

Price Movements

August 1974

The Consumer Price Index rose 1.3 percent in August to 150.2 percent of its 1967 base. The rise was due to higher prices for a wide range of consumer goods and services, notably meats, apparel commodities, mortgage interest costs, and medical care services. The effect of these increases was partially offset by lower prices for fresh vegetables and gasoline.

On a seasonally adjusted basis, the rise in the August CPI was also 1.3 percent. This increase compares with an 0.8 percent rise in July and an average monthly increase of 1 percent during the first 6 months of this year. The food index increased 1.4 percent in August following a decline in July, and the index for nonfood commodities continued to rise at a rapid pace. The services index increased 1.1 percent in August, about the same as in May, June, and July.

The August CPI was 11.2 percent higher than a year ago. The food index was up 9.0 percent from a year ago, nonfood commodities were up 13.1 percent, and services were up 10.7 percent.

Monthly changes in detail (not seasonally adjusted)

Food. The index of food purchased in grocery stores which usually declines slightly in August rose 1.5 percent. The index for beef and pork increased much more than they usually do. For beef, it was the first increase since February. Increases in retail meat prices reflected increases in prices for livestock and meats at the wholesale level since mid-June. Wholesale prices rose primarily in response to the cattle holding action by owners and feed-lot operators that began in mid-June and anticipated shortages precipitated by the proposed sell-off of up to half a million young pigs. Retail poultry prices increased instead of declining as they usually do in August and egg prices rose for the first time since February. These increases were due to rising wholesale prices caused by rising demand and short supplies.

Because of higher prices for ingredients and for non-agricultural inputs, prices continued to rise for other grocery store food items such as cereal and bakery prod-

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

Month	Changes from preceding month							Changes in all items	
	All items		Food		Commodities less food		Services	Compound annual rate	From 12 months ago
	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	From 3 months ago	Unadjusted
1973:									
August	1.8	1.9	6.0	6.1	0.2	0.3	0.7	11.1	7.5
September .....	.3	.4	-.7	-.3	.4	.3	.9	10.2	7.4
October .....	.8	.8	.1	.7	.9	.5	1.1	13.1	7.9
November .....	.7	.8	1.1	1.4	.7	.7	.6	8.3	8.4
December .....	.7	.6	.9	.5	.6	.6	.6	9.2	8.8
1974:									
January .....	.9	1.1	1.6	1.7	.6	1.3	.7	10.2	9.4
February	1.3	1.2	2.5	2.2	1.0	1.1	.7	12.2	10.0
March	1.1	1.1	1.0	.6	1.5	1.4	.8	14.2	10.2
April .....	.6	.6	.3	-.4	1.3	1.1	.6	12.1	10.2
May	1.1	1.1	.7	.9	1.6	1.3	1.0	11.4	10.7
June	1.0	1.0	.4	.3	1.4	1.3	1.0	10.9	11.1
July .....	.8	.8	.1	-.4	1.0	1.3	1.1	11.7	11.8
August	1.3	1.3	1.4	1.4	1.4	1.5	1.1	12.9	11.2

ucts, sugar and sweets, nonalcoholic beverages, prepared and partially prepared food, and processed fruits and vegetables. In addition, prices for fats and oils rose sharply in August after several months of moderate increases. Wholesale prices for refined vegetable oil, especially soybean oil, have been rising in anticipation of a reduction in soybean production due to the drought in producing areas.

The effect of price increases on the food-at-home index was partially offset by price declines for some food items—notably fresh vegetables. Increased production and harvesting from local areas caused substantial and widespread price declines among fresh vegetables. Dairy products prices continued to decline as supplies of milk, cheese, and butter were plentiful as a result of the spring and early summer seasonal bulge in milk production. The fish index declined primarily because of lower prices for shrimp. There is a large inventory of shrimp as many of the major importing countries have cut back on purchases to increase money reserves for crude oil and petroleum products.

The index for food away from home—restaurant meals and snacks—rose 0.9 percent in August, slightly less than in recent months.

Nonfood commodities. The index for nonfood commodities increased 1.4 percent in August instead of edging down seasonally. Over a third of the rise was due to higher prices for apparel commodities, which usually decline in August. Prices also rose for a wide range of other nonfood commodities. Increases were large among household durables—furniture, floor coverings, and particularly appliances. Even with the decline in housing starts and the corresponding drop in demand, the replacement market for appliances has been sufficiently strong to allow retailers to pass on manufacturers' price increases. Many outlets, however, are reporting that the sales pace is slowing as consumers are becoming reluctant to buy appliances at the new higher prices.

Prices for housekeeping supplies and toilet goods, particularly soaps, continued to rise rapidly. Higher prices for tallow, a beef byproduct used in soap production, accounted for the increase in soap prices. The cutback

in beef marketing that took place in the summer of 1973 caused a domestic shortage of tallow. The concurrent domestic price freeze on tallow prompted U.S. tallow producers to sell in Western European markets for higher prices. Although the domestic conditions which led to higher prices have changed, exports of tallow are still large and have kept prices at a high level. Synthetic detergent prices have risen because of the rising price of petrochemicals. The rise in drugs and prescription prices also accelerated in August. The largest increase among over-the-counter drugs was for aspirin. Higher prices for materials (salicylic acid, benzol, and acetic anhydride) caused wholesale prices for acetic-salicylic acid (aspirin) to increase almost 59 percent this July. Among alcoholic beverages, beer prices rose sharply reflecting higher grain costs.

Used car prices continued to rise but the increase in August was smaller than in recent months. The new car index increased slightly, contrary to its usual seasonal decline at this time of the year. The index rose in response to the June and July price increases by three major domestic automobile producers. In addition, rising sales for 1974 model cars—because of fear of higher prices on 1975 models—kept concessions from rising as much as they usually do at the close of the model year.

Prices for fuel oil continued to rise as higher crude oil costs were passed through to finished products. Gasoline prices, however, declined for the first time since September of last year.

The services index rose 1.1 percent in August. Over a fourth of this increase was due to a rise in mortgage interest costs which reflects earlier increases in interest rates on conventionally financed loans as well as the previously announced rate increase for FHA insured loans (from 9.25 to 9.50). There were large increases in charges for other household services such as home repair and housekeeping services and for utilities—gas, electricity, and water and sewerage. Charges for medical care services—particularly hospital services—continued to rise sharply. Charges for auto repairs and other services such as haircuts, drycleaning, funeral services, and bank service charges on checking accounts also increased.

Price Movements

September 1974

The Consumer Price Index rose 1.1 percent in September to 151.9 percent of its 1967 base. The rise was due to higher prices for a wide range of consumer goods and services, notably meats, apparel commodities, and mortgage interest costs. Prices declined for a few items, particularly fresh fruits and vegetables and gasoline. The September CPI was 12.1 percent higher than a year ago.

On a seasonally-adjusted basis, the rise in the September CPI of 1.2 percent was about the same as in August. The food index rose more in September than in August after seasonal adjustment—1.9 percent compared with 1.4 percent, while the index for nonfood commodities increased less—1.0 percent in September compared with 1.5 percent in August. The services index rose 1.1 percent in September, the same as in the preceding month.

