

THE ANATOMY OF PRICE CHANGE

Despite some increase in optimism as to a decline in the rate of inflation in the U.S. economy, most professional economists and public and private policy makers consider it still the most important problem in today's economic arena. Not only does inflation affect the well-being of individuals and businesses, but also it affects their decisions to spend in the future. Thus, especially in the near future, inflation will have a major bearing upon the recovery of the economy—whether considered at the national or local level. Evaluations of the near future that underlie plans and actions of Nebraskans must be based upon knowledge of developments reflected in the measures of inflation.

The following article is, for the most part, a reprint of an article in the September, 1975, issue of *Monthly Labor Review*, by Toshiko Nakayami and Paul Monson, economists in the Division of Consumer Prices and Price Indexes, U.S. Bureau of Labor Statistics. Offering much knowledge about the structure of recent inflation, the contents should be of general interest to readers of *Business in Nebraska*. E. L. H.

PRICES FOR FOOD AND FUELS ACCELERATE IN SECOND QUARTER

The Consumer Price Index—one of the principal measures of price behavior—rose at a seasonally adjusted *annual rate* of 7.1 percent in the 3 months ending in June, compared with 6.0 percent in the 3 months ending in March (see Table 1, page 2). (*In this report, all percentage changes are seasonally adjusted and expressed at annual rates.*) Although there was little change in the overall rate of increase between the first and second quarters, there were substantial shifts in the source of the increase. Prices of food and energy items accelerated sharply between the first and second quarters, while prices of most other major categories increased at much slower rates. Excluding food and energy items, the CPI rose at about a 4 percent rate, down from about 9 percent in the first quarter.

The Wholesale Price Index—a measure of price behavior at the primary market level—increased at a 7.2 percent *annual rate*, after declining at a 6.3 percent rate in the first 3 months of this year (see Table 1).

Both price measures—the CPI and the WPI—rose at rates well below those recorded in 1974. Their rates of increase in the second quarter, however, have been greater than in the first.

CONSUMER FOODS

About two-fifths of the second-quarter rise in the CPI was due to higher food prices. After declining slightly in the first quarter, the food index rose 10.0 percent in the second quarter. Much of the turnaround can be traced to changes in basic agricultural prices. The WPI for farm products rose 36.5 percent in the second quarter after declining 33.4 percent in the first quarter. The WPI for processed foods and feeds rose 5.6 percent, following a decline of 24.0 percent. The rise in the food component was due to a sharp reversal in meat, poultry, and fresh vegetable prices. For most other types of food, prices declined. Sugar prices continued to fall and prices for many processed products, which rose rapidly earlier in the year, turned down.

Beef prices increased, after declining in the two preceding quarters. Cattle prices turned sharply higher in late March and

advanced rapidly in the second quarter. During 1974 and early 1975, cattlemen sent their grass-fed animals to market instead of to feedlots, but this spring, with the resumption of grazing, marketings declined. At the same time, marketings of grain-fed cattle, which were already at the lowest level since 1967 during the first quarter, continued to decline in the second quarter—from 5.52 to 5.01 million head. According to the Agriculture Department, the number of cattle and calves placed on feed in the 23 major cattle feeding states totaled 5.54 million head during the April-June quarter, a 17 percent increase from 1974. As of July 1, the number of cattle and calves on feed for slaughter totaled 8.45 million head, up slightly from April 1, but down 15 percent from July 1, 1974.

Hog and pork prices rose because of a steady decline in supplies during the second quarter, coupled with the stronger cattle market. The scarcity of hogs this spring stemmed from production cutbacks in the summer and fall of 1974 when the corn-hog price ratio meant hog farmers' profits were reduced substantially. Since the start of this year, corn prices have declined, while hog prices have risen sharply. Poultry prices also turned up in the second quarter in response to good demand as consumers began to resist higher beef and pork prices.

Fresh fruit and vegetable prices rose at a rapid rate in the second quarter. Potato, onion, and celery prices rose because of reduced acreage this year, and bad weather in some states cut yields. Higher prices for grapefruits and oranges were due to end-of-season declines in supplies, and apple prices increased because of diminishing stocks in storage.

