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Central file

SEP 12 1974 11:53 AM

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

September 11, 1974

MEMORANDUM FOR THE PRESIDENT

MR

Subject: Wholesale Price Index for August

The Wholesale Price Index (WPI) rose 3.9 percent in August on a seasonally adjusted basis. That this increase was somewhat larger than July's of 3.7 percent reflects a faster rate of increase for prices of processed foods and feeds. Industrial commodity prices rose 2.5 percent in August, only slightly less than the average monthly increase in the five preceding months. Within the industrial commodity index, prices of consumer finished goods registered their smallest monthly increase so far this year. But prices of intermediate materials continued to advance rapidly. Thus the overall picture of industrial price behavior continues to be disturbing, foreshadowing continued marked rates of increase in the nonfood commodity component of the Consumer Price Index.

The attached table summarizes the behavior of the WPI and its major components for three-month periods during the past year. In the most recent three months, the rate of increase in the WPI has accelerated sharply. This is attributable to developments in the agricultural sector which have resulted in increases in farm and food prices of 6.4 percent in July and 7.6 percent in August. The slower rate of increase in the industrial commodity price index in May-August as compared with the preceding three months is due mainly to the behavior of fuel prices.

These figures are for release Thursday, September 12, 1974 at 10:00 a.m.

Alan Greenspan

[Handwritten signature]



WPI and Major Components - Percent Changes
and Contributions to Changes

(Seasonally Adjusted Annual Rates)

Three Months Ending	All commodities	Farm Products and processed foods and feeds	Industrial Commodities		
			Total	Fuels and related products and power ¹	All Other Industrials
Nov. 1973	-3.9	-30.2	13.1	31.1	11.1
Feb. 1974	26.6	26.8	24.8	120.9	15.4
May 1974	15.4	-24.6	39.3	74.4	35.0
Aug. 1974	37.3	46.3	34.6	54.6	32.1
Aug. '73- Aug. '74	17.8	- .6	27.5	67.2	22.5
Percentage contribution to 12-month change	100	-1	101	26	75

¹ Prices for most items in this grouping are lagged and refer to one or two months earlier than the index month.