Prices in the third quarter

For the calendar quarter ended in September, the CPI increased at a seasonally-adjusted annual rate of 14.2 percent. This was up from the 10.9 percent annual rate in the second quarter and the same as the first quarter's pace. Food prices, which rose at a 3.1 percent annual rate in the second quarter, increased at a 12.3 percent annual rate in the third quarter as prices of meats, poultry, and eggs rose following declines in the second quarter. The nonfood commodities index rose at an annual rate of 16.5 percent in the 3 months ended in September for the third consecutive quarter in which the increase has been at about this rate. Although gasoline prices declined and price rises for fuel oil and used cars moderated, prices for a wide range of other nonfood

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

Month	Changes from preceding month							Changes in all items	
	All items		Food		Commodities less food		Services	Compound annual rate	From 12 months ago
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								Seasonally adjusted	
1973:									
September	0.3	0.4	-0.7	-0.3	0.4	0.3	0.9	10.2	7.4
October8	.8	.1	.7	.9	.5	1.1	13.1	7.9
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April6	.6	-3	-4	1.3	1.1	.6	12.1	10.2
May	1.1	1.1	.7	.9	1.6	1.3	1.0	11.4	10.7
June	1.0	1.0	.4	.3	1.4	1.3	1.0	10.9	11.1
July8	.8	.1	-4	1.0	1.3	1.1	11.7	11.8
August	1.3	1.3	1.4	1.4	1.4	1.5	1.1	12.9	11.2
September	1.1	1.2	1.4	1.9	1.1	1.0	1.1	14.2	12.1

Table B. Percent change in selected components of the Consumer and Wholesale Price Indexes, 1973-74

(Seasonally adjusted, except services, compound annual rate)

Components	Percent change from—						
	December 1972 to March 1973	March 1973 to June 1973	June 1973 to September 1973	September 1973 to December 1973	December 1973 to March 1974	March 1974 to June 1974	June 1974 to September 1974
CONSUMER PRICE INDEX							
All items	8.4	7.5	10.2	9.2	14.2	10.9	14.2
Food	26.7	16.8	26.7	11.0	19.4	3.1	12.3
Commodities less food	4.0	4.7	3.6	7.6	16.0	15.8	16.5
Services	3.6	4.5	7.4	9.4	9.2	11.0	13.9
WHOLESALE PRICE INDEX							
All commodities	19.5	20.9	13.2	8.7	24.5	12.2	34.8
Farm products and processed foods and feeds	46.8	44.8	33.5	-8.7	10.8	-29.3	59.2
Industrial commodities	10.1	11.1	6.0	16.0	32.3	35.7	28.0
Selected stage of processing indexes:							
Crude material except food	14.4	32.2	27.7	54.4	88.7	10.4	29.1
Intermediate materials except food	12.1	12.4	6.1	17.7	32.6	43.7	32.2
Producers' finished goods ...	4.4	6.4	4.3	6.2	13.2	27.2	31.8
Consumer goods except food	7.2	6.3	4.1	12.2	28.3	25.3	18.5
Consumer foods	39.8	15.4	30.0	8.0	17.3	-16.7	29.4

commodities increased at a faster pace in the third quarter than in the second. The services index rose at a 13.9 percent annual rate in the calendar quarter ended in September to continue an acceleration evident since the beginning of the year.

Food

Prices of food purchased in grocery stores—which constitutes a major portion of the food component of the CPI—rose at a seasonally adjusted annual rate of 12.0 percent in the 3 months ended in September, after leveling out in the preceding quarter. The acceleration in retail food prices followed the turnaround in prices of farm products and foods at the wholesale level. (See table B.)

Wholesale prices for farm products, which had declined almost steadily in the first 6 months of this year, rose sharply in July and August before declining again in September. Adverse weather conditions in grain-producing

states and the curtailed marketings of livestock spurred price rises. Higher prices for farm products caused an upturn in wholesale prices of meats, poultry, eggs, cereal and bakery products, and dairy products—all of which had declined in the second quarter. Prices for farm products and foods again declined in September due to unsettled market conditions, sharply expanded livestock slaughter, and sluggish demand at all levels.

In response to higher prices at wholesale levels, retail prices for meats, poultry, and eggs rose in August and September after a steady downtrend from February through July. In addition, price rises for fats and oil products—margarine, and cooking and salad oils—accelerated. The higher wholesale prices for refined vegetable oils, in turn, reflect the diminished crop prospects for soybeans this year.

Among other categories of food purchased in grocery stores, prices for sugar and sugar-based products continued to rise at a rapid pace during the 3 months ended in September. Prices for cereal and bakery prod-

ucts, partially prepared foods, and processed fruits and vegetables also continued to increase but at a more moderate pace than in the second quarter. Fresh fruit and vegetable prices declined sharply as a result of large supplies from summer and early fall crops. Prices of dairy products also declined. Grocery milk and skim milk prices declined because of ample supplies of fluid milk for bottling. Supplies of milk for manufacturing tightened late in the quarter and caused an upturn in prices of processed dairy products such as cheese, butter, and evaporated milk.

In the calendar quarter ending in September, the index for food away from home—restaurant meals and snacks—rose at a seasonally adjusted annual rate of 10.5 percent or slightly less than in the preceding quarter.

Commodities less food

Prices of most nonfood commodities at the retail level rose at a faster rate in the third quarter than in the second quarter reflecting earlier increases at the wholesale level and rising operating costs. Declining sales volume has had little visible impact thus far on prices at the retail level. There is evidence of retailers increasingly trimming product lines to offer only the most profitable items and reducing inventories because of high interest charges on unsold merchandise. Although retailers have cut back their orders, manufacturers' prices for most consumer goods continued to increase at a rapid rate in the third quarter. However, some signs indicated an easing of the upward pressure on materials prices at the end of third quarter.

Wholesale prices for industrial materials and components at the intermediate stages of processing, which are used to produce finished goods, rose at a seasonally adjusted annual rate of 32.2 percent in the third quarter. Although this rate is substantial, it is smaller than the peak rate of 43.7 percent recorded in the second quarter. Prices for petroleum-related products—chemicals and plastic materials—and paper products continued to rise rapidly. However, prices for textile products, copper, and lumber, which declined in the second quarter, continued to move down in the third quarter. In addition, price increases were smaller for most other materials and components, including steel mill products. Higher prices for metals and metal products have contributed greatly to the rise in prices of durable goods.

The CPI for durable commodities rose at a seasonally adjusted annual rate of 20.8 percent in the 3 months ended in September, slightly faster than in the 3 months ending in June. Prices for recreational goods, such as bicycles and tricycles, and furniture continued to rise at a rapid rate, and price increases accelerated for appli-

ances and floor coverings. A fiber shortage due to insufficient petrochemical capacity has contributed to the rise in prices of floor coverings.

The new car index, which usually declines substantially at the end of the model year, rose during the third quarter. Thus, on a seasonally adjusted basis, this index increased at an annual rate of 19.8 percent, slightly more than in the second quarter. Higher prices for new cars at the retail level resulted from increases in manufacturers' prices and strong demand for 1974 models created by the higher prices on 1975 models. Used car prices rose at a much slower pace in the third quarter than in the second quarter; however, the increase was still substantial due to strong demand and scarcity of good used cars.

The CPI for nondurable commodities increased at a seasonally adjusted annual rate of 11.8 percent in the 3 months ended in September, somewhat slower than in the preceding 3-month period. Excluding fuels (gasoline, motor oil, fuel oil, and coal), prices of nondurable commodities increased at a 15.7 percent annual rate, faster than in either of the preceding two quarters. Price increases accelerated for apparel commodities, housekeeping supplies, alcoholic beverages, and drugs and prescriptions. Prices of other nondurables such as textile housefurnishings, toilet goods, reading materials, and tobacco products continued to increase at a rapid rate.

In the 3 months ended in September, the fuel oil and coal index increased at a 17.4 percent annual rate, substantially slower than in either the first or second quarter. The index this September was still 66.7 percent higher than in September of last year. Gasoline prices declined in the third quarter as inventories increased.

Services

Charges for consumer services in the CPI rose at an annual rate of 13.9 percent in the third quarter to continue the acceleration that began early this year. After price controls were lifted on April 30 and the minimum wage was changed in early May, widespread increases were noted in nearly all categories of services. During the third quarter, most services rose at about the same rate as in the second quarter, except for mortgage interest rate, charges for utilities, and some medical care services.

The rise in mortgage interest rates accelerated as a result of continued heavy demand for money, tight money supplies, and outflow of lendable funds from savings institutions. Higher charges for gas and electricity reflected rising fuel costs which utility companies were allowed to pass on to consumers. In addition,

many utility companies sought rate increases which would allow them a return adequate for raising money to finance new facilities.

The index for medical care services continued to increase at a rapid rate in the third quarter. In response to increased wages and other operating costs, hospital service charges moved up sharply. Significant increases were also noted for physicians' and dentists' fees and for

other professional services such as routine laboratory tests.

Although charges for other services such as house-keeping and home repair services, barber and beauty shop services, and drycleaning rose at a slower pace in the third quarter, increases remained substantial due to higher prices for materials, and rises in labor and other operating costs.

Price Movements

October 1974

The Consumer Price Index rose 0.9 percent in October to 153.2 percent of its 1967 base. The rise was due to price increases for a variety of consumer goods and services, notably new and used cars, mortgage interest costs, apparel commodities, cereal and bakery products, and sugar. The effect of these increases was offset partially by declines in prices for meats and gasoline.

