

Total industrial production in 1974 was 1.0% below 1973.

The entire decline, however, took place in the 4th Quarter as production dropped sharply in the face of rising inventories. The index of industrial production is continuing to drop in the 1st Quarter of this year and current data indicate that the 1st Quarter decline may be steeper than forecast. The Du Pont Economist's January forecast anticipates that industrial production will level-off in the 2nd and 3rd Quarters and begin to recover in the 4th Quarter of this year. Overall, industrial production is expected to be down about 7.5% from 1974, with durable manufactures, which includes automobiles, down about 11.5% 83

The January forecast, incidentally, takes into account the probability that tax cuts and an energy program will be enacted along the lines proposed by President Ford.

Inflation. The outlook with respect to inflation currently is confusing at best. The rate of inflation will be affected not only by the present economic decline and Government monetary policy but also by fiscal and other programs the Government may adopt, as well as other economic factors.

It presently is forecast that the rate of inflation will slow to about 7% by the 4th Quarter of this year, compared to approximately 12% in the 4th Quarter of 1974. For 1975 as a whole, the Consumer Price Index is expected to average 9.6% above 1974.