Prices declined for other domestic and internationally traded agricultural products, such as wheat, milk, coffee, and cocoa beans. These declines, together with a sharp drop in sugar prices, a slower rise in nonfood costs, and reduced demand contributed to lower prices for most processed foods in the second quarter.

FUEL PRODUCTS

Higher prices for energy items—gasoline, motor oil, fuel oil, coal, gas, and electricity—were responsible for about 15 percent of the CPI rise in the second quarter. (Continued on page 2)

(Continued from page 1) The index for gasoline and motor oil advanced at a 22.0 percent rate, compared with a 1.0 percent rate in the first quarter. The fuel oil and coal index increased at a 12.3 percent rate in the second quarter, after declining at an 8.1 percent rate in the first quarter. The index for gas and electricity rose about 17 percent in both the first and second quarters. Almost a third of the rise in the WPI in the second quarter stemmed from fuel products, which increased at a 16.0 percent rate, compared with 0.3 percent in the first quarter.

Prices of refined petroleum products at the retail and wholesale levels reflected increases in nonfuel as well as crude fuel costs. Under Federal Energy Administration regulations, refiners may change prices of refined products once each month to reflect changes in prices they paid for raw materials and nonfuel items in the preceding month. If fuel costs cannot be passed through immediately, they could be "saved" and passed through at some future time. Regulations also limit the amount of cost-pass-throughs that may be charged to gasoline. If nonfuel costs are not passed through in the following month, they cannot be recovered.

The cost of crude fuel accelerated in the second quarter. A tariff of \$1 per barrel on imported crude oil imposed last February contributed to the rise. While there is a ceiling of \$5.25 per

barrel on the portion of domestic crude oil under price controls, prices on the portion exempt from controls have been raised to levels comparable to those of landed imported crude oil. During the second quarter, prices of imported oil ranged from about \$11.50 to \$12 per barrel, including the tariff of \$1 per barrel. The tariff on crude oil and on imported finished petroleum products of 60 cents a barrel was doubled on June 1. The effects of the June increase began to appear in retail prices early in the third quarter. Prices for refined petroleum produced are included in the WPI with a 1-month lag.

Among other crude fuels, the cost of natural gas rose sharply because of higher price ceilings, price escalations of older contracts, and higher prices for emergency short-term contracts. The natural gas index in the WPI is calculated from average realized prices paid to producers by interstate pipeline companies on a 2-month lag. Prices of anthracite coal increased, reflecting the effects of a new United Mine Workers contract, which was ratified on April 29. The contract will extend over a 3-year period and increase production cost by an estimated \$6 a ton over the life of the contract. Prices of spot market bituminous coal declined, reflecting a reluctance by utilities to purchase coal on a short-term basis because of sufficient inventories.

COMMODITIES OTHER THAN FOOD AND FUELS

Price rises slowed in the second quarter for a broad range of commodities other than food and fuels as retailers continued promotional efforts to improve sales and reduce inventories (see Table 2). In addition, a substantial easing of prices at the manufacturers' level contributed to smaller increases in prices at the retail level.

A slower rise in prices of finished goods at the manufacturers' level—producers' goods, as well as consumer goods—continued to reflect the effects of the economic slowdown of the past year and smaller increases in materials prices and unit labor costs.

The WPI component composed of industrial materials and supplies at the intermediate stage of production has increased much less in the first two quarters of this year than last year. From a peak rise of 40 percent in the second quarter of last year, price increases for these materials had slowed to an 11 percent rate by year-end and to a 3.5 percent rate in the first 3 months of this year. In the 3 months ending in June, the index was unchanged. Prices turned down for chemicals, plastics, rubber, and steel mill products, and nonferrous metals declined for the third consecutive quarter. On the other hand, prices for textile and leather products increased after declining in the preceding three quarters. Lumber prices, which turned up in the first quarter, continued to rise before moving down again late in the second quarter.