On a seasonally adjusted basis, the rise in the October CPI was also 0.9 percent. This increase compares with 1.2 percent in September and 1.3 percent in August. The food index rose 1.3 percent after seasonal adjustment in October, following even larger increases in both August and September. The October increase in the index for nonfood commodities of 0.6 percent was less than half the average monthly increase of 1.3 percent in the first 9 months of this year. The

index for services rose 0.9 percent in October, compared with 1.1 percent in each of the preceding 3 months. (See table A.)

Compared with a year ago, the October CPI was up 12.2 percent. The food index was 11.9 percent higher this October than in October 1973, and the index for commodities other than food was up 14.0 percent. The services index rose 10.6 percent over the same period.

Monthly changes in detail (not seasonally adjusted)

Food. The index for food purchased in grocery stores—which usually shows a large seasonal decline in October—rose 0.6 percent. Prices averaged higher for most types of food purchased in grocery stores except meats, poultry, and fresh fruits. Prices rose sharply for cereal and

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	All items		Food		Commodities less food		Services	Compound annual rate	From 12 months ago
	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	From 3 months ago	Unadjusted
1973:									
October	0.8	0.8	0.1	0.7	0.9	0.5	1.1	13.1	7.9
November .....	.7	.8	1.1	1.4	.7	.7	.6	8.3	8.4
December .....	.7	.6	.9	.5	.6	.6	.6	9.2	8.8
1974:									
January .....	.9	1.1	1.6	1.7	.6	1.3	.7	10.2	9.4
February	1.3	1.2	2.5	2.2	1.0	1.1	.7	12.2	10.0
March	1.1	1.1	1.0	.6	1.5	1.4	.8	14.2	10.2
April .....	.6	.6	-.3	-.4	1.3	1.1	.6	12.1	10.2
May	1.1	1.1	.7	.9	1.6	1.3	1.0	11.4	10.7
June	1.0	1.0	.4	.3	1.4	1.3	1.0	10.9	11.1
July .....	.8	.8	.1	-.4	1.0	1.3	1.1	11.7	11.8
August	1.3	1.3	1.4	1.4	1.4	1.5	1.1	12.9	11.2
September	1.1	1.2	1.4	1.9	1.1	1.0	1.1	14.2	12.1
October .....	.9	.9	.7	1.3	.9	.6	.9	14.7	12.2

bakery products and sugar and sweets. Prices for eggs, nonalcoholic beverages, partially prepared foods, fats and oil products, and dairy products continued to move up. Fresh vegetable prices also increased. In contrast, meat and poultry prices turned down in October after 2 months of large increases. The declines were sharper than usual for beef but were largely seasonal for pork and poultry. Fresh fruit prices continued to decline but not as much as is usual for October. The index for food away from home—restaurant meals and snacks—increased 1.0 percent in October.

Rising sugar prices continued as a major source of upward pressure on prices for a wide range of foods purchased in grocery stores and for food away from home, particularly snacks. (See table 7.) Over the past year, wholesale prices for sugar have risen substantially—over 230 percent for raw cane sugar and over 167 percent for refined granulated cane sugar in five pound bags. The surge in prices this year reflects a combination of factors: Middle East countries have shown a greater willingness to pay higher prices for sugar to meet rising demand; harvests of European sugar beet crops were affected by poor weather this fall and the sugar cane crop in the Philippines were damaged by a series of typhoons since June; and there has been considerable speculative trading in world markets. In addition, world sugar consumption has exceeded production in each of the past 3 years.

The large decline in retail beef prices in October resulted from poor retail demand and expanding cattle slaughter. Heavy slaughter of cows and non-fed "baby beef," which was triggered by rising feed prices, flooded all levels of the marketing system and led to large inventories of Choice and Good grade beef. Consequently, wholesale prices for beef—which rose in July and early August—turned down after mid-August; lower retail prices resulted. Cattle and beef prices have trended down almost steadily over the past year. In October of this year, cattle prices were 14.2 percent lower than a year earlier, wholesale beef prices were down 5.6 percent, and retail beef prices were 2.2 percent lower than in October 1973.

Commodities less food. The index for commodities other than food rose 0.9 percent before seasonal adjustment in October. Over a fifth of the rise was due to an increase in the index for new cars.

October is the first month in which 1975 model-year cars from the three major domestic manufacturers were introduced in the CPI. Changes in the new car index reflect price increases after quality adjustments are made. (See press release USDL-74-636, dated November 14, 1974, for a report of quality changes for 1975

cars.) The October increase in the new car index does not reflect the full effect of the price increase for the 1975 models. Because sales of 1975 models cars have been low, a large part of the sample priced in the October CPI consisted of 1974 models on which dealers were giving higher concessions to clear out year-end inventories. The new car index will continue to reflect price increases on 1975 models over the next several months as inventories of 1974 models are eliminated. In addition, 1975 models from American Motors will be priced for the first time in November and 1975 imported cars will not be introduced until December or January.

In contrast to the low demand for new cars, used car sales have been strong. Automotive Market Report indicates that used cars outsold new cars at franchised dealers in September. With a tight supply of good clean used cars, used car prices continued to increase in October.

Prices for apparel commodities increased seasonally in October. In addition, there were large increases for housefurnishings, housekeeping supplies, reading materials—especially college textbooks which are priced once a year in October, toilet goods, alcoholic beverages, tobacco products, and fuel oil and coal. Gasoline prices declined 2.7 percent, much more than in the two preceding months. (See tables 9 and 10 for indexes and average prices of gasoline.)

Services. The services index rose 0.9 percent in October. Two-fifths of this increase was due to a rise in mortgage interest costs which reflected earlier increases in interest rates on conventionally financed loans as well as previously announced rate increases for FHA-insured loans (from 9.5 to 10.0 percent). Charges for other household services such as home maintenance and most housekeeping services—except for domestic services—continued to increase. October increases for housekeeping services were generally somewhat smaller than in recent months as the impact of the increased minimum wage (effective May 1) has subsided. Charges for residential gas and electricity continued to rise as higher raw fuel costs were passed on.

The uptrend in apartment and house rents has been relatively moderate compared to the rise in most other household services; nevertheless, a steady acceleration has been evident this year. In October, rent increased 0.6 percent, the largest monthly increase since January 1973. Among factors which have contributed to the rise in rents are higher costs to landlords for fuel and utilities, taxes, and replacement parts and supplies. Also, the growth in the number of rental units has slowed as a

result of the continued low level of new apartment construction and the increased trend toward condominium conversion. At the same time the demand for rental units has increased because the low level of housing starts, high mortgaging costs, and the difficulty of obtaining loans have postponed home purchases.

Higher charges for most other services such as physicians' and hospital charges, auto repairs, dry-

cleaning, and beauty and barber shop services also contributed to the rise in the services index. Charges for auto insurance, however, declined more than in recent months. The October CPI includes the regular annual adjustment to the health insurance component for retained earnings of health insurance companies. The adjustment slightly reduced the increase in the overall services index.

Price Movements

November 1974

The Consumer Price Index rose 0.8 percent in November to 154.3 of its 1967=100 base. The rise was due to higher prices for a wide variety of consumer goods and services, including most types of food, clothing, natural gas, mortgage interest costs, and housekeeping supplies. The effect of these increases was partially offset by declines in prices for beef, fresh fruits, eggs, and gasoline.

On a seasonally adjusted basis, the rise in the November CPI was 0.9 percent, the same as in October. Each of the three major components of the index rose about as much as in October. The increase in the food index, 1.4 percent after seasonal adjustment, marked the fourth

consecutive month of rapid rise. The index for nonfood commodities rose 0.8 percent in November, slightly more than in October but much less than the average monthly increase of 1.2 percent in the first 9 months of this year. The services index also rose 0.8 percent in November, compared with an average monthly increase of a little over 1.0 percent in the preceding 6 months.

The November CPI was 12.1 percent higher than in November 1973. During this same period, the food index rose 11.9 percent, the index for commodities other than food rose 13.5 percent, and the services index rose 10.9 percent.

