

basic
business

NEWS

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COST OF LIVING RISES AGAIN Living costs hit a new record high in January for the fifth straight month, the Bureau of Labor Statistics has reported. It said the trend still points upward. The index of consumer prices climbed 0.2% from December to January, to 118.2% of the 1947-49 average. The January living cost level is 3.1% higher than a year earlier. Factory workers' earnings also reached record levels for a January. The latest cost of living increase means 1.4 million workers will get a penny-an-hour increase under automatic inflation-adjusted labor contracts. (N. Y. Herald Trib., 2/22 II p.7)

AUTOMOBILE OUTPUT RISING THIS MONTH Ward's Automotive Reports has announced that the automobile industry would produce an estimated 578,370 cars this month, compared with 555,596 in February last year. It added that March output was being scheduled at the same daily rate as for February. The agency termed Chevrolet's reduced output this week as a "month-end adjustment". Passenger car production in United States plants so far this year amounts to 1,101,168 units, compared with 1,086,346 in the similar 1956 period. (N. Y. Times, 2/23 p.24)

FRS STILL WARY OF EASY MONEY It is not time yet to ease the central banking brakes that are restraining the use of money and credit, sources close to the Federal Reserve System believe. Central banking authorities are still convinced that the economy is strong despite some soft spots. Though the loss of steam is shown in a number of directions, for example housing, there is still enough pressure to maintain a high degree of business momentum. Signs of retrogression are as yet too weak to call for easier money. To administer it prematurely, it is felt, might only rejuvenate inflationary forces. (J. of Comm., 2/20 p.1)

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nor agreement with the views expressed.

ECONOMIC UNITY OF EUROPE ADVANCES What may prove to be the greatest step so far toward the economic and, eventually, the political union of Europe has been taken in Paris.

The heads of the Governments of France, West Germany, Italy, Belgium, the Netherlands, and Luxembourg agreed on the basic provisions of two treaties tending to merge their economies. One would pool their nuclear resources under a European Atomic Energy Commission not unlike that of the United States. The other would introduce gradually, over a period of 12 to 17 years, a single or common market without tariffs or other barriers covering both the European and the overseas territories of the six nations. They already are joined in a common market for two basic commodities in the European Coal and Steel Community. Their leaders expect that the treaties to broaden this economic union will be signed in Rome in March. (Callender. N. Y. Times, 2/21 p.1)

SHORT INTEREST HIGHEST SINCE 1933 The outstanding number of shares sold short on the New York Stock Exchange in anticipation of lower prices jumped 576,946 shares between January 15, and February 15--the largest increase in one month since June 1933. The short interest refers to the number of shares "sold short". The short interest on February 15, was the largest since September 15, 1955. The February 15 short position represented 0.1% of the total shares listed on the exchange. (Wall St. J., 2/21 p.9)

CHECKS TOP \$3 TRILLION Checkbook spending had its first three-trillion-dollar year in the U. S. in 1956, surpassing by more than \$200 billion the previous all-time high of \$2.9 trillion estimated for 1955. At least nine billion checks, possibly ten billion, were drawn on and paid by the nation's 14,000 banks in handling this colossal total of transactions, it is estimated. Attainment of the three-trillion level is indicated by the fact that during 1956, total check debits to individual and corporate bank accounts in the U. S., as compiled monthly for 344 cities by the Federal Reserve Board, aggregated \$2.2 trillion for the 12-month period, a gain of 7.8% above 1955, and a new all-time high. According to official estimates, the check debit figures for the 344 cities represent about 70% of total checks drawn by all depositors in all banks in the U. S. (Amer. Banker, 2/19 p.1)

MACHINE TOOL ORDERS INCREASE Machine tool makers' new orders in January increased about 10% from December, though continuing to lag far behind the huge inflow a year earlier. Tool manufacturers generally expect incoming business to hold around the January level, but doubt that 1957 orders will come up to last year's near-record volume. Shipments, on the other hand, may continue the

rising trend of recent months as builders work off big backlogs acquired during the ordering spree that started in the fall of 1955. (Wall St. J., 2/25 p.1)

