

# NEWS RELEASE

FEDERAL RESERVE BANK of PHILADELPHIA

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## EASTBURN SEES MILD DOWNTURN, NO EASING OF INFLATIONARY PRESSURES IN 1974

The economy will avoid a serious downturn in 1974 but there will be no relief for the upward pressure on prices in the months ahead, says David P. Eastburn, president of the Federal Reserve Bank of Philadelphia.

Speaking before the luncheon meeting of the Catholic Philopatrian Literary Institute in Philadelphia today, Eastburn forecast a mild recession in the first half of 1974 with recovery getting underway in the second half. He predicted that the decline in the nation's real Gross National Product would be held to about one per cent and that unemployment will peak at about six per cent of the labor force by year-end.

Eastburn cited several developments--or nondevelopments--for an outlook that is less pessimistic than was thought possible a few weeks ago.

For one thing, he stated, the oil shortage has not been so great as was first projected and the conservation of fuel has been greater than anticipated. As a result, the depressing effect of the energy situation on output will not be so severe as originally feared.

(more)

In addition, Eastburn pointed out, the economy has displayed considerable versatility in substituting "plentiful" goods for "shortage" goods. An illustration of this versatility has been the retooling by automobile manufacturers to step up production of smaller cars.

Despite the "improved" outlook for the economy, Eastburn stated that we are in for still another round of inflation in 1974, with consumer prices rising at an annual rate of 11 per cent in the first half of the year. Food prices are expected to accelerate in the coming months. And he said, the upward stress on prices will lead to intensified efforts by labor to win cost-of-living adjustments in their wage negotiations this year.

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