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

Month	Changes from preceding month							Changes in all items	
	All items		Food		Commodities less food		Services	Compound annual rate	From 12 months ago
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April6	r.5	-.3	-.4	r.1.1	r.9	.6	r.11.7	r.10.1
May	1.1	1.1	.7	.9	r.1.4	r.1.1	1.0	r.11.0	r.10.6
June	1.0	r.9	.4	.3	r.1.3	r.1.2	1.0	r.10.3	r.11.0
July	r.7	r.7	.1	-.4	1.0	1.3	1.1	r.11.1	r.11.5
August	1.3	1.3	1.4	1.4	r.1.3	1.5	1.1	r.12.4	r.11.0
September	r.1.2	r.1.3	1.4	1.9	1.1	1.0	1.1	14.2	r.12.0
October9	.9	.7	1.3	.9	.6	.9	r.15.0	r.12.0
November8	.9	1.0	1.4	.8	.8	.8	13.0	12.1

r=Revised percent changes based on indexes recalculated to correct and error in the used car component. See press release,

"Revised CPI Data Available" (USDL-74-699), dated December 20, 1974.

Monthly changes in detail (not seasonally adjusted)

Food. The index for food purchased in grocery stores increased 1.1 percent, instead of declining as it usually does in November. Prices averaged higher for most types of food except beef, fresh fruits, and eggs. The prices of sugar and of products for which sugar is an important ingredient continued to rise rapidly and constituted a substantial part of the November increase in food prices.

Sugar prices have risen rapidly throughout the year but increases have accelerated in recent months at wholesale and, in turn, at retail as supplies were reduced by weather problems this fall and by intensified competition for world offerings. A third of the November rise in the food-at-home index resulted from the increase of 8.3 percent in the sugar and sweets category. In addition, higher sugar prices contributed to the rise among other categories of food such as nonalcoholic beverages, dairy products, and cereals (except rice) and bakery products. Rice prices declined for the fifth consecutive month because of what appears to be the largest U.S. rice crop on record.

Prices for fats and oil products—margarine, salad dressing, and salad and cooking oil—continued to increase in November as a result of large increases in wholesale prices for refined vegetable oils. These price advances are attributed to the imbalance in supply and demand for edible fats and oils stemming from weather damage to soybean crops.

Fresh vegetable prices rose more than usual in November. Reduced production in the winter producing areas accounted for the increases in prices of green peppers, lettuce, and celery, while restricted release of stored holdings caused the price of cabbages to advance. The decline in fresh fruit prices was mostly due to increased supplies of bananas. Firm demand, rising materials costs, and reduced supplies were responsible for the rise in prices of most processed fruits and vegetables. Dried bean prices, however, declined sharply because of increased production.

Pork and poultry prices also increased in November but beef and egg prices declined seasonally. Strong demand and occasionally inadequate supplies led to the rise in poultry prices. Higher prices for pork reflected primarily a sharp jump in hog prices in October because of slightly decreased slaughter and improved demand. The lower beef prices resulted from continued oversupplies at all levels and weak consumer demand. In October, beef production was up 16 percent from the previous month and cold storage holdings rose 5 percent. Egg prices declined as supplies were more than adequate to meet demand.

The index for food away from home—restaurant meals and snacks—increased 0.9 percent, about the same as in recent months.

Nonfood commodities. The index for nonfood commodities increased 0.8 percent. Higher prices for apparel commodities were responsible for almost a fourth of the rise. Among other nondurable commodities, prices for housekeeping supplies continued to rise rapidly reflecting sharp advances this year in raw materials costs such as chemicals, and inedible fats and oil products. Cigarette prices rose sharply in November because increases in labor and fuel costs have pushed up the cost of producing and curing tobacco leaf and also because domestic and world demand are growing faster than tobacco output. Prices for paper products—toilet goods and reading materials—also continued to rise but the increase was somewhat smaller than in recent months. Pressure on paper supplies has eased somewhat in recent months because of the slowdown in the economy. Fuel oil and coal prices rose in November but gasoline prices declined for the fourth consecutive month. Despite the decline, gasoline prices in November were still 26 percent above November 1973.

Prices of all types of durable commodities also continued to rise in November, but increases for new and used cars and for furniture were smaller than in October. The new car index continued to reflect price increases on 1975 model cars, but the increase was partially offset by higher concessions given on leftover 1974 models. The rise in used car prices slowed because of a seasonal slowdown in demand.

Furniture prices advanced less than in recent months. Although prices rose for many upholstered items, increases were smaller for many items made of wood. In addition, there were many sales on furniture in November because of slackening demand. Although the demand for appliances and floor coverings has also slackened, prices for these items continued to rise at a rapid rate in November as a result of higher manufacturers' prices. Prices at the wholesale level continued to reflect sharp increases in materials, labor, and transportation costs. Higher prices for synthetic backing materials, vinyl chloride resins, and asbestos continue to exert upward pressure on prices of floor coverings, while shortages of plastics and electric motors were contributing factors to the rise in appliance prices.

Services. The services index rose 0.8 percent in November. Over three-fifths of the increase was due to higher charges for all types of household services, including rent. Charges for residential gas rose sharply. Mortgage interest costs continued to rise reflecting earlier increases in interest rates on conventionally financed loans. In-

creases in charges for medical care, personal care, apparel, recreational, and transportation services also contributed to the rise in the services index. Among transporta-

tion services, taxicab fares and parking fees rose sharply, and charges for auto insurance turned up after declining almost steadily in the preceding 5 months.

Price Movements

December 1974

The Consumer Price Index rose 0.7 percent in December to 155.4 percent of its 1967 base. Higher prices for sugar and most other types of food, housekeeping supplies, gas and electricity, and public transportation were responsible for a large part of the December rise. The effect of these increases was partially offset by declines in prices for beef, fresh fruits and vegetables, clothing, and used cars.

On a seasonally adjusted basis, the rise in the December CPI was 0.7 percent; this compares with 0.9 percent in each of the 2 preceding months. The food index rose 0.7 percent after seasonal adjustment in December, the smallest increase in 5 months. The December increase of 0.4 percent for the nonfood commodities index was the smallest monthly rise in 1974. The services index rose 0.9 percent, about the same as in October and November. (See table A.)

Analysis of 1974 change

For the calendar quarter that ended in December, the CPI rose at a seasonally adjusted annual rate of 10.1 percent. Seasonally adjusted annual rates of increase in the first 3 quarters of the year were 14.2 percent, 10.3 percent, and 14.2 percent, respectively. For calendar year 1974, the CPI rose 12.2 percent.

About two-fifths of the annual increase in the CPI was due to a 13.2-percent rise in prices of nonfood commodities. The nonfood commodities index rose at a rapid rate in the first 3 quarters—at a seasonally adjusted annual rate of 15.3 percent. In the final 3 months of 1974, the index rose at a 7.3-percent rate, as price increases for many consumer goods were smaller than earlier in the year and gasoline prices declined. (See table B.)

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

Month	Changes from preceding month							Changes in all items	
	All items		Food		Commodities less food		Services	Compound annual rate	From 12 months ago
	Unad-justed	Seasonally adjusted	Unad-justed	Seasonally adjusted	Unad-justed	Seasonally adjusted	Unad-justed	From 3 months ago	Unad-justed
								Seasonally adjusted	Unad-justed
1973:									
December	0.7	0.6	0.9	0.5	0.6	0.6	0.6	9.2	8.8
1974:									
January .....	.9	1.1	1.6	1.7	.6	1.3	.7	10.2	9.4
February	1.3	1.2	2.5	2.2	1.0	1.1	.7	12.2	10.0
March	1.1	1.1	1.0	.6	1.5	1.4	.8	14.2	10.2
April .....	.6	.5	-.3	-.4	1.1	.9	.6	11.7	10.1
May	1.1	1.1	.7	.9	1.4	1.1	1.0	11.0	10.6
June	1.0	.9	.4	.3	1.3	1.2	1.0	10.3	11.0
July .....	.7	.7	.1	-.4	1.0	1.3	1.1	11.1	11.5
August	1.3	1.3	1.4	1.4	1.3	1.5	1.1	12.4	11.0
September	1.2	1.3	1.4	1.9	1.1	1.0	1.1	14.2	12.0
October .....	.9	.9	.7	1.3	.9	.6	.9	15.0	12.0
November .....	.8	.9	1.0	1.4	.8	.8	.8	13.0	12.1
December .....	.7	.7	1.1	.7	.4	.4	.9	10.1	12.2