HOUSE VOTES MORE HOUSING CREDIT The House has voted to make more housing credit available through the Federal National Mortgage Association. The "stop-gap" bill was passed to increase by \$500 million the amount the agency can borrow from the Treasury and the public to carry on its mortgage-buying activities. A Senate Banking subcommittee has reported out a similar bill. Fannie Mae officials had asked for a \$1 billion increase in the Association's borrowing authority, but lawmakers decided to give it \$500 million more to tide it over the rest of the current fiscal year. (Wall St. J., 2/21, p.3)

The Senate Banking Committee voted to make \$500 million available to the Federal National Mortgage Association to keep buying Government-backed home mortgages from private lenders. (Wall St. J., 2/25 p.4)

RISE IN DIRECT GI LOANS ASKED The House Veterans Committee rejected the Administration's request for a 5% interest rate on GI mortgages and approved instead an increase in the Government's program of direct lending for veterans' housing. Under the approved bill, home builders will be able to obtain construction funds as well as placement of mortgages directly from the Veterans Administration. The direct lending program will continue to be confined to areas remote from major financial centers. Maximum face value of mortgages to be purchased under the direct lending program was set at \$12,500 instead of the present \$10,000. (J. of Comm., 2/19 p.1)

EXCISE TAX CUT UNLIKELY The House Ways and Means Committee ruled out any major excise tax rate change in a pending bill on technical provisions of the excise laws. Some members believe this, in effect, ruled out action this year on excise tax cuts. (Wall St. J., 2/20 p.3)

WESTERN ELECTRIC PLANS \$50 MILLION FACTORY Plans for a \$50 million factory of the Western Electric Company have been outlined to 100 Columbus, Ohio, business leaders. Location of the plant in Columbus depends on rezoning and other problems. If they are solved, ground will be broken in May with initial occupancy early in 1959. The plant's production of telephone equipment for the Bell System eventually would employ 4000 with an annual payroll of more than \$16 million. (Ohio State J., 2/20 p.1)

SMELTERS CUT COPPER PRICE Custom smelters reduced their price for copper another cent to 31 cents a pound. This is the lowest price since January 27, 1955, when the quotation rose from 30 to 33 cents. The further cut in the custom smelter field put additional pressure on the 32-cent price for copper recently established by major U. S. producers. (Wall St. J., 2/21 p.1)

Copper consumers await a test of whether the domestic price of the metal, now quoted at 31 cents a pound by custom smelters and 32 cents by major producers, will stabilize around present levels, or drop below 30 cents. Trade interests say much depends on whether the supply-demand relationship is corrected through production cut-backs now being given serious study by big mining concerns. One important copper source estimated a world-wide cut of 24,000 tons a month--about 10%--would do the job. (Wall St. J., 2/25 p.1)

GASOLINE STOCKS AT RECORD HIGH The nation's gasoline stocks crossed the 200 million barrel mark for the first time on February 15. At that time, motor fuel in storage amounted to 202,254,000 barrels, compared with 199,895,000 barrels the preceding week. The year ago total was 189,428,000 barrels. (Wall St. J., 2/21 p.16)

EGG, POULTRY OUTPUT CONTINUES RISE The bargain prices housewives are paying for eggs and poultry will continue for most of 1957--perhaps into 1958. That's the consensus of many of the poultry men at the Institute of American Poultry Industries' fact-finding conference. The reason is not lack of demand. It is because the poultry industry has overproduced and is true more of broiler production than egg output. Since 1950, broiler slaughter had doubled to 1.3 billion birds last year. The 1956 output was 22% above 1955's 1.078 billion birds and in 1957, broiler men anticipate another 10% growth in production. (Wall St. J., 2/19 p.20)

UNIONS OPEN DRIVE TO BOOST MINIMUM PAY Organized labor is