Prices of materials at the intermediate stage of production are influenced by prices of crude materials. The rise in the WPI for crude industrial materials peaked in the first quarter of 1974 and decelerated rapidly in response to the worldwide economic slowdown. After declining in the final quarter of last year and in the first quarter of this year, the index moved up slightly in the second quarter. Prices for crude petroleum, gas fuels, and anthracite coal rose considerably more than in the first quarter. Prices for hides and skins, raw cotton, raw wool, and wastepaper increased after trending down in 1974 and early this year. However, prices continued to decline for some important crude materials including iron and steel scrap, nonferrous scrap, crude rubber,

Table 1. Annual Rates (Percent) of Change,¹
Selected Components, Consumer and Wholesale Price Indexes

Component	1974				1975	
	Dec. 1973 to Mar. 1974	Mar. 1974 to June 1974	June 1974 to Sept. 1974	Sept. 1974 to Dec. 1974	Dec. 1974 to Mar. 1975	Mar. 1975 to June 1975
CONSUMER PRICE INDEX						
All items.....	13.7	10.9	13.4	11.0	6.0	7.1
Food.....	17.0	5.4	11.7	14.3	-2	10.0
Commodities less food.....	15.7	13.7	15.6	8.8	7.4	5.9
Service ²	9.5	10.7	14.2	10.9	8.0	6.3
WHOLESALE PRICE INDEX						
All commodities.....	24.8	11.0	34.9	14.2	-6.3	7.2
Farm products and processed foods and feeds.....	12.6	-29.6	60.5	18.8	-27.6	17.0
Crude foods and feeds ³	8.9	-52.8	96.5	4.3	-39.4	49.4
Intermediate materials for food manufacturing ⁴	60.0	19.0	74.2	90.4	-50.8	-35.2
Consumer foods.....	16.2	-13.7	33.7	20.7	-12.9	23.7
Industrial commodities.....	31.3	33.2	28.4	11.1	4.2	2.6
Crude materials except foods.....	85.1	9.8	29.4	-12.1	-10.3	14.9
Intermediate materials except foods.....	32.5	40.0	32.9	11.0	3.7	7
Producers' finished goods.....	13.9	26.1	29.6	21.2	11.8	5.1
Consumer finished goods except foods.....	27.0	24.2	19.5	11.8	3.8	4.1

¹Seasonally adjusted, except services, compound annual rates.

²Changes may differ from previously published data. The index was revised as a result of retroactive increases in residential rents for rent controlled units in New York City.

³Does not include plant and animal fibers, which are included in the farm products index.

⁴Does not include manufactured animal feeds, which are included in processed foods and feeds index.

and bituminous coal.

The mixed price trend among industrial commodities reflected changes in inventories and demand. Prices for textile and leather products moved up as raw materials costs advanced. The increases for raw cotton and hides and skins, in turn, were due to textile mills and tanners starting to increase production schedules and restock depleted inventories. Raw wool prices rose in response to increased world demand. The increase in lumber prices was due largely to low production levels over the past year and relatively low levels of distributors' inventories. Impending labor negotiations on the west coast and increased export demand also contributed to upward pressure on prices. However, as production rose and supplies increased, prices for lumber declined in June.

The declines in other commodity groups—metals, chemicals, plastics, and rubber—were primarily due to continued weakness in demand from major users—the automotive, housing, capital goods, and construction industries. Also contributing to lower prices for metals and metal products were such factors as large inventories held by users, import competition, and reduced demand in world markets. The decline in paper prices reflected slow demand, particularly for packaging materials.

CONSUMER SERVICES

Charges for consumer services continued to decelerate from the peak reached in the third quarter of 1974. The services index rose 6.3 percent in the second quarter of 1975, compared with 8.0 percent in the first quarter. A broad range of consumer services including medical, apparel, recreational, and personal care services rose at a significantly slower rate than in the first quarter. Transportation services was the only major group of services to accelerate during the June quarter (see Table 2).

