On a seasonally adjusted basis, the increase was 0.8 percent, the sharpest since August 1968. Prices of men's and boys' apparel which have been rising rapidly since February--0.8 percent in March and 0.4 percent in April--on a seasonally adjusted basis, rose 0.7 percent in May. They usually show no change between April and May. Prices rose for every item in the men's and boys' apparel category, particularly tropical weight and year-round suits, and slacks. Rising manufacturers' costs for wages, fabrics, and overhead contributed to higher prices. In addition, increases in other costs of retailers, particularly wages, were reflected in the price rises.

Women's and girls' apparel prices rose 1.4 percent in May, almost twice the usual increase. On a seasonally adjusted basis, the May increase was 0.6 percent and followed a rise of 0.4 percent in April--the first time this year that women's and girls' apparel prices advanced in 2 consecutive months. Reintroduction of women's bathing suits and cotton skirts and girls' cotton dresses and shorts at higher prices.

than those which prevailed in the 1970 season accounted for a large portion of the May rise. Prices also increased for handbags, gloves, and nylon hose. Prices of women's dresses and cotton blouses, which rose in April, edged down slightly in May.

Gasoline and motor oil prices rose 0.4 percent, instead of declining as they usually do in May. From January through April, gasoline and motor oil prices declined steadily. The May increase reflected, in part, an attempt by the industry to strengthen retail gasoline prices with the advent of the heavy travel season. However, competitive pressures present in many cities--such as Atlanta, Milwaukee, Dallas, and Los Angeles--provided some offset.

New car prices, which usually decline about 0.3 percent between April and May, increased 0.1 percent. The increase reflected a slight decline in the level of concessions offered to purchasers by new car dealers. May sales of domestic cars were 7 percent higher than the units sold in May 1970. Sales of domestic cars for the January through May period were 9.1 percent higher than they were a year ago; however, imported car sales rose 32.0 percent for the period. Prices of used cars rose 2.7 percent in May. An increase in prices for used cars is usual in the spring months when the demand for used cars is strongest. The increase this year, however, was about half as large as in May of last year.

Following large increases in 1970, home prices leveled out in the first 3 months of this year. However, prices rose slightly in April and somewhat more in May. (For a discussion of factors which influence the behavior of home prices, see "Trends in home-ownership and rental costs," by Robert C. Joiner, Monthly Labor Review, July 1970.)

Services

In May charges for consumer services rose 0.6 percent, about the same as the average monthly rate of increase prevailing for several months prior to February 1971. In February, March, and April the effects of decreases in mortgage interest rates moderated the rise in service costs. The much smaller decline, about 1 percent, in the mortgage interest rate index in May--entirely due to lower conventional mortgage rates--had no significant effect on the service index in May. Postal charges, which rose 21.2 percent, were responsible for one-fourth of the May rise in services. Higher rates were imposed on all important categories of domestic mail, except regular parcel post. The residential property tax index rose 1.4 percent, mainly as a result of a sharp rate increase and large assessment increases in Los Angeles. Residential natural gas charges rose 0.7 percent, the result of increases in a number of cities. Home maintenance and repair costs rose 0.6 percent in May as charges for interior repainting and roof reshingling were raised.

The rise in the cost of transportation services in May was much smaller than the increases in recent months. Public transportation fares were unchanged. Parking fees declined, and charges for auto repairs rose only slightly.

The medical care services index continued to advance at about the same rate as it did in the preceding 3 months.

Recreational services rose 0.8 percent as prices of indoor movie admissions, golf green fees, and film developing charges increased.

Seasonally adjusted monthly percent changes in the index and some of its major components for the past 6 months are given in the following tabulation:

	May	April	March	February	January	December
Consumer Price Index:						
All items -----	0.6	0.3	0.2	0.2	0.3	0.5
Commodities -----	.4	.3	.5	.1	.1	.4
Food -----	.2	.9	.9	.5	0	-.1
Food at home -----	.2	1.0	1.1	.5	-.3	-.2
Apparel commodities ---	.8	.3	0	.3	-.1	.3
Nondurables less food and apparel <u>1/</u> -----	.3	0	.2	0	.3	.4
Durables -----	.7	.2	.2	0	.2	.9
Services <u>1/</u> -----	.6	.2	0	.2	.6	.6
Rent <u>1/</u> -----	.3	.4	.3	.6	.3	.7
Household services less rent -----	.8	-.4	-1.0	-.5	.2	.8
Transportation -----	.4	1.0	.5	1.3	.9	.3
Medical care services -	.7	.6	.6	.7	.5	.7
Other services -----	.4	.1	.2	.2	1.1	.3

1/ Percent changes are based on unadjusted indexes.

