use of manpower, however, was achieved by curtailing overtime hours, rather thay by laying off workers. Showing confidence in the longer term outlook, manufacturers maintained their employment remarkably well in the face of a temporary slump in their markets.

PRICES AND WAGES

The first few months of 1967 have brought a welcome moderation of the upward pressures on our overall price structure. Until April, in fact, the all-commodities wholesale index showed a declining trend. In that month, for the first time in several years, the index was actually slightly lower than it had been 12 months earlier. In May, it was only 0.2 percent higher than a year before. Consumer prices have continued to rise in 1967, but at a significantly slower pace than during 1966.

Much of the improvement in these broad indexes was due to the continued decline in the prices of farm products and industrial raw materials from their high peaks of last summer and fall. Those reductions are unlikely to continue and, indeed, are likely to be reversed to some extent.

In other sectors, prices have continued to rise, but generally at a more moderate rate than during 1966. Wholesale prices for finished nonfood manufactured goods have risen slowly but steadily, with nondurables and producer durables leading the way, and consumer durables showing very small increases.

Retail prices for consumer goods other than food have risen somewhat more rapidly than wholesale prices. Prices of consumer services less rent have continued to rise sharply, although the annual rate of increase in the first 4 months of 1967 was below 4 percent, compared to 5½ percent in the 12 months ended last December.

This pattern of price movements reflects both the general reduction in the pressure of demand against available resources and the aftereffects of the inflationary pressures which were generated last year.

The sluggish movement of demand in the past few months has reduced the strains on our productive capacity. With few exceptions, supplies of raw materials have increased relative to demand. The rate of capacity utilization has declined and backlogs of orders for durable goods have been reduced. Despite the stability of the unemployment rate, there are far fewer reports of labor shortages in the manufacturing area. The easing of the pressure of demand has generated reductions in raw material prices and has served to moderate price increases in industrial products.

But although there are fewer labor shortages in the manufacturing area, there is still intense competition for professional, technical, and other skilled workers. At the same time, last year's cost-of-living increase has enlarged the wage demands of workers, both organized and unorganized. And, during the first part of this year, the new minimum wage law had a significant influence on wage costs in some areas. Thus, in spite of the easing of labor markets, wage rates appear to have risen slightly faster during the first few months of this year than during 1966. As in 1966, wage increases in services and construction have apparently run somewhat higher than those of manufacturing workers. Construction settlements have again produced very high rates of increase in wages. On the other hand, labor costs this year have not been raised by the same sizable increase in social security contributions that occurred last year.