The second-quarter increase in medical care services was less than in the previous quarter, but still substantial. Hospital service charges, which rose at an annual rate of 19.1 percent in the first quarter, decelerated to a rate of 8.7 percent. To a large extent, the rapid increases throughout most of 1974 and early 1975 in hospital charges reflected the gradual pass-through of cost increases incurred during the period of wage and price controls. During the second quarter, charges continued to rise rapidly, due in part to increases in such nonpayroll expenses as rent, interest, equipment, utilities, insurance, and supplies. Over the last 10 years, nonpayroll expenses have gradually accounted for a larger proportion of hospital expenses (Continued on page 6)

Table 2. Annual Rates (Percent) of Change,¹ Wholesale and Retail Prices for Consumer Goods and Services

Component	Relative importance December 1974		Index	1974				1975		
	CPI	WPI		Dec. 1973 to Mar. 1974	Mar. 1974 to June 1974	June 1974 to Sept. 1974	Sept. 1974 to Dec. 1974	Dec. 1974 to Mar. 1975	Mar. 1975 to June 1975	Apr. 1975 to July 1975
Consumer Price Index.....				13.7	10.9	13.4	11.0	6.0	7.1	9.5
Consumer goods.....	100.0	100.0	CPI	15.9	10.6	13.4	11.5	4.2	7.4	11.2
			WPI	23.3	6.3	23.6	15.7	-3.0	12.5	13.1
Food.....	38.9	43.2	CPI	17.0	5.4	11.7	14.3	-.2	10.0	16.1
			WPI	16.2	-13.7	33.7	20.7	-12.9	23.7	23.0
Commodities less food.....	61.1	56.8	CPI	15.7	13.7	15.6	8.8	7.4	5.9	6.7
			WPI	27.0	24.2	19.5	11.8	3.8	4.1	5.7
Nondurables less food ²	36.5	36.2	CPI	21.6	14.5	11.8	7.1	4.1	5.8	8.0
			WPI	37.7	29.9	20.7	9.7	2.8	5.4	8.3
Apparel less footwear.....	10.7	9.0	CPI	10.0	9.4	11.7	3.5	-1.1	-.6	2.9
			WPI	11.2	13.7	9.2	3.7	-.3	-3.5	-2.4
Footwear.....	2.3	1.8	CPI	7.4	7.3	10.9	3.4	5.5	-.8	-.8
			WPI	8.1	11.7	15.5	2.5	.8	3.1	4.2
Gasoline ³	5.3	7.8	CPI	97.1	19.6	-5.7	-5.1	1.0	22.0	33.6
			WPI	134.5	65.3	28.9	-15.7	2.7	23.4	44.8
Durables ⁴	24.7	20.6	CPI	7.0	13.4	18.1	12.4	13.3	6.0	5.7
			WPI	12.1	14.3	15.6	17.4	6.1	1.2	1.5
Motor cars.....	3.0	10.3	CPI	4.8	15.4	16.7	10.6	8.6	1.3	-1.2
			WPI	7.1	10.5	14.2	20.2	4.0	1.5	-.6
Furniture.....	2.1	2.5	CPI	10.0	12.1	11.7	8.9	5.7	7.4	1.9
			WPI	8.7	16.3	14.6	15.4	.6	-.5	.8
Appliances, including radio and TV.....	2.3	2.9	CPI	4.6	6.5	13.6	11.6	7.5	3.1	3.5
			WPI	6.8	10.8	13.4	20.3	5.0	3.1	7.5
Services ⁴	100.0		CPI	9.5	10.7	14.2	10.9	8.0	6.3	6.2
Rent ⁴	12.6		CPI	5.8	4.7	5.0	5.9	5.5	4.2	4.2
Household less rent.....	43.8		CPI	14.5	15.1	17.0	13.5	9.8	8.2	6.8
Medical care.....	15.1		CPI	9.7	14.6	17.2	11.4	14.5	8.8	10.6
Transportation.....	13.2		CPI	2.6	5.6	7.6	6.6	5.3	5.5	4.6
Other services.....	15.3		CPI	7.3	9.9	10.0	9.2	7.5	2.4	3.2

¹ Seasonally adjusted except total services and rent, compound annual rate.

² Includes items not listed.

³ CPI includes motor oil.

⁴ Changes may differ from previously published data. The index was revised as a

result of retroactive increases in residential rents for rent-controlled units in New York City.

NOTE: Consumer goods represent 64.76 percent and services 36.24 percent of all items in the Consumer Price Index. Consumer goods represent 30.89 percent of all commodities in the Wholesale Price Index.

Review and Outlook

As was suggested here last month, the May upturn in the Nebraska and national economies proved to be temporary. Comparing the May indexes of Table 2 with those of the same table last month, we see that June's index of the physical volume of economic activity in Nebraska was about a percentage point below what it was in May. The nation's index was virtually unchanged.