Cost-of-Living Adjustments

Approximately 43,000 workers will receive cost-of-living escalator adjustments based on the May U.S. city average Consumer Price Index or one of the individual city indexes.

About 23,000 workers will receive wage increases based on the national index. About 9,800 workers, including 6,000 employees of the Dow Chemical Company in Midland, Michigan, will receive an increase of 3 cents per hour. About 4,500 employees of the Caterpillar Tractor Company in Joliet, Illinois, plus 4,000 other workers will receive increases of 4 cents per hour.

About 20,000 employees of firms belonging to the Pacific Coast Shipbuilders Association in Northern California, Oregon, and Washington will receive an increase of 3 cents per hour based on the index for Seattle, Washington.

Approximately 9,000 other workers will not receive adjustments because they have already received the maximum stipulated in their contracts.

A NOTE ABOUT CALCULATING INDEX CHANGES

Effective with the February 1970 release, and continuing thereafter, percent changes expressed as annual rates will be computed according to the standard formula for compound growth rates. These data indicate what the percent change would be if the current rate were maintained for a 12-month period.

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

Index Point Change		Percent Change
May 1971 CPI (1967=100)	120.8	Index point difference divided by the index for the previous period: $\frac{120.8 - 120.2}{120.2} \times 100 = 0.5$
less April index	<u>120.2</u>	
index point difference =	0.6	

Effective with the July 1970 release, and continuing thereafter, seasonally adjusted percent changes in the U.S. All Items Index will be based on seasonal adjustment factors and seasonally adjusted indexes carried to two decimal places. This procedure will help to eliminate rounding error in the percent changes.

THE CONSUMER PRICE INDEX
FOR
JUNE 1971

The Consumer Price Index rose 0.6 percent in June to 121.5 percent of its 1967 base, 4.5 percent above a year ago. On a seasonally adjusted basis, the increase in June was 0.5 percent. For the 3 months ending in June, the CPI rose at an annual rate of 5.3 percent, after seasonal adjustment, considerably faster than for the 3 months ending in March when the rate of advance had slowed to a 4-year low of 2.8 percent. The acceleration occurred in May and June as declines in mortgage interest rates became smaller and price advances for nonfood commodities became larger after a significant slowdown earlier this year. Food prices rose sharply in both first and second quarters. The rise of 5.3 percent in the second quarter was, nevertheless, still slower than rates recorded in 1969 and in the first two quarters of 1970.

Despite the second quarter acceleration for the 6 months ending in June, the CPI rose at an annual rate of 4.0 percent, less than the 4.9 percent for the 6 months ending in December 1970, and the 6.0 percent rate for the 6 months ending in June of last year. The services and commodities less food components of the CPI advanced at a slower pace than in either the first or the last 6 months of 1970, while the food component rose more rapidly.

TABLE A. Percent changes in CPI and components, selected periods

Month	Changes from preceding month							Changes in all items at seasonally adjusted compound annual rate		
	All items		Food		Commodities less food		Services	From 3 mos. ago	From 6 mos. ago	From 12 mos. ago
	Unadj.	Seas. adj.	Unadj.	Seas. adj.	Unadj.	Seas. adj.	Unadj.			
June 1970 -----	0.5	0.4	0.3	-0.1	0.4	0.4	0.6	5.9	6.0	6.0
July -----	.3	.3	.5	.1	.0	.2	.5	4.8	5.5	5.9
August -----	.2	.3	.1	.0	.1	.3	.6	3.9	4.9	5.6
September -----	.5	.5	-.2	.3	.7	.5	.7	4.5	5.2	5.7
October -----	.5	.5	-.2	.0	1.0	.4	.5	5.2	5.0	5.8
November -----	.3	.3	-.5	.1	.5	.4	.6	5.6	4.7	5.6
December -----	.5	.5	.3	-.1	.3	.7	.6	5.3	4.9	5.5
January 1971 -	.1	.3	.2	.0	-.3	.2	.6	4.5	4.9	5.2
February -----	.2	.2	.3	.5	.0	-.1	.2	4.0	4.8	4.8
March -----	.3	.2	.9	.9	.3	.2	.0	2.8	4.1	4.6
April -----	.3	.3	.7	.9	.3	.2	.2	2.8	3.6	4.3
May -----	.5	.6	.3	.2	.7	.7	.6	4.2	4.1	4.4
June -----	.6	.5	.8	.5	.4	.3	.5	5.3	4.0	4.5

