

WASHINGTON (AP) — The first decline in retail food prices in five months contributed to a further slowdown in the nation's inflation rate in January, the government reported Friday.

There also were lower prices during the month for gasoline, heating fuels and new cars, while prices rose for

postage, auto insurance and medical care.

The Labor Department said over-all consumer prices in January rose four-tenths of one per cent on a seasonally adjusted basis, down from a five-tenths increase in December.

Meanwhile, the New York Stock Exchange closed Friday at its highest level in more than three years, passing the 40 million-share mark for the first time in the exchange's history in the process.

The Dow Jones average of 30 industrials climbed 12.04 to 987.80, its highest close since it finished at 996.76 on Feb. 13, 1973.

The NYSE volume totaled 44.5] million shares, besting the old mark of 39.21 million set Thursday.

Analysts attributed the record setting day to signs of improving business conditions and the stabilizing of interest rates and inflation.

Investors evidently read the dividend increase announced by American Telephone & Telegraph Co. on Wednesday as an expression of strong optimism over the business outlook by the nation's most widely held corporation.

The January price rise was well within the Ford administration's

inflation target for 1976 of just under 6 per cent, and President Ford said it shows his policies are working.

“What we've done is really get a handle on one of the most insidious, adverse economic factors,” he said during a campaign appearance at Dover, N.H.

The Labor Department also had good news for wage earners, reporting that real spendable earnings of workers increased two-tenths of one per cent during January and 4.3 per cent for the 12-month period.

The growth in workers' spendable earnings — which are earnings after the effects of taxes and inflation are subtracted — has been a major factor in the nation's steady recovery from recession. :

Economic statistics undoubtedly will play a key role in the presidential campaign, with Ford and his advisers trying to get as much mileage as possible out of favorable reports, while opponents will use unfavorable Statistics to attack the President.

Progress against inflation was clear in the 12-month figures, which showed consumer prices were up 6.8 per cent in January over a year earlier. That was the lowest 12-month increase since July 1973, when prices had risen by 5.7 per cent.

The Labor Department said its Consumer Price Index for January stood at 166.7 per cent of the 1967 average, meaning that goods that cost \$100 in 1967 were selling for \$166.70 last

manth