Table 1 shows that the dollar volume of business was up almost 10 percent in Nebraska from June, 1974. After deflating the dollar volume for the continued rise in the price level, however, the physical volume was 2.5 percent below that of last year.

One extraordinary happening was a jump of 32 percent in the agricultural prices index from its June, 1974, level (Table 5). In

May these prices had been at a level less than 20 percent above a year ago. Thus, though the dollar value of agricultural production in June was 24 percent above last year, the physical volume was 6 percent lower.

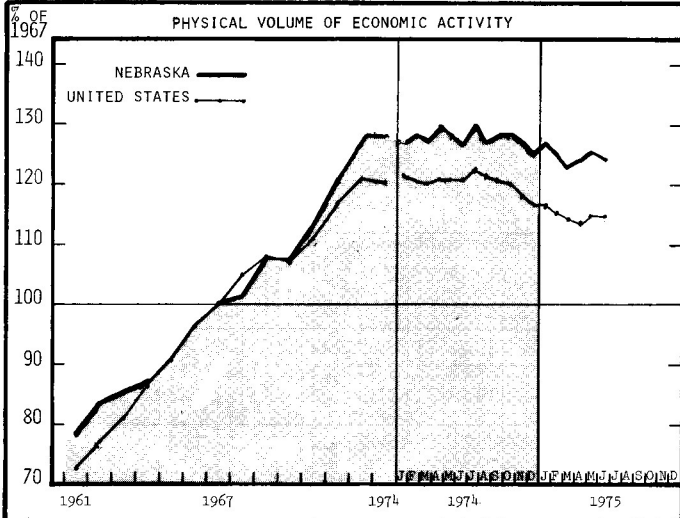
One encouraging change is that for construction, which in physical volume was better off than last year for the first time in months (Table 1). Manufacturing in Nebraska continued to decline, however. The distributive sector (mainly wholesale and retail trade) also moved downward in June. Even so, all of the state's sectors were at levels more favorable than those of the nation's in June.

Retail sales, according to the sales tax figures on a price-adjusted basis, were still below (Continued on page 5)

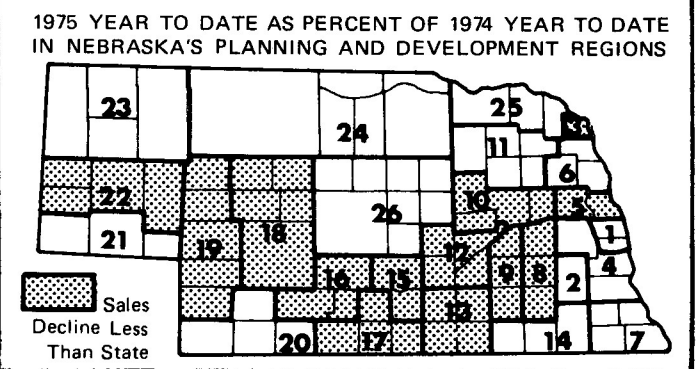
Notes for Tables 1 and 2: (1) The "distributive" indicator represents a composite of wholesale and retail trade; transportation, communication and utilities; finance, insurance, and real estate; and selected services. (2) The "physical volume" indicator and its components represent the dollar volume indicator and its components adjusted for price changes using appropriate price indexes—see Table 5, page 5.