Food

Between March and June, the food index rose 1.9 percent,^{1/} instead of showing the usual seasonal increase of 0.4 percent. The seasonally adjusted increase of 1.5 percent was the same as in the first quarter. (See table B.) The increase of 3.0 percent for the 6 months ending in June was larger than the 0.4 percent rise in the last half of 1970 and 1.8 percent in the first half of last year. Sharply higher prices in the fruits and vegetables and meats, poultry, and fish categories were responsible for about three-fourths of the acceleration in the food index in the first half of 1971.

^{1/} This percent change, and all percent changes hereto, are based on simple changes instead of compound annual rates.

Fruit and vegetable prices, which declined in the last half of 1970 advanced 13.1 percent for the 6 months ending in June of this year--4.9 percent in the first quarter and 7.8 percent in the second. Adverse weather conditions this winter and spring and smaller planting of spring and early summer crops reduced the supplies of fresh fruits and vegetables. The winter freeze had a particularly strong effect on prices of citrus products. Prices of frozen orange juice which had been declining for several years rose over 20 percent at wholesale and 6.9 percent at retail in the first half of this year. Wholesale prices for frozen orange juice continued to rise in July, but prices for fresh fruits and vegetables dropped substantially.

The meats, poultry, and fish index advanced 3.3 percent in the first 6 months of this year. Beef and veal prices rose steadily in the first 6 months of this year for an increase of 6.5 percent. The sharp rise in beef prices occurred despite the fact that supplies were moderately ahead of year-earlier levels because of a faster rise in consumption and smaller imports. Pork prices decreased 1.4 percent in the 6 months ending in June of this year compared with 10.2 percent in the last half of 1970. After declining in January and February, pork prices rose in March because of a cutback in output when hog marketings were curtailed temporarily by adverse weather conditions earlier in the year. As production rose again and cold storage supplies became ample, pork prices declined in April and May and the increase in June was smaller than usual.

The June increase in retail pork prices followed a seasonal advance in wholesale pork prices in May. In June and July, wholesale pork prices advanced strongly; higher prices for hogs resulted. Pig crop was slightly smaller in the first half of 1971 and the number of sows expected to farrow during June to November 1971 is 9 percent below the comparable 1970 period. In contrast, wholesale beef prices declined in June and July. Beef production over the last half of 1971 is expected to run moderately higher than a year earlier.

Prices of dairy products rose about the same as in the last half of 1970. Prices did not decline as they generally do in the spring because of strong demand for cheese and skimmed milk and higher agricultural support prices for milk. The increase in the first half of this year was slightly smaller than in the same period of 1970 mainly because butter prices showed no increase this year. Egg prices dropped substantially in the last half of 1970--particularly in the fourth quarter, and continued to decline in the first half of this year. The decreases in the second quarter, however, were smaller than usual for this time of year.

Prices in the cereals and bakery products category increased 2.3 percent in the first 6 months of this year, less than in the first or second half of 1970. Prices of restaurant meals and snacks consumed away from home rose 2.5 percent in the first 6 months of this year, the same as in the last 6 months of 1970.

TABLE B. Seasonally adjusted percent change in CPI and components

	1-month change			3-month change ending				
	1971			1971		1970		
	June	May	April	June	March	Dec.	Sept.	June
All items -----	0.5	0.6	0.3	1.3	0.7	1.3	1.1	1.4
Food -----	.5	.2	.9	1.5	1.5	0	.4	.5
Food at home -----	.3	.2	1.0	1.5	1.4	-.2	.2	.1
Commodities less food -----	.3	.7	.2	1.2	.3	1.6	1.0	1.5
Nondurables less food -----	.3	.5	.2	.9	.3	1.2	1.0	1.2
Apparel commodities -----	0	.8	.3	1.1	.3	1.2	.9	.9
Men's & boys' -----	.3	.7	.4	1.5	.6	1.0	.3	1.3
Women's & girls' -----	-.1	.6	.4	.9	-.2	1.5	1.6	.8
Footwear -----	.2	.4	.4	1.0	.8	1.0	.6	.9
Gasoline motor oil -----	.7	.9	-2.3	-.8	-1.8	2.2	.6	1.8
Durables -----	.6	.7	.2	1.5	.3	1.9	1.2	1.8
New cars -----	.4	.4	0	.8	1.2	3.8	1.8	.5
Household durables -----	.5	.3	.2	1.0	.3	.8	.5	.8
Services -----	.5	.6	.2	1.3	.8	1.7	1.7	1.8
Rent -----	.4	.3	.4	1.1	1.2	1.5	1.0	.9
Household services less rent -----	.8	.8	-.4	1.2	-1.2	2.3	1.8	1.9
Transportation -----	.8	.4	1.0	2.2	2.7	1.9	2.5	2.3
Medical care -----	.5	.7	.6	1.8	1.8	1.9	1.9	2.1
Other services -----	.3	.4	.1	.8	1.5	1.2	1.4	1.8