Table B. Changes in Wholesale and Consumer Price Indexes, 1972-74

(Compound annual rates, seasonally adjusted (except services))

Index	December 1972 to December 1973	December 1973 to December 1974	3 months ending			
			1973			
			March	June	September	December
CONSUMER PRICE INDEX						
All items	8.8	12.2	8.4	7.5	10.2	9.2
Food	20.1	12.2	26.7	16.8	26.7	11.0
Commodities less food	5.0	13.2	4.0	4.7	3.6	7.6
Services	6.2	11.3	3.6	4.5	7.4	9.4
WHOLESALE PRICE INDEX						
All commodities	15.4	20.9	19.5	20.9	13.2	8.7
Farm products and processed foods and feeds	26.7	11.0	46.8	44.8	33.5	-8.7
Crude food and feeds ¹	31.7	1.3	60.0	49.5	74.7	-27.4
Intermediate materials for food manufacturing ²	30.0	58.2	31.1	23.1	48.6	19.3
Consumer foods	22.5	13.0	39.8	15.4	30.0	8.0
Industrial commodities	10.7	25.6	10.1	11.1	6.0	16.0
Crude materials except foods	31.4	23.0	14.4	32.3	27.7	54.4
Intermediate materials except foods	11.9	28.5	12.1	12.4	6.1	17.7
Producers' finished goods	5.3	22.6	4.4	6.4	4.3	6.2
Consumer finished goods except foods ..	7.4	20.5	7.2	6.3	4.1	12.2
			1974			
			March	June	September	December
CONSUMER PRICE INDEX						
All items			14.2	10.3	14.2	10.1
Food			19.4	3.1	13.2	14.6
Commodities less food			16.0	13.7	16.3	7.3
Services			9.2	11.0	13.9	10.9
WHOLESALE PRICE INDEX						
All commodities			24.5	12.2	35.2	13.4
Farm products and processed foods and feeds			10.8	-29.3	59.2	21.9
Crude food and feeds ¹			5.6	-53.5	94.9	10.3
Intermediate materials for food manufacturing ²			61.5	13.6	81.9	88.1
Consumer foods			17.3	-16.7	29.4	29.1
Industrial commodities			32.3	35.7	28.1	8.2
Crude materials except foods			88.7	10.4	29.1	-14.8
Intermediate materials except foods			32.6	43.7	32.2	8.2
Producers' finished goods			13.2	27.2	31.8	18.7
Consumer finished goods except foods			28.3	25.3	18.5	10.6

¹ Does not include plant and animal fibers, which are included in farm products index.

² Does not include manufactured animal feeds, which are included in processed foods and feeds index.

An increase in the food index of 12.2 percent for the calendar year ended in December 1974 accounted for a fourth of the rise in the CPI. The food index rose sharply in the first quarter, slowed substantially in the second, and accelerated again in the third. Food prices continued to rise at a rapid rate in the fourth quarter—advancing at a seasonally adjusted annual rate of 14.6 percent. Prices were higher for sugar and products which contain sugar and for most other types of food except beef.

About a third of the rise in the CPI in 1974 was due to an increase of 11.3 percent in the services index. The rise in the services index moderated somewhat in the fourth quarter—to an annual rate of 10.9 percent from 13.9 percent in the third quarter. Charges for many types of services increased at a slower pace in the fourth quarter than the third quarter. However, charges for services such as gas and electricity and most types of public transportation continued to rise at a rapid rate.

Price increases for energy items—which include gasoline, motor oil, fuel oil, coal, and residential natural gas and electricity—were responsible for over a tenth of the increase in the overall CPI in 1974.

In early 1974, the behavior of prices continued to be influenced by food, fuel, and industrial material shortages resulting from the worldwide economic boom and reduced harvests in 1972 and 1973 and from the Middle East crisis in late 1973 and early 1974. In the spring, the rise in food prices slowed as agricultural supplies increased and fuel prices slackened somewhat after the Arab oil embargo was lifted in mid-March. On the other hand, the termination of price and wage controls in late April was followed by an acceleration in price increases for many commodities and services. Tight money and the rise in the minimum wage also contributed to the acceleration in prices.

As the year progressed, the pace of economic activity in the United States and in other industrial nations began to slow. Demand was further dampened by rising oil prices which caused some oil consuming nations to restrict imports of other commodities. The slowdown in demand which earlier had centered in the housing and automobile industries spread to other areas by mid-year. Consequently, retailers and manufacturers started to cut orders and reduce inventories.

The demand and supply situation, therefore, was markedly different at year-end from that in 1973 and early 1974. The change was reflected first in the wholesale price index for industrial crude materials, which slowed its rise greatly after the first quarter of the year and declined in the final 3 months of 1974 for the first time since mid-1970. (See table B.) Except for fuels, prices declined for most crude materials such as ferrous

and nonferrous scrap, wastepaper, raw cotton, and hides and skins. The rise in the index for industrial materials at the intermediate stages of production began to moderate late in the third quarter and continued to decelerate in the fourth as a result of declines in prices of lumber, textiles, leather, copper, and aluminum, and a slower rise for most other products including steel and paper products. Although price increases moderated for both crude and intermediate materials, these indexes were still considerably higher in December 1974 than in December 1973. (See table B.)

The slowdown in demand had little effect on prices of finished goods at either the wholesale or retail levels until late in the fourth quarter. In late 1974, price increases for many finished goods other than food and for some services showed signs of moderating as economic activity continued to recede. Sales of new cars continued to fall sharply, causing widespread layoffs in automobile and related industries. Capital goods orders were cut and housing starts remained down. As consumer demand continued to decline, retailers resorted to unusual pre-Christmas sales. In contrast, prices of farm and food products rebounded after mid-year as poor weather, in particular, reduced grain and sugar crops. At the end of the year, food prices were rising at a rapid rate.

Food. Wholesale and retail food prices, which increased more than 20 percent in 1973, rose 13.0 percent and 12.2 percent respectively in 1974. (See table C.) Food prices at the farm level increased 1.3 percent, substantially less than the 31.7 percent in the preceding 12 months. For the first time since 1970, the increase was smaller at the farm level than at the processor and retail levels. Over a long period of time, increases in retail food prices tend to be smaller than at wholesale when wholesale prices are increasing at a rapid rate. But when wholesale prices are declining, retail prices either continue to rise or to decline less than at wholesale.

Although the magnitude of the change differed, food prices at all levels moved in the same direction in the first 3 quarters of 1974. (See table B.) The behavior of the food indexes was influenced primarily by prices of cattle, hogs, poultry, and eggs at the farm level, which started to decline in late 1973 as a result of increased output and slowing demand. Except for a sharp but temporary rise early in 1974 caused by the fuel shortage, they trended down through mid-year. As prices of other farm products such as grains and milk also fell sharply in the second quarter, food prices declined at the wholesale level and the rise at the retail level slowed.

Food prices rebounded sharply at all levels in the third quarter. Cattle and beef prices rose as marketings

Table C. Changes in food prices, 1972-74

(Compound annual rates, seasonally adjusted except as indicated)