ECONOMIC INDICATORS: NEBRASKA AND UNITED STATES				
1. CHANGE FROM PREVIOUS YEAR				
June, 1975	Current Month as Percent of Same Month Previous Year		1975 Year to Date as Percent of 1974 Year to Date	
	Nebraska	U.S.	Nebraska	U.S.
Indicator				
Dollar Volume	109.6	103.5	106.1	105.0
Agricultural	124.4	97.3	93.7	91.6
Nonagricultural	107.2	103.8	108.8	105.6
Construction	110.6	88.5	112.9	91.5
Manufacturing	101.9	98.1	108.0	103.3
Distributive	107.7	107.1	108.0	107.3
Government	111.8	108.2	111.9	109.1
Physical Volume	97.5	94.9	97.7	95.3
Agricultural	94.2	88.3	95.2	98.8
Nonagricultural	98.0	95.2	98.2	95.2
Construction	100.2	80.2	100.8	81.7
Manufacturing	90.8	87.4	93.8	88.8
Distributive	98.5	98.0	97.8	97.2
Government	106.6	104.9	106.3	104.9
2. CHANGE FROM 1967				
Indicator	Percent of 1967 Average			
	Nebraska	U.S.		
Dollar Volume	211.2	187.6		
Agricultural	234.6	192.4		
Nonagricultural	207.2	187.5		
Construction	197.2	151.1		
Manufacturing	217.9	173.6		
Distributive	201.3	194.1		
Government	221.3	206.4		
Physical Volume	124.4	114.7		
Agricultural	119.2	106.5		
Nonagricultural	125.3	115.0		
Construction	103.2	79.1		
Manufacturing	125.5	102.1		
Distributive	125.4	120.8		
Government	133.3	134.8		

3. NET TAXABLE RETAIL SALES OF NEBRASKA REGIONS AND CITIES (Adjusted for Price Changes)			
Region Number ¹ and City	City Sales ²	Sales in Region ²	
	June, 1975 as percent of June, 1974	June, 1975 as percent of June, 1974	Year to Date '75 as percent of Year to Date '74
<i>The State</i>	95.5	95.9	93.6
1 Omaha	89.5	92.1	92.4
Bellevue	73.4		
2 Lincoln	95.5	94.4	93.4
3 So. Sioux City	95.7	99.6	96.1
4 Nebraska City	93.4	95.8	88.9
5 Fremont	94.3	94.4	95.6
Blair	96.1		
6 West Point	101.6	92.7	85.4
7 Falls City	100.1	95.0	88.3
8 Seward	97.7	98.4	94.2
9 York	114.5	99.1	98.3
10 Columbus	95.2	98.9	93.9
11 Norfolk	93.7	99.2	92.7
12 Grand Island	103.9	101.3	99.8
13 Hastings	101.0	99.5	96.5
14 Beatrice	102.5	96.5	91.4
Fairbury	97.3		
15 Kearney	102.9	107.0	101.7
16 Lexington	103.5	102.4	97.2
17 Holdrege	116.4	102.9	96.4
18 North Platte	100.9	100.9	98.7
19 Ogallala	98.4	93.1	96.5
20 McCook	98.0	93.1	90.6
21 Sidney	87.3	88.2	89.5
Kimball	88.6		
22 Scottsbluff	101.7	96.2	96.5
23 Alliance	104.3	98.1	92.7
Chadron	89.0		
24 O'Neill	109.0	100.9	87.6
25 Hartington	101.9	106.9	90.8
26 Broken Bow	101.7	95.8	88.2



¹ See region map below.
² Sales on which sales taxes are collected by retailers located in the state. Region totals include motor vehicle sales; city totals exclude motor vehicle sales.
 Compiled from data provided by Nebraska Department of Revenue.



(Continued from page 4) a year ago for the state as a whole. Although more than one-half of the 26 larger cities showed rises, only a few of the state's regions reported physical volumes of retail sales above last year. Regional figures include motor vehicle sales which the city data do not. Although motor vehicle sales (not shown in the table) were the best for June of any month this year for the state as a whole, this improvement was accounted for almost entirely by sales in the Omaha region.

In Table 4, banking activity, even after deflating for the price level rise, had, at first glance, an astounding rise over a year ago—almost 10 percent. This is not to be taken as indicative of a major recovery, however. An unusually sharp dip in such activity had occurred during June of last year in many of the state's trading centers. If the June, 1974, figure had been close to the May and July, 1974, figures, there would have been a 3 percent drop to June, 1975, instead of a 9.8 percent rise. Also, most of the cities would have shown declines instead of rises.

