basic business

NEWS

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EISENHOWER OUTLINES $71.8 BILLION BUDGET

President Eisenhower asked Congress to boost Federal spending $2.9 billion above this year's estimated $68.9 billion to $71.8 billion for the fiscal year that starts next July 1. The 1957-1958 budget, presented to Congress on January 16, estimates revenues for the next fiscal year at $73.6 billion, leaving a $1.8 billion surplus. For the current year, ending June 30, he forecast a $1.7 billion surplus (based on $68.9 billion of spending and $70.6 billion of revenue). But Mr. Eisenhower said tax cuts must wait at least another year. The new budget, if adopted, would be the third successive balanced budget of the Eisenhower administration. Spending for the coming fiscal year would be the highest since fiscal 1952-1953, at the height of the Korean War. (Wall St. J. 1/17 p.12)

INDUSTRIAL PRODUCTION RISES IN DECEMBER

Industrial production in December rose one point to a record 147%, seasonally adjusted, of the 1947-49 average, the Federal Reserve Board reported. This compared with a rate of 144% in December 1955. Increased auto production in December played an important role in boosting the over-all seasonally-adjusted index. For the full year 1956, industrial production averaged 143% of the 1947-49 average. This represented a four-point gain, or 3% over the 139% reported for the previous year. (Wall St. J. 1/17 p.5)

CONSUMERS IN BUYING MOOD

According to a nation-wide survey conducted by the Survey Research Center of the University of Michigan in November and December, the consumer is satisfied with his financial situation and confident of the future. Plans to buy new cars were substantially more frequent than earlier in 1956, but not as widespread as the high level reached in the fall of 1954.

The survey also reported that plans to buy homes have increased in recent months, but was less optimistic regarding prospective purchases of household goods. Such plans gave little indication of recovery from their earlier decline. The survey showed that buying inclinations had deteriorated somewhat among the lowest income group (under $3,000), while the middle and upper brackets showed improvement. (N.Y. Times 1/16 p.49)

1956 BUILDING CONTRACTS UP 3% The F. W. Dodge Corporation has reported that in the 37 states east of the Rockies, construction contracts for 1956 set a new record at $24.4 billion, topping 1955 by 3%. Non-residential contracts were up 6%, heavy engineering rose 10%, and residential awards dropped 4%. For the month of December, volume of construction contracts awarded was down 18% from 1955, the fourth consecutive month in which awards lagged behind year-earlier levels. Residential contracts were down 37% from December 1955 and non-residential awards, 14%. (N.Y. Times 1/15 p.45)

STEEL EXPANSION SET AT $1.7 BILLION Iron and steel companies plan to spend $1.7 billion on new equipment and construction in 1957 - more than ever before in a single year. In reporting this, the American Iron and Steel Institute said that such an investment would be 42% larger than the estimated 1956 outlay of about $1.2 billion. The planned expenditure would be more than six times what the industry was spending a decade ago. (N.Y. Times 1/16 p.2)

SENATE GETS BILL ON FINANCE STUDY Senator Homer E. Capehart has introduced a bill on President Eisenhower's detailed proposals for a commission to study all phases of credit and finance. The bill calls for a "national monetary and financial commission." It suggests an investigation along several lines, including an "evaluation" of existing means for money and credit control, such as the Federal Reserve System. The inquiry would also appraise the relative powers and advantages of all kinds of financial institutions and would review Federal and State laws affecting them. (N.Y. Times 1/15 p.2)

RETAIL STORE SALES ROSE 3% IN 1956 The Commerce Department reported retail sales rose 3% last year to a record $191.4 billion. The 1956 volume, which compared with $185.5 billion in 1955, was helped by a 4% gain in department store sales reported by the Federal Reserve Board. Higher prices were considered as a factor in the higher sales figure, although the Department gave no estimate on how much of the increase might be attributed to higher prices. Total retail store sales in December reached $19.5 billion. This compared with $19.3 billion a year earlier. (Wall St. J. 1/14 p.6)