Commodities less food

For the 6 months ending in June, prices of nonfood commodities rose 1.5 percent, less than in the last 6 months of 1970 and the smallest half-year rise in 4 years. The increase slowed to 0.3 percent in the first quarter when gasoline prices declined sharply and price advances slackened for most other nonfood commodities. The second quarter increase of 1.2 percent resulted from faster price rises, particularly in May and June for most nonfood commodities including apparel, footwear, furniture, appliances, homes, and used cars.

Apparel prices, which rose 0.3 percent in the first quarter, increased 1.1 percent in the second quarter. After declining in the first quarter, prices of women's apparel rose in April and May when spring and summer items were introduced at higher prices than in the previous season, but moved down sharply in June. Men's and boys' apparel prices also declined early this year, but rose substantially in March and again steadily through the second quarter. Prices were higher for almost all items in the men's apparel category, particularly year-round suits, and wool or wool blend slacks. For the 6 months ending in June, retail prices for men's apparel were up 2.1 percent on average, compared with 0.8 percent for women's apparel. In July, wholesale apparel prices recorded the largest monthly increase in almost 2 years. Higher prices for both men's and women's apparel contributed to the increase. Factors in higher apparel prices were rising wages following recent labor negotiations; large increases this year in material prices, particularly cotton and manmade fiber textile products; and strengthening demand.

Gasoline and motor oil prices, which rose 2.7 percent in the second half of 1970, fell 2.6 percent in the first 6 months of this year, the sharpest 6-month decline since early 1964. The decreases, which were widespread, occurred in the February-April period when prices generally move up. In May and June, with the advent of the heavy travel season, prices were fully restored in some cities to levels which prevailed before decreases caused by price wars, and partially restored in cities subject to continuing market pressures.

A seasonal rise in demand was the primary reason for the increase of 6.8 percent in used car prices in the second quarter. They had declined 2.5 percent in the first quarter. The increase in used car prices in the second quarter of this year was half as large as in the same quarter of 1970; the rise in new car sales provided a better demand-supply balance for used cars than a year ago. The index for new cars, which rose 1.2 percent after seasonal adjustment in the first quarter, increased 0.8 percent in the second quarter. The rise in new car prices moderated only slightly in the second quarter as dealers concessions remained relatively stable. Lower floor plan allowances, and slightly higher factory delivered wholesale prices have had an upward effect.

House prices, which leveled out in the first quarter of this year, started to advance again in the second quarter. Prices of household durables also rose faster in the second quarter--from a 4-year low of 0.3 percent in the quarter ending in March, to 1.0 percent for the quarter ending in June--the largest in 2 years. The rise in furniture prices which had moderated from early 1969 through 1970, declined more than seasonally in January of this year. Subsequently, however, furniture prices, spurred by the strong rise in housing starts and expectations of a pickup in retail sales moved up steadily and reflected higher prices at the wholesale level. Wholesale furniture prices advanced 2.2 percent in the 6 months ending in June, the largest half-year increase since early 1969.

Services

The services component of the CPI, which increased 0.8 percent in the first quarter, rose 1.3 percent in the second quarter. These increases were the smallest half-year rise since December 1967. The first half slowdown resulted from declines in mortgage interest rates which were particularly sharp in the February-April period. The mortgage interest rate index in the CPI fell over 12 percent during the 6 months ending in June to the lowest level in more than 2 years. Excluding mortgage interest rates, the services index probably would have advanced at about the same rate in the first 6 months of this year as in the last 6 months of 1970.

