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STATEMENT BY SECRETARY OF COMMERCE FREDERICK B. DENT
ON SECOND QUARTER GROSS NATIONAL PRODUCT

The performance of the U.S. economy in the second quarter indicates that the downtrend in production is being arrested, and that there was also a substantial improvement in the rate of inflation.

The Administration economic forecast originally called for a sharp decline in the first quarter and a virtually level performance in the second quarter. This is approximately what happened: a decline in real Gross National Product at an annual rate of 7 percent in the first three months of the year was followed by a decline of 1.2 percent in the second quarter.

The spring quarter appeared to be a period of adjustment following the brief, although serious,energy crisis induced slowdown of the early months of the year. The base should now be laid for solid gains during the remainder of the year. Over a longer period, we can look forward to regaining a fully healthy economy only if we continue to make progress in the war against our No. 1 economic problem -- inflation.

The reduction in the annual rate of price increase, from 12.3 percent in the first quarter to 8.8 percent in the second, is the most important change in all of the GNP figures in the second quarter. This is an important achievement in the anti-inflation fight and it should have a salutary impact on inflationary psychology in the months ahead.

The necessity to continue the policies designed to restrain inflation is clear. Hopefully the Administration, the Congress and the public will intensify their efforts to achieve this goal.

Federal expenditures must be restrained by Executive and Congressional cooperation. I hope that consumers will be discretionary buyers and that businessmen will strive to control both costs and prices.

Energy and food were the most worrisome sectors in the price picture a few months ago and it was in these two areas that the greatest improvement occurred in the second quarter. This is very important from a psychological standpoint because of consumers' sensitivity to the prices of food and gasoline.

It is significant that personal consumption expenditures, after adjustment for inflation, registered a gain in the second quarter, with the strongest increase in durable goods -- the large, discretionary items that are usually a good barometer of consumer sentiment.

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