RESERVE PASSIVE IN '56 CREDIT Contrary to popular belief, the Federal Reserve Banks did not take money out of the market last year in pursuance of their restraint policy; but through Government security purchases and other operations, they put some money into the market. M. S. Szymczak, a member of the Federal Reserve Board, said at the National Credit Conference, sponsored by the ABA, that constant study and review must determine exactly how much credit may be used at any particular time. The restrictive policy in 1956, he said, meant that the reserves supplied to and withdrawn from the banks by the System was essentially unchanged; what the System did was merely to refrain from making new Reserve credit available to meet all demands at current rates. (J. of Comm. 1/15 p.1)

HOUSING STARTS FALL IN 1956 Housing starts in 1956 declined to 1.1 million units, according to recent BLS figures. This was 16% under 1955 and the lowest level since 1953. Builders generally blame the 1956 sag on tight credit conditions. Many expect a further drop in home building this year to well below one million starts. But Federal Housing Chief Cole has said he believes the 1957 level will be about the same as that of 1956. (Wall St. J. 1/18 p.1)

CASH DIVIDENDS DROPPED IN DECEMBER BUT TOPPED '55 The nation's corporate shareholders received 8% less cash dividends in December than a year ago, but their take for the full year went up 8% over 1955 to establish a new record. The Commerce Department attributed the December decline in dividends by corporations issuing public reports to a lower volume of year-end "extra" dividends. Total payments during December reached $2.2 billion, compared with $2.4 billion in the like month of 1955. Despite the drop, however, December still was the second highest dividend month on record. All but four industry groups reported higher dividends in all of 1956 over the previous year. Non-ferrous metal companies boosted payments by nearly one-third, while advances of 10% to 15% were reported by the electrical machinery, iron and steel, oil refining and miscellaneous concerns. (Wall St. J. 1/17 p.3)

STEEL DEMAND SLACKENS

The swiftly-expanding steel industry has been operating at or near capacity since it recovered from last summer's steel strike shutdown. There's no prospect of any immediate major slump, but demand from several important steel using industries isn't coming up to expectations. Steel scrap prices, at times a tip-off to future steel production, are going down. The new outlook apparently is keyed by the realization that rosy estimates of steel use by auto makers aren't being fulfilled. In addition, appliance manufacturers' steel buying is showing an unexpected sag. When steel men were making their predictions for 1957, most figured on close-to-capacity operations in the first half of this year, with a decline in the second six months. But the recent order trend, marked by scattered cancellations and deferments from the auto and appliance industries, is giving rise to a belief that the drop-off may come before mid-year. (Lally, Wall St. J. 1/14 p.1)

TAX ANTICIPATION BILLS DRAW RATE OF 3.305%

The Treasury's offering of $1.6 billion of 159-day tax anticipation bills drew a rate of 3.305%. The bills were offered for cash and in exchange for $1.6 billion of 91-day bills marketed as a special issue to raise new cash last October. This issue drew a 2.627% rate. However, the rate on the October issue is not directly comparable. The current offering of bills differs in that it carries a longer maturity, is a tax anticipation issue, and cannot be paid for by credit in tax and loan accounts. (Wall St. J. 1/14 p.18)

TEXTILE INDUSTRY WELCOMES QUOTA

Prospects for the cotton textile industry are brighter than in many years. The announcement last week of "voluntary" Japanese quotas on textile shipments to the United States has served as a tonic to the American industry. The quota program provides for an over-all limitation of 235 million square yards to be shipped here from Japan in each of the next five years. A key result of the settlement is that it returns some form of stability to the industry. Executives now contend that they can proceed with long-range expansion, research and sales planning, without fear of being swamped by Japanese goods. (Spielvogel. N.Y. Times 1/20 III, p.1)

PUBLIC SPEEDED RATE OF SAVINGS

The Securities and Exchange Commission reports that savings by individuals increased $3.9 billion during the third quarter of 1956. This compares with a $2.2 billion gain in the previous three months and a $3.5 billion boost in the like period of 1955. Total savings at the end of September 1956, were $653 billion. Officials said it was too early to estimate what happened to savings in the fourth quarter. (Wall St. J. 1/17 p.3)