Charges for household services, which declined 1.2 percent in the first quarter of this year, rose 1.2 percent in the second quarter. In addition to smaller decreases in mortgage interest rates, higher postal rates contributed significantly to the rise for household services in the second quarter. The increases in postage, which averaged over 20 percent, covered all major categories of domestic mail except parcel post. In addition, home maintenance and repair charges rose 2.9 percent for the quarter ending in June, the sharpest 3-month rise in more than a year. Larger increases occurred in charges for repainting interiors and reshingling roofs, partly as a result of higher wholesale prices for materials, particularly asphalt strip shingles. The rise in property insurance rates of 2.7 percent was also the largest 3-month advance in more than a year. Besides rate increases in many cities, **higher** deductibles for fire and extended coverage insurance were put into effect in New York and New Jersey. Property taxes rose 2.9 percent for the quarter ending in June, mostly because of higher rates in Los Angeles. This increase was larger than in the first quarter; however, the rise in property taxes over the first 6 months of 1971 was slower than in 1970. Charges for domestic services rose 1.3 percent, more than the increase of 0.5 percent in the first quarter, but smaller than any quarterly increase in 1970.

Charges for transportation services rose 2.2 percent in the quarter ending in June, compared with 2.7 percent for the quarter ending in March. The moderation occurred in auto-related services and in local transit fares. Auto insurance rates rose 1.7 percent in the second quarter, considerably smaller than the increase of 6.1 percent in the first quarter, and slightly less than for any quarter in 1970. After rising at a rapid rate in 1970 and in the first quarter of this year, parking fees leveled out in the quarter ending in June. Lower fees in cities such as St. Louis, Baltimore, and Seattle offset higher fees in Philadelphia, Atlanta, Washington, D.C. and elsewhere. The increase of 1.9 percent for auto repairs was smaller than in the first quarter but larger than the increases in the second half of 1970. The rise in local transit fares tapered out to 0.5 percent in the second

quarter, compared with quarterly increases of about 2.4 percent over the past year. Fare increases accelerated for other modes of public transportation, especially taxicabs and airplanes.

Medical care services rose 1.8 percent in the second quarter, the same as in the first quarter and slightly less than quarterly increases in 1970. Physicians' fees and hospital charges have risen more slowly this year than in 1970.

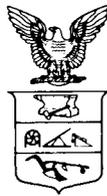
A NOTE ABOUT CALCULATING INDEX CHANGES

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

Index Point Change		Percent change
June 1971 CPI (1967=100)	121.5	Index point difference divided by the index for the previous period: $\frac{121.5 - 120.8}{120.8} \times 100 = 0.6$
less May index	<u>120.8</u>	
index point difference =	0.7	

Effective with the July 1970 release, and continuing thereafter, seasonally adjusted percent changes in the U.S. All Items Index will be based on seasonal adjustment factors and seasonal adjusted indexes carried to two decimal places. This procedure will help to eliminate rounding error in the percent changes.



the consumer price index

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

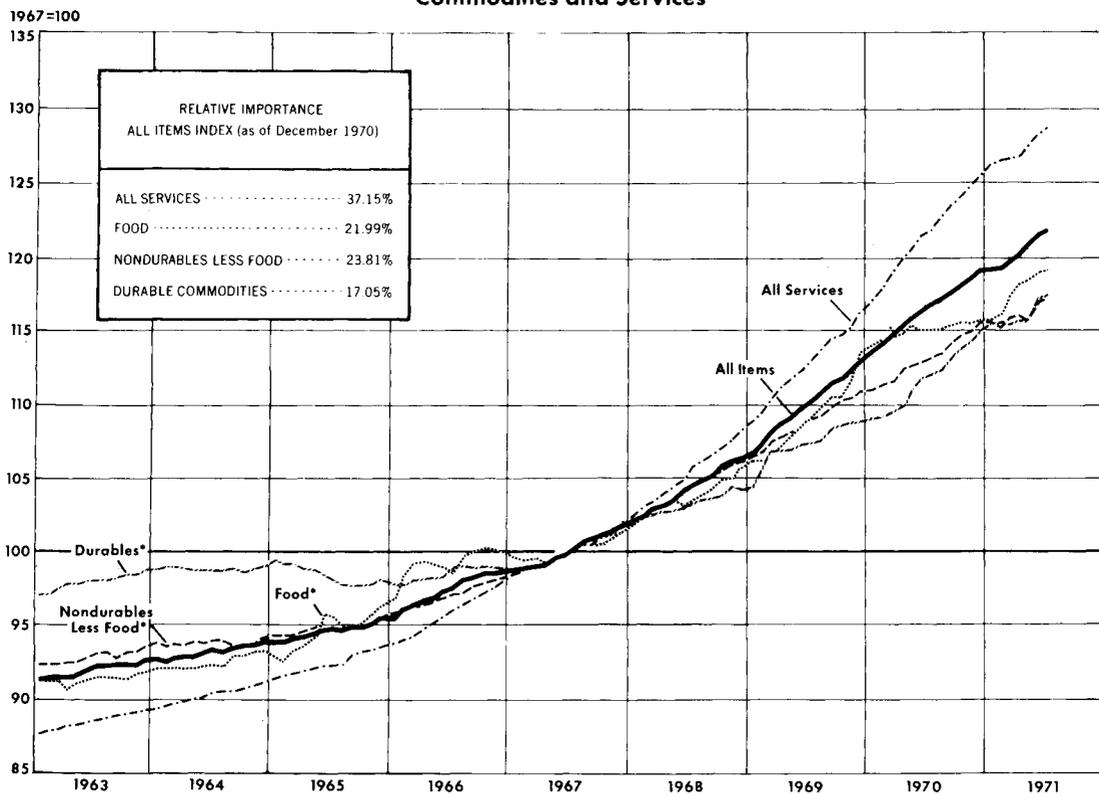
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J. D. Hodgson, Secretary