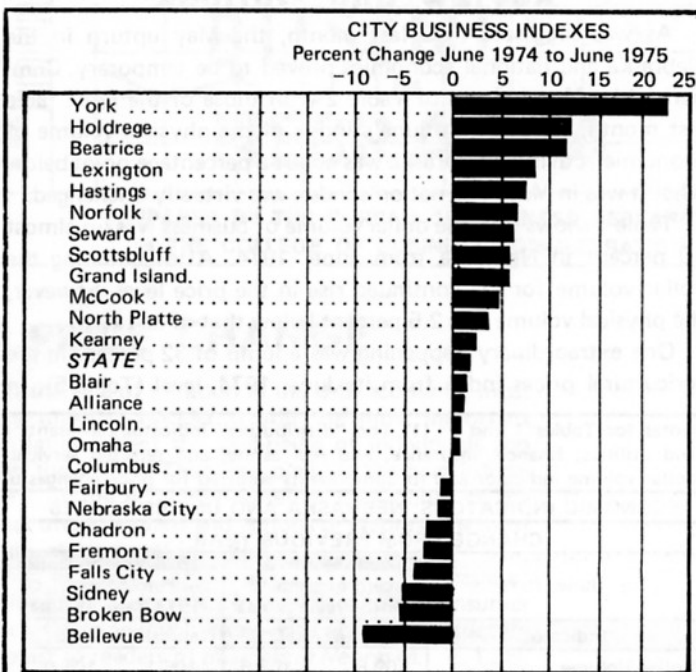
Although power consumption for the state as a whole dropped 2.6 percent from last year, every city except Omaha, Lincoln, Columbus, and Blair showed a rise. Omaha and Lincoln are, of course, large enough to dominate the state figure. Also, the drop in these two cities was entirely in the consumption of natural gas and not electricity. Thus we are moved to say that, in most of the principal centers, conservation of power is not being practiced.

Construction activity (unadjusted for price changes) is spotty as usual. York's 400 percent ratio to last year merely reflects how low construction was there in 1974. From March, 1974, to March, 1975, inclusive, construction was in the doldrums in York and is just now moving back to a normal level.

In the city business activity indexes in the chart, banking activity is heavily weighted (40 percent) and, hence, influenced by the abnormal situations of June, 1974. They are warped upward, therefore, and cities that had the biggest dip in banking activity in June, 1974, show up well this year.

For the most part, the inflation in prices is properly attributable to government deficits. If the Federal budget were balanced, inflation of any considerable amount would be difficult to achieve. Nevertheless, it should be pointed out that, in the absence of generalized, price level inflation, there could still be serious problems with the price structure. The high price of oil demanded by the OPEC nations, the world food shortage due to the population explosion, and the increasing standards of living over the world—all would force some prices upward. In the absence of inflation, some other prices would have to fall—probably wages, among others. This would make even greater the conflicts between economic and social groups.

E. Z. P.



Source: Table 4 below.

The State and Its Trading Centers	Percent of Same Month a Year Ago		
	Banking Activity ¹ (Adjusted for Price Changes) ⁴	Building Activity ²	Power Consumption ³
<i>The State</i>	109.8	103.9	97.4
Alliance	99.3	65.5	119.5
Beatrice	118.5	201.9	105.1
Bellevue	100.3	143.7	102.1*
Blair	107.1	127.9	94.9
Broken Bow	90.8	56.1	101.2
Chadron	100.1	86.5	116.7
Columbus	97.5	216.8	91.2
Fairbury	96.0	139.9	100.5*
Falls City	79.3	185.6	114.6
Fremont	101.0	64.6	103.7*
Grand Island	112.0	71.6	103.7
Hastings	111.8	139.2	103.9
Holdrege	117.3	60.1	110.8
Kearney	98.0	133.2	107.7
Lexington	124.7	40.1	108.1
Lincoln	113.7	65.2	94.0
McCook	107.3	168.9	102.9
Nebraska City	107.0	70.0	101.0
Norfolk	122.6	79.3	101.3
North Platte	99.9	211.7	101.4
Omaha	113.1	112.2	95.3
Scottsbluff	103.7	118.9	124.2
Seward	112.5	111.9	108.6
Sidney	99.7	69.8	116.3
So. Sioux City	NA	NA	NA
York	129.0	408.0	102.9

¹ Banking Activity is the dollar volume of bank debits.
² Building Activity is the value of building permits issued as spread over an appropriate time period of construction.
³ Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.
⁴ Banking Activity is adjusted by a combination of the Wholesale Price Index and the Consumer Price Index, each weighted appropriately for each city.