Commodity	Index	December 1972 to December 1973	December 1973 to December 1974	3 months ending			
				1973			
				March	June	September	December
Consumer foods	CPI	20.1	12.2	26.7	16.8	26.7	11.0
	WPI	22.5	13.0	39.8	15.4	30.0	8.0
Beef and veal	CPI	21.1	-3.4	60.1	11.6	36.2	-10.7
	WPI	10.9	-8.7	66.5	5.0	58.7	-45.3
Pork	CPI	32.5	-1.8	54.7	17.7	125.0	-24.1
	WPI	19.8	8.3	74.6	-29.9	84.3	-8.3
Poultry	CPI	32.4	6.2	187.6	-2.4	130.0	-51.8
	WPI	28.6	11.2	128.9	45.3	81.5	-53.3
Cereal and bakery products ¹ ..	CPI	28.2	22.4	10.4	15.3	33.0	60.0
	WPI	33.3	13.6	4.1	16.1	89.4	38.1
Dairy products	CPI	22.5	7.2	10.5	9.9	22.3	51.9
	WPI	15.7	3.1	12.6	4.8	35.2	11.8
Fresh fruits and vegetables	CPI	10.3	3.9	22.9	33.2	-24.1	19.4
	WPI	27.5	-4.6	66.3	75.5	-21.1	16.0
Processed fruits and vegetables	CPI	20.3	21.4	7.7	10.0	10.8	59.5
	WPI	10.5	23.4	7.3	2.5	11.1	21.7
Eggs	CPI	42.7	-5.5	61.2	125.2	32.0	-10.6
	WPI	32.5	-5.0	110.9	99.6	-6.0	-20.7
Sugar and sweets ²	CPI	14.0	101.6	7.8	12.5	6.8	31.2
	WPI	16.3	182.7	9.5	18.0	20.0	17.4
	Index			1974			
				March	June	September	December
Consumer foods	CPI			19.4	3.1	12.3	14.6
	WPI			17.3	-16.7	29.4	29.1
Beef and veal	CPI			13.2	-26.7	22.8	-14.5
	WPI			-3.5	-43.5	97.1	-35.2
Pork	CPI			-19.4	-45.0	64.0	28.0
	WPI			-20.1	-64.8	239.9	43.7
Poultry	CPI			-4.4	-38.0	41.0	52.0
	WPI			-26.5	-44.6	107.0	81.1
Cereal and bakery products ¹ ..	CPI			28.4	19.5	11.6	31.0
	WPI			34.1	-13.8	9.2	32.0
Dairy products	CPI			18.2	7.6	-6.6	11.3
	WPI			27.6	-18.3	6.3	1.9
Fresh fruits and vegetables	CPI			29.6	39.5	-36.7	1.8
	WPI			94.1	-35.4	-1.1	-33.3
Processed fruits and vegetables	CPI			50.8	26.3	12.1	1.6
	WPI			13.1	18.3	61.8	7.4
Eggs	CPI			4.5	-52.3	23.3	29.8
	WPI			-1.7	-48.8	54.9	4.5
Sugar and sweets ²	CPI			84.7	67.3	76.9	202.0
	WPI			215.6	156.5	135.6	234.9

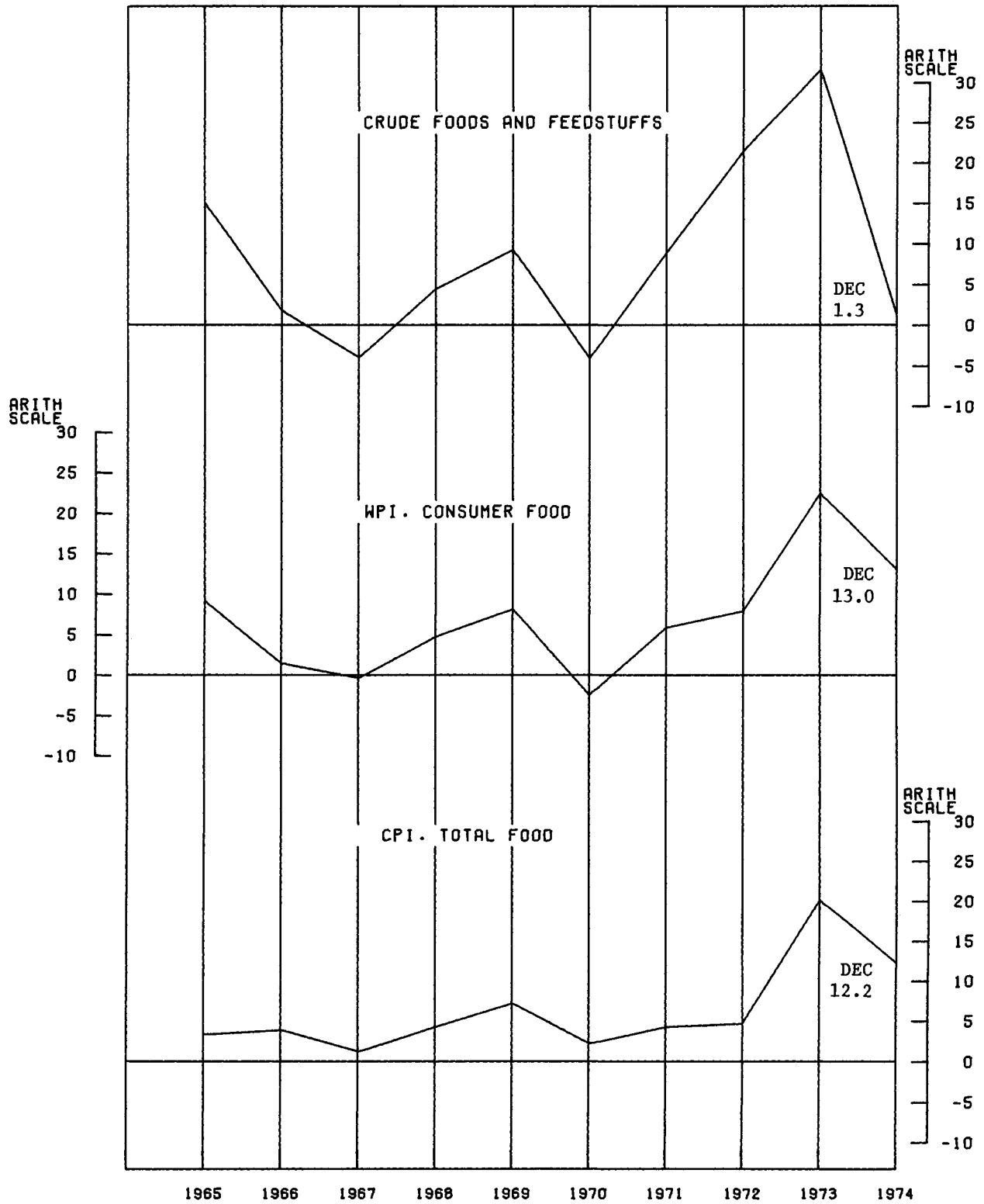
¹ Not seasonally adjusted in the WPI.² In the WPI, this title is sugar and confectionery.

were curtailed to strengthen prices. Prices for hogs and pork, poultry, and eggs rose in response to smaller supplies resulting from cutbacks in production in 1973 and early 1974 when prices were declining and costs were rising. At the farm level, prices for corn and oilseeds

(used in manufacturing feeds) also turned up after mid-year as estimates of 1974-75 crop production were reduced because of adverse weather conditions in grain-producing States in the late spring and summer, followed by a sharp rise in prices of animal feeds.

Chart A. Changes in wholesale and retail food prices

(Percent change from December to December, 1965-74)



In the fourth quarter, the rise in food prices moderated at the farm level but continued rapidly at processed and retail levels. The slower rise at the farm level primarily reflected declines in cattle prices caused by a heavy slaughter of cows and nonfed "baby beef" in response to rising feed prices. Although cattlemen were no longer expanding their herds, the Agricultural Department estimated in late 1974 that the number of cattle in the nation on January 1, 1975, would total a record 135 million, up from the previous record of 127.5 million a year earlier and appreciably higher than previous forecasts of about 132 million. Furthermore, the number of cattle in the feedlots—although less than in 1974—was estimated to be larger than predicted earlier in the year. Beef prices at wholesale and retail levels continued to decline through the year-end, but prices of pork, poultry, and most other types of food increased in the fourth quarter. A substantial part of the rise in the food indexes at wholesale and retail levels was due to higher prices for sugar and products which contain sugar. Sugar is not included among farm foods in the WPI.

For the year ending in December 1974 wholesale prices for refined granulated cane sugar in 5-pound bags rose 309 percent and raw cane sugar rose 321.5 percent. At retail, sugar prices rose 275 percent. Much of the rise in prices for nonalcoholic beverages and cereal and bakery products and some of the increase for dairy products and food eaten away from home were due to higher sugar prices. Higher sugar prices were caused by factors such as adverse weather conditions during summer and fall which affected harvests of European sugar beets and damaged Philippine sugar cane crops, rising demand in newly developed countries, willingness of industrial countries to pay high prices, and uncertainty concerning U.S. purchasing policies because of the end of the U.S. sugar act. However, as price increases became larger and more frequent late in the third and early in the fourth quarters, the demand for sugar weakened and prices started to decline at the wholesale level in late 1974.