BUREAU OF LABOR STATISTICS
Geoffrey H. Moore, Commissioner

OFFICE OF PRICES
AND LIVING CONDITIONS

Joel Popkin, Assistant Commissioner

Consumer Price Indexes Commodities and Services



UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

*Seasonally adjusted
Latest Data: July 1971

THE CONSUMER PRICE INDEX
FOR
JULY 1971

The Consumer Price Index rose 0.2 percent in July to 121.8 of its 1967 base. Lower prices for apparel and some other nonfood commodities moderated the effects of higher prices for food, tobacco products, and household and medical care services. The July CPI was 4.4 percent higher than a year ago.

On a seasonally adjusted basis, the increase in the July index was also 0.2 percent. The rate of increase in the indexes for food and for nonfood commodities each slowed to 0.1 percent. Charges for services advanced 0.5 percent, the same as in June.

TABLE A. Percent changes in CPI and components, selected periods

Month	Changes from preceding month						Changes in all items at seasonally adjusted compound annual rate			
	All items		Food		Commodities less food		Serv-ices	From 3 mos. ago	From 6 mos. ago	From 12 mos. ago
	Unadj.	Seas. adj.	Unadj.	Seas. adj.	Unadj.	Seas. adj.	Unadj.			
July 1970	0.3	0.3	0.5	0.1	0.0	0.2	0.5	4.8	5.5	5.9
Aug. ....	.2	.3	.1	.0	.1	.3	.6	3.9	4.9	5.6
Sept. ...	.5	.5	-.2	.3	.7	.5	.7	4.5	5.2	5.7
Oct. ....	.5	.5	-.2	.0	1.0	.4	.5	5.2	5.0	5.8
Nov. ....	.3	.3	-.5	.1	.5	.4	.6	5.6	4.7	5.6
Dec. ....	.5	.5	.3	-.1	.3	.7	.6	5.3	4.9	5.5
Jan. 1971	.1	.3	.2	.0	-.3	.2	.6	4.5	4.9	5.2
Feb. ....	.2	.2	.3	.5	.0	-.1	.2	4.0	4.8	4.8
Mar. ....	.3	.2	.9	.9	.3	.2	.0	2.8	4.1	4.6
Apr. ....	.3	.3	.7	.9	.3	.2	.2	2.8	3.6	4.3
May .....	.5	.6	.3	.2	.7	.7	.6	4.2	4.1	4.4
June ....	.6	.5	.8	.5	.4	.3	.5	5.3	4.0	4.5
July ....	.2	.2	.5	.1	-.1	.1	.5	4.9	3.9	4.4

For the 6 months ending in July the CPI rose at a seasonally adjusted annual rate of 3.9 percent, compared to 4.9 percent for the 6 months ending in January 1971, and 5.5 percent for the 6 months ending in July of last year. In the 3 months ending in July, the CPI rose at a seasonally adjusted annual rate of 4.9 percent, compared with 2.8 percent for the 3 months ending in April. The average of these 3-month changes approximates, of course, the 6-month change for the period ending in July 1971.

Food

Prices of food purchased in grocery stores rose 0.6 percent in July. All but 0.2 percent of the increase was due to seasonal factors. Egg prices rose substantially and large increases were posted for bakery products and some dairy products. Increases in pork, beef, and fruit and vegetable prices were not as large as usual for July.