Source: Compilation by Bureau of Business Research from reports of private and public agencies.

June, 1975	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	160.6	109.3	110.3
Commodity component	157.9	109.0	110.1
Wholesale Prices	175.7	112.8	113.6
Agricultural Prices			
United States	180.6	110.1	92.9
Nebraska	196.9	132.1	99.0

*Using arithmetic average of monthly indexes.
 Sources: Consumer and Wholesale Prices: U.S. Bureau of Labor Statistics; Agricultural Prices: U.S. Department of Agriculture.

(Continued from page 3) and today are responsible for nearly half of all costs. Operating room charges and semiprivate room rates, which rose at annual rates of 22.5 and 21.2 percent, respectively, in the first quarter, slowed to less than half those rates in the second quarter. In addition, charges for medical care services which are not generally covered by health insurance plans—physicians' and dentists' fees and eyeglass exams—moderated in the second quarter, following large increases in the initial quarter of 1975.

The increase in charges for household services other than rent was about the same in the second quarter as in the first. Declines in mortgage interest rates—which were primarily responsible for the slowdown in the services index in the first quarter—were smaller in the second quarter. To a large extent, declines reflected an improvement in money market conditions in general. Banks and savings and loan institutions experienced near record inflows this spring. However, late in the second quarter, there was an upturn in home buying—principally of previously built homes—which increased demand for available mortgage money. In addition, higher interest rates paid by savings institutions on certificates of deposit, which are an important source of lendable funds, and concern over financing of the government's budget deficit contributed to uncertainty and subsequent upturn in mortgage interest rates.

Among other household services, increases in charges for natural gas continued to be significant, but the increase in electricity charges was much smaller than in the initial quarter of 1975, primarily because increases in fuel costs that utility companies pass through to consumers were smaller. In addition, in many large cities requests for electricity rate increases met strong consumer resistance.

The Consumer Price Index for home and apartment rents increased 4.2 percent, down slightly from 5.5 percent in the first quarter. As evident from the low level of home construction, demand for rental units remained high as some renters awaited better economic conditions.

Among transportation services, charges for public transportation and auto insurance premiums accelerated sharply in the June quarter. Airline fares, which were stable in the first quarter, increased substantially in the second quarter as charges for short-run flights more than offset the decreased fares on some long-run and

transcontinental flights. In addition, railroad fares increased, as is customary, during the summer travel months. Auto insurance companies were granted higher rates during the second quarter to cover higher repair bills, despite fewer accidents.

Other types of services, including personal care, recreational, and apparel services, rose at an annual rate of 2.4 percent, slowing from 7.5 percent in the first quarter. Smaller increases in materials costs and cutbacks in consumer expenditures for some of these items contributed to the slowdown.

Our readers will find the following report to be interesting:

Businessmen's Funding Sources, Use of Credit and Assessment of Credit System Adequacy in Two Regions of Rural Nebraska, Larry L. Janssen and Paul H. Gessaman of the Agricultural Experiment Station, Institute of Agriculture and Natural Resources, University of Nebraska-Lincoln.

This report presents the results of a study of "a sample of sixty-seven businessmen in selected municipalities of two rural Nebraska regions [that] were interviewed to determine funding sources for business operations, credit usage and perceptions of credit system adequacy."

In summary, the study found that "Most respondents from both regions used credit as a source of funds for business operations, but only one-third reported that credit supplied more than 25 percent of funds used. The primary use of credit was for the purchase of inventory, and commercial banks were the most frequently reported credit source. More than three-quarters of respondents were satisfied with their present ability to secure credit and were confident of their future ability to do so, despite some evidence of businessmen's inability to secure long-term credit from local sources. Overall, it appears that the existing credit system adequately supplies credit for existing business firms in the two study regions. But improved availability of long-term credit for capital investment by businessmen appears to be advisable."

Inquiries as to this report should be directed to Dr. Paul H. Gessaman, 220 H. C. Filley Hall, University of Nebraska-Lincoln, Lincoln, Nebraska 68588.

UNL News

This Issue:

BUSINESS IN NEBRASKA

PREPARED BY BUREAU OF BUSINESS RESEARCH

Member, Association for University Business & Economic Research

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No. 373

October, 1975

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