

WASHINGTON (AP) — The government index which foreshadows future developments in the economy climbed by the biggest margin in 10 months during May, signaling steady expansion of economic activity in the months ahead.

The Commerce Dept. said Tuesday the composite index of leading indicators rose 1.4 per cent in May, compared to a seven-tenths of 1 per cent in April. It was the biggest increase since July's 2.8 per cent.

The index is composed of a dozen individual statistics selected for their ability to move in advance of general economic trends.

Steady expansion of the economy means more job opportunities, increased revenues for business and more money available for paychecks. But the signal from the leading indicators was somewhat at odds with expectations for a slower growth rate in the current quarter for the Gross National Product.

Gross National Product, a broader gauge of economic health, represents the total output of goods and services in the economy. It grew at an annual rate of 8.7 per cent in the first quarter. Alan Greenspan, chairman of the President's Council of Economic Advisers, warned last week that the growth rate could slip to 5 per cent or less in the current three-month period.

The leading indicators offered some support, however,

to Greenspan's thesis that statistical problems in the Gross National Product report due out next month will make economic activity appear lower than it really is.

The latest increase left the composite index 13 per cent ahead of where it was a year ago. It has increased without pause since March 1975.

The Commerce Dept. said the biggest upward influence on the index was the 5.2 per cent increase in the volume of new orders received by manufacturers of consumer products and their suppliers.

Other upward influences were a longer average work week, a faster increase in assets of business and consumers, higher prices for key wholesale materials, faster formation of new businesses and issuance of a higher volume of new building permits.

Two factors, the layoff rate and the pace of deliveries

by suppliers, were unchanged.

The biggest downward influence was a 1.9 per cent drop in contracts and orders for factories and facilities. Stock prices and the money supply, after adjustment for inflation, also reflected a downward trend.

Statistics on the 12th component, the change in business inventories, was not available in time to be included in the index.