Prices also rose sharply in 1974 for other processed foods such as canned and frozen fruits and vegetables, fats and oil products, and partially prepared foods, because of rising raw material costs and sharply higher costs for containers, utilities, transportation, and other nonagricultural inputs.

Commodities other than foods. In 1974, the nonfood commodities component of the Wholesale Price Index rose 20.5 percent, compared with 13.2 percent in the CPI—the second consecutive year that the increase was larger in the WPI than in the CPI. From 1956 to 1973, increases in the CPI have almost always been larger than those in the WPI. Larger increases in the WPI in the past

2 years have been primarily due to much greater increases in gasoline and fuel oil prices although prices of other nonfood commodities also increased at a somewhat faster rate at the wholesale level than at retail in both years. (See table D.)

In 1974, as in 1973, the largest increases among non-food commodities were for petroleum products. Retail prices for gasoline rose 20.6 percent for the 12-months ending in December 1974, about the same as in the preceding 12-month period. Fuel oil prices rose 30.3 percent in 1974, following an increase of 46.8 percent in 1973. Prices for gasoline and fuel oil started to rise rapidly in early 1973 when shortages appeared in some areas and accelerated sharply during the Middle East crisis in late 1973 and early 1974. Subsequently, gasoline prices declined slightly during the second half of 1974, because of large inventories and the rise in fuel oil prices moderated somewhat. However, for the year ending in December 1974, increases in these prices which remained substantial continued to reflect higher crude oil costs.

Although about two-thirds of total domestic crude oil production remained under control after general price controls were terminated in April, prices of uncontrolled domestic oil and imported oil rose substantially. A ceiling of \$5.25 a barrel was placed on domestic crude oil produced from existing wells in amounts below 1972 output levels. Domestic crude oil production above the 1972 level and from new wells was uncontrolled. After the Arab oil embargo was lifted in mid-March, major oil producing countries established the world price of crude petroleum at about four times the previous level. At year-end, imported oil—which represents about 38 percent of total U.S. oil consumption of 17 million barrels a day—and uncontrolled domestic crude oil were selling at more than twice the price of controlled domestic crude oil.

Prices of consumer goods other than food and fuels rose considerably more in 1974 than in 1973 at both wholesale and retail levels. Prices at the manufacturing level were influenced by higher costs for materials and rising labor and nonlabor costs. Prices of many basic materials which are traded in international markets rose sharply through 1972 and 1973 when price controls were in effect. Prices of some materials were decontrolled during 1973 and early 1974 as shortages developed. The problem of shortages was exacerbated by the Middle East crisis in late 1973 and early 1974. The rise in crude oil prices affected not only prices of refined petroleum products but prices of petroleum-based products such as textile fibers, chemicals, building materials, synthetic rubber, and plastic materials which, in turn, had an impact on prices of a wide range of consumer goods. After wage and price controls ended, prices

Table D. Changes in prices of consumer goods other than food, 1972-74

(Compound annual rate, seasonally adjusted)

Item	Index	December 1972 to December 1973	December 1973 to December 1974	3 months ending			
				1973			
				March	June	September	December
Commodities less food	CPI	5.0	13.2	4.0	4.7	3.6	7.6
	WPI	7.4	20.5	7.2	6.3	4.1	12.2
Nondurables less food ¹	CPI	6.8	13.6	4.4	6.7	1.6	14.8
	WPI	9.9	23.9	10.5	6.6	3.7	19.4
Apparel less footwear	CPI	4.1	8.6	3.6	5.6	3.5	3.8
	WPI	5.3	9.4	3.8	6.3	1.7	9.7
Footwear	CPI	4.2	7.2	4.8	3.8	4.4	3.7
	WPI	3.0	9.3	4.1	-3.0	4.1	6.9
Gasoline ²	CPI	18.6	20.2	8.2	25.0	-7.5	57.4
	WPI	30.3	44.8	29.5	19.0	13.3	64.9
Durables ¹	CPI	2.4	12.7	2.0	3.0	3.7	1.0
	WPI	3.7	17.4	3.2	5.7	3.5	2.1
New cars	CPI	1.3	11.5	1.8	4.8	4.8	-5.6
	WPI	2.1	12.9	2.5	3.2	2.4	-.3
Furniture	CPI	5.2	10.7	2.0	7.7	6.2	4.8
	WPI	7.3	13.8	2.7	11.5	5.0	9.6
Appliances, including radio and TV	CPI	-.1	9.0	-.8	-.4	.4	.4
	WPI	.6	12.7	0	-1.2	2.8	.8
	Index			1974			
				March	June	September	December
Commodities less food	CPI			16.0	13.7	16.2	7.3
	WPI			28.3	25.3	18.5	10.6
Nondurables less food ¹	CPI			23.1	13.9	11.8	6.2
	WPI			40.4	30.9	19.1	7.7
Apparel less footwear	CPI			10.0	9.7	12.7	2.3
	WPI			10.5	15.2	9.9	2.4
Footwear	CPI			7.4	7.3	11.5	2.9
	WPI			7.1	13.7	14.8	2.0
Gasoline ²	CPI			106.8	23.4	-8.2	-10.8
	WPI			160.7	67.3	26.5	-20.2
Durables ¹	CPI			6.0	14.1	19.9	11.1
	WPI			11.3	15.0	15.6	17.4
New cars	CPI			3.7	18.3	19.8	5.3
	WPI			6.7	10.2	15.0	20.6
Furniture	CPI			9.3	13.4	11.7	8.3
	WPI			8.1	17.0	15.6	14.4
Appliances, including radio and TV	CPI			3.8	6.5	14.4	11.5
	WPI			6.8	10.8	13.4	20.3

¹ Includes items not shown separately.² CPI includes motor oil.

for most materials, particularly metals and metal products, and labor costs accelerated. Increases in metal prices influenced prices for all types of durable goods, such as appliances, which had experienced relatively

small increases until 1974, automobiles, and recreational goods. Large increases in paper prices pushed up prices of housekeeping supplies, toilet goods, and reading materials.

At the retail level, prices for consumer goods rose rapidly in the first 3 quarters of 1974, reflecting earlier increases in manufacturers' prices and rising retail operating costs. However, as the sales pace, which was steadily slowing during the year, worsened in late 1974, price increases became smaller.

The auto industry began to experience declining sales in the spring of 1973 as a result of gasoline shortages in some areas. Sales worsened during the Middle East crisis. In addition, auto prices were raised in late 1973 and intermittently in early 1974. Demand for 1974 model cars rose just before the 1975 models were introduced as car buyers anticipated the higher prices. After the 1975 models were introduced, new car sales dropped sharply.

The 1975 model cars were introduced in the CPI and WPI during the fourth quarter—the three major domestic manufacturers in October; American Motors and some imports later in the year. The CPI and the WPI reflect prices of new cars after adjustments are made for quality changes. Most of the quality adjustments on 1975 model cars reflected changes to meet standards set by the Environmental Protection Agency in response to the Federal Clean Air Act. A small adjustment was also made to reflect voluntary safety features not now required by Federal Motor Vehicle Safety Standards. The fourth quarter rise in the new car index in the WPI was due to price increases for 1975 models. The new car index in the CPI was influenced by changes in both the 1974 and the 1975 models.

In contrast to the poor sales of new cars, used car sales were strong during 1974. Consequently, prices of used cars, which declined from mid-1973 through the first quarter of 1974, rose until late in the year; prices in December were considerably higher than a year earlier.

Retail sales of household durables also weakened during the year. The dollar value of sales in furniture and appliances stores was up about 7 percent in 1974 from 1973; but volume declined. Although price increases for household durables moderated somewhat in the fourth quarter at the retail level, prices at the manufacturers' level, particularly for appliances, continued to rise rapidly throughout the year. Among factors which contributed to the rise in appliance prices were a rise in labor costs, and sharply higher prices for materials such as sheet steel, plastics, copper, tin, and electric cord. Increased costs coinciding with deteriorating consumer demand resulted in higher per unit costs and led manufacturers to increase prices frequently in the second half of 1974. Thus, after years of stability, appliance prices (excluding electronic equipment) rose 11.1 percent at the retail level and 17.2 percent at the wholesale level in 1974.

