

By Rein Pasha

WASHINGTON (UPI) — The country is gradually recovering from the worst recession since World War II but inflation will remain at about 6 per cent through 1976 and unemployment will remain "distressingly high" despite some improvement, President Ford's chief economists said today.

"Even under the best of circumstances, the return to full employment cannot realistically be accomplished this year or next," Ford's Council of Economic Advisers said in its annual report.

But food and energy price increases should be moderate, housing construction should increase significantly, consumer spending should rise and the nation's total "real" output of goods and services should climb into plus figures after two years of declines, it said.

Ford, in a brief report accompanying the council's report, said, "The underlying fact about our economy is that it is steadily growing healthier."

The council painted a cautiously optimistic picture of an economy that is experiencing a solid, slow recovery but still facing many pitfalls.

The report was laced with warnings that attempts to overstimulate the economy would bring greater inflation and threaten the recovery. It said increasing federal deficits to create jobs would squeeze private investment funds out of the economy and "the expansion

could stall some time before employment returns to an acceptable level."

"What we need is a durable recovery — not a boom that carries 'the seeds of renewed instability in prices, incomes and employment," the council said.

Inflation should moderate somewhat

during 1976, the council said, dropping from its high of 12.1 per cent in 1974 and 7.3 per cent in 1976 to about 6 per cent during this year.

The price of food and energy will not continue their meteoric rise of the last three years unless some unpredictable problem arises, the council said.

Preliminary indications are for increased food production this year, and "food prices are not likely to add to inflationary pressures during the first half of 1976."

During 1975, the unemployment rate peaked at 8.7 per cent in the spring, then settled slightly to 8.5 per cent at the end of the year. The council said this rate should drop by about one percentage point during 1976.

The "real" gross national product, or GNP — the total output of goods and services after inflation is taken into account — should grow by 6 to 6% per cent in 1976 compared with declines for two straight years, 1.8 per cent in 1974 and 2 per cent in 1975.