Prices of meats averaged 0.5 percent higher with less-than-seasonal increases of 0.4 percent for beef and veal, and 1.1 percent for pork. Beef and veal production during June increased 9 percent over May and stocks in cold storage rose 2 percent compared to decreases of 10 and 7 percent in June 1970 and 1969 respectively. The rise in pork prices was smaller than usual as supplies were ample to meet the demand.

Fruit and vegetable prices rose 0.7 percent, about half the usual July increase. Fresh fruit prices moved upward more than seasonally, but fresh vegetable prices declined contraseasonally in July. The early completion of the citrus harvest in Florida and smaller shipments from Arizona limited grapefruit and orange supplies. Small early season crops caused grapes to be introduced at higher prices. Lower prices for fresh vegetables, particularly, green peppers, cucumbers, cabbage, and white potatoes, were caused by greater-than-usual supplies. Prices of processed fruits and vegetables rose 0.9 percent as a result of low stocks of most processed fruit and vegetable items. Retail prices of frozen orange juice continued to rise in response to additional price increases at wholesale.

Egg prices averaged 6.2 percent higher as production and cold storage holdings declined in June. Prices of dairy products rose instead of declining seasonally. Sharp price increases for evaporated milk and ice cream, and fractional advances in prices of delivered milk and cheese more than offset small price declines for skim milk, whole milk purchased at grocery stores, and butter. Retail prices of evaporated milk continued to adjust to a wholesale price increase of over 5 percent in May.

Prices of restaurant meals and snacks continued their more moderate rate of advance that began in April 1970. Restaurant meal prices rose 0.4 percent and prices of snacks rose 0.6 percent.

Commodities less food

The index for nonfood commodities declined 0.1 percent in July, chiefly as a result of lower prices for apparel, textile housefurnishings, gasoline, and autos--both new and used. These declines more than offset increases for items such as tires, tobacco products, books, and magazines. Prices of houses and household durables rose at a slower pace than in recent months. On a seasonally adjusted basis, the nonfood commodity index rose 0.1 percent. This advance compares with changes in the first 6 months of this year which have ranged from a decline of 0.1 percent to increases of 0.2 to 0.3 percent except in May when the increase was 0.7 percent.

Summer clearance sales were responsible for most of the July decline of 0.7 percent in apparel prices. Clearance sales, which started in June mostly on women's and girls' apparel, spread in July to men's and boys' apparel. Sale prices were extensive in men's year-round and tropical suits, shirts, and slacks, and in women's dresses, skirts, and bathing suits. In the women's apparel category, declines were offset partially by higher prices for undergarments, gloves, and handbags. Women's and girls' shoe prices, which moved down in June, declined further in July as additional stores began to clear out seasonal and discontinued styles. Scattered sales also were reported in July in men's and boys' shoe prices. Mid-year white sales were an important factor in the decline of 0.8 percent in prices of textile housefurnishings.

Gasoline prices, which advanced in May and June, declined 0.8 percent in July. Widespread price wars underscored the inability of the petroleum industry to maintain their "normal" posted prices for gasoline. Partial restoration in the chronic price war cities such as Chicago, San Francisco, and Pittsburgh, was wiped out by price wars in Detroit and a number of other cities.

After advancing in the preceding 4 months, used car prices began their seasonal decline in July. The decline of 0.1 percent in new car prices, however, was smaller than usual for July. Dealers' concessions, which rose sharply from February through April, have remained relatively stable over the past 3 months. After moving down slightly in the first 6 months of this year, tire prices rose 1.2 percent in July. Prices this July were 3.4 percent above July of last year. Higher costs for labor and materials, and rising distribution and transportation costs contributed to the increase in tire prices.

Prices for household durables rose 0.1 percent in July compared with increases of 0.3 to 0.4 percent from January through June. The slowdown occurred primarily because furniture prices remained unchanged in July, after advancing steadily since January. End-of-season sales for some items, particularly aluminum folding chairs, offset continued increases for other items such as bedroom furniture and baby cribs. Prices of floor coverings edged down 0.1 percent as a result of weak demand for soft surface floor coverings. Household appliance prices, which had increased strongly in the quarter ending in June, moved up 0.1 percent. Prices of other household durables rose 0.3 percent in July. Significant price increases in the group were registered for venetian blinds and stainless steel flatware. These increases were offset partially by price decreases for electric drills, lawn mowers, and carpet sweepers.