Furniture prices began to rise at a rapid rate in late 1973 and accelerated during the first half of 1974. Rising wages, higher costs for materials such as hardwood lumber and textile products, and a large backlog of orders exerted upward pressure on prices. However, as the year progressed, demand weakened and price increases at the retail level moderated. As retailers started to cutback, orders received by manufacturers in October were down 23 percent from October 1973 and unfilled orders decreased sharply because of a substantial volume of cancellations. Thus, prices at the manufacturers' level also showed signs of moderating at year-end. Prices of all types of floor coverings also rose sharply in 1974. Largest increases occurred in prices of vinyl floor coverings which reflected higher prices for petrochemicals from which vinyl is made.

Most of the rise in apparel prices in 1974 occurred in the first 3 quarters. Increases early in the year were influenced by rising costs of textile fibers. Prices for man-made textile products rose as tight supplies of petrochemical feedstocks caused shortages of nylon and polyester yarns and higher costs and shortages of woodpulp affected rayon yarn prices. Raw cotton prices—which rose sharply in 1973 as a result of bad weather, flooding, and strong export demand—reached an all-time peak in January 1974. These increases were reflected in prices of cotton yarns and fabrics. In the second half of 1974, however, prices of all types of textile products declined due to a slowdown in export demand and reduced demand from domestic users. Apparel sales—which are highly sensitive to changes in the economy—were weakened during the year, rising only about 3 percent in 1974 over 1973. Declines in materials prices and in physical sales volume contributed to a marked slowdown in the rise in apparel prices at retail and wholesale levels in the fourth quarter of 1974.

Footwear prices followed the same trend as apparel. The sharp rise in the first 3 quarters of 1974 reflected higher prices for synthetic substitutes for leather, which are increasingly being used in footwear. The rising costs of petroleum-feedstocks were passed on in prices of rubber products such as rubber heels and tennis shoes, and in plastic materials. On the other hand, increased use of synthetic substitutes and a decline in exports of hides and skins had a depressing influence on leather prices. The rise in footwear prices at wholesale and retail slowed noticeably in the fourth quarter as demand slackened.

Services. The services index, which began to rise at a rapid rate in the second half of 1973, continued to accelerate through the third quarter of 1974 before moderating slightly in the fourth quarter. For the 12 months

ending in December 1974, the services index rose 11.3 percent, compared with 6.2 percent in 1973. Even after excluding mortgage interest costs—which rose sharply in both years—the rise in the services index was 10.0 percent in 1974, twice as large as in 1973. Contributing to the rise in service charges in 1974 were the fuel crisis, the termination of wage and price controls in late April, the increase in the minimum wage, and the extended coverage of the Fair Labor Standards Act which were effective on May 1. Indexes for all major categories of services increased more in 1974 than in 1973. (See table E.)

In the household services category, the index for mortgage interest rates rose 10.5 percent from December 1973 to December 1974, following an increase of 14.7 percent in the preceding 12-month period. After climbing sharply in the second half of 1973, mortgage interest rates remained fairly stable in the early months of 1974 because supplies of funds available for mortgages built up while demand for such funds had slackened. By spring, however, demand for funds outstripped supply. Lending institutions reported a decline in net new savings as consumers reduced savings and consumed a higher proportion of income. Interest rates on conven-

Table E. Changes in prices of consumer services, 1972-74

(Compound annual rates, seasonally adjusted except as indicated)

Services	December 1972 to December 1973	December 1973 to December 1974	3 months ending			
			1973			
			March	June	September	December
Services ¹	6.2	11.3	3.6	4.5	7.4	9.4
Rent ¹	4.9	5.2	6.1	4.0	4.6	4.9
Household services less rent ²	8.7	15.0	4.9	6.0	11.5	12.6
Mortgage interest rates ¹	14.7	10.5	1.0	3.1	33.5	24.6
Housekeeping and home maintenance services	7.7	18.2	6.7	6.8	8.1	9.1
Gas and electricity	6.9	19.6	6.7	3.6	6.5	11.1
Medical care	5.8	13.3	3.2	4.6	4.2	11.5
Transportation ²	1.2	5.7	-2.6	3.0	2.7	2.6
Auto repairs and maintenance ¹	6.7	14.5	10.0	5.8	4.9	6.0
Public transportation	1.4	3.8	-1.4	2.0	2.8	2.2
Other services ²	6.0	9.2	5.1	6.0	6.2	6.5
Personal care services ¹	8.1	9.2	7.9	9.7	6.3	8.4
Recreational services ¹	3.7	8.7	3.4	7.2	1.5	2.7
			1974			
			March	June	September	December
Services ¹			9.2	11.0	13.9	10.9
Rent ¹			4.8	4.4	5.0	6.5
Household services less rent ²			13.7	15.1	18.1	13.5
Mortgage interest rates ¹			-2.4	8.6	24.5	13.1
Housekeeping and home maintenance services			18.9	24.1	22.0	8.5
Gas and electricity			28.4	16.1	20.2	14.2
Medical care			9.4	14.9	17.7	11.4
Transportation ²			1.4	6.5	7.6	7.4
Auto repairs and maintenance ¹			12.6	11.1	23.3	11.3
Public transportation			-1.1	6.5	1.6	8.0
Other services ²			7.3	9.9	10.6	8.9
Personal care services ¹			6.4	10.3	10.3	9.8
Recreational services ¹			4.9	14.3	7.0	9.0

¹ Not seasonally adjusted.

² Includes items not shown separately.

tional mortgage loans rose sharply and the legal ceiling rate for FHA and VA loans was raised during the summer and early fall. High rates and lack of funds after mid-year prevented many borrowers from securing mortgages and reduced home construction and sale of existing homes. By late 1974, funds moving into savings and loan institutions increased, interest rates on conventional mortgages rose at a slower rate, and the legal ceiling rate for FHA and VA loans was reduced.

Among other household services, gas and electricity charges rose 19.6 percent in 1974. Although the sharpest advances occurred in the first quarter during the Middle East crisis, increases in the next 3 quarters were still substantial as utility companies passed on higher costs for all types of fuel. In addition, requests by utility companies for higher rates were granted because of rising operating costs and the need to raise capital to finance new construction. Higher charges for housekeeping services primarily reflected the change in the minimum wage legislation, and increases in home maintenance services were due to higher costs for materials and labor. The rise in charges for housekeeping and home maintenance services slowed markedly in the fourth quarter reflecting the effects of the slowdown in the economy. Property taxes, which increased slightly in 1973, declined until mid-1974, but turned up thereafter; large increases occurred in the final quarter.

The rise in the CPI for apartment and home rentals in 1974 was relatively moderate compared with the rise in most other household services; nevertheless, a steady acceleration was evident during the year. Increases for fuel and utilities, taxes, and repair and maintenance costs prompted landlords to raise rents. In addition, the growth in the number of rental units has slowed because of the low level of new apartment construction and the increasing trend toward conversion of rental units to condominiums. At the same time, the demand

for rental units has increased because of the low level of housing starts, high interest rates, and the difficulty of obtaining mortgages.

Charges for medical care services rose 13.3 percent in 1974, more than twice as much as in 1973. Following moderate increases early in 1974, physicians' fees and hospital service charges accelerated after the end of the Economic Stabilization Program, which had controlled the health industry since August 1971. The rise in physicians' fees and hospital room charges slowed slightly in the fourth quarter, but charges for other hospital services such as physical therapy, electrocardiograms, and X-rays, continued to increase at a rapid rate.

The index for transportation services increased 5.7 percent in 1974 compared with 1.2 percent in 1973. Except for local transit fares, which declined almost steadily in 1974, fares for other types of public transportation—taxicabs, railroads, airplanes, and intercity buses—rose sharply. Among auto-related services, repair and maintenance charges advanced steadily in response to higher costs for labor and for materials used in replacement and repair. Also, demand for auto repairs increased as purchases of new cars were postponed. Auto insurance premiums, which had declined in 1973, rose slightly in 1974 as inflation significantly increased accident claims despite a reduction in the severity and number of accidents.

Charges for other services such as drycleaning, shirt laundering, men's haircuts, and beauty shops accelerated noticeably in 1973 and continued to rise rapidly in the first 3 quarters of 1974 before slowing somewhat in the fourth quarter. Increases in 1974, as in 1973, were due to higher costs for labor and materials and for other overhead expenses such as utility charges. The slower rise for these services in the fourth quarter stems in part from reduced demand which is influenced by changes in disposable income.