In other categories of nonfood commodities, prices of tobacco products rose a substantial 1.3 percent because of higher state and local taxes in some areas and a new tax in New York City. Newspaper prices advanced 0.3 percent because of higher labor and truck maintenance costs.

Services

Over four-fifths of the 0.5 percent rise in the services index resulted from increases in household and medical care services. Charges for household services other than rent rose 0.7 percent, about the same as in May and June. Telephone rates, which accounted for about a third of the July increase, rose 2.3 percent, largely the result of a substantial increase in New York State. The mortgage interest rate index, which had trended down in the first 6 months of this year, rose 0.3 percent in July. The increase was entirely due to higher rates for conventional mortgages. Rates for FHA and VA backed mortgages remained unchanged at the officially established ceilings of 7.5 and 7.0 percent respectively. Reflecting annual rate changes in some cities, property taxes rose 0.5 percent; property insurance rates advancing 1.1 percent, continued the sharp upward pace which began in March of this year. Charges for domestic service and home repairs were also higher. The increase of 0.8 percent in home repair charges, although substantial, was about half as large as in June.

Charges for medical care services rose at about the same rate as the average monthly increase this year. Reflecting the most recent round of mid-year labor contract negotiations, hospital daily service charges were up 1.2 percent. Dentists' fees rose 0.9 percent--much sharper than in recent months; costs for dental supplies, especially filling materials, contributed to the rise. Physicians' fees rose 0.3 percent.

Charges for transportation services rose slightly in July, mostly due to higher charges for auto repairs. The increase in charges for transportation services for the 3-month period ending in July was the smallest since mid 1969. The rise in auto insurance rates this year, which was substantial through April, tapered off in May and June and was a slight 0.1 percent in July. Parking fees showed no change in July for the second consecutive month. Local transit fares also were unchanged in July--the third month of stability.

NOTE: The July index is based entirely on prices prevailing before the wage-price freeze was announced by the President on August 15. The August index will be based on prices collected both before and after the freeze because pricing for the CPI is done throughout the month.

Seasonally adjusted monthly percent changes in the index and some of its major components for the past 3 months, 3-month changes for the past half year, and 6-month changes for the past year are given in the following tabulation:

	1-month change			3-month change ending:		6-month change ending:	
	1971			1971		1971	
	July	June	May	July	April	July	January
All items	0.2	0.5	0.6	1.2	0.7	1.9	2.4
Food	.1	.5	.2	.8	2.3	3.1	0.3
Food at home	.2	.3	.2	.7	2.6	3.4	-0.3
Food away from home	.4	.5	.5	1.4	1.1	2.5	2.4
Commodities less food	.1	.3	.7	1.1	.3	1.4	2.6
Nondurables less food	.2	.3	.5	.9	.2	1.1	2.2
Apparel commodities	0	0	.8	.8	.7	1.4	2.0
Gasoline and motor oil	-.6	.7	.9	1.0	-1.8	-3.3	1.9
Durables	.2	.6	.7	1.5	.3	1.8	2.9
New cars	.3	.4	.4	1.1	-.5	.6	7.0
Household durables	.2	.5	.3	1.0	.4	1.4	1.2
Services*	.5	.5	.6	1.6	.4	2.0	3.5
Rent*	.2	.4	.3	.9	1.3	2.2	2.5
Household less rent	.7	.8	.8	2.2	-1.8	.4	3.8
Medical care	.6	.5	.7	1.8	1.9	3.8	3.7
Transportation	.2	.8	.4	1.4	2.8	4.3	4.3
Other services	.2	.3	.4	1.0	.5	1.5	3.2

* Not seasonally adjusted.

A NOTE ABOUT CALCULATING INDEX CHANGES

Effective with the February 1970 release, and continuing thereafter, percent changes expressed as annual rates will be computed according to the standard formula for compound growth rates. These data indicate what the percent change would be if the current rate were maintained for a 12-month period.

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

Index Point Change		Percent Change
July 1971 CPI (1967=100)	121.8	Index point difference divided by the index for the previous period: $\frac{121.8 - 121.5}{121.5} \times 100 = 0.2$
less June index	<u>121.5</u>	
index point difference =	0.3	

Effective with the July 1970 release, and continuing thereafter, seasonally adjusted percent changes in the U.S. All Items Index will be based on seasonal adjustment factors and seasonal adjusted indexes carried to two decimal places. This procedure will help to eliminate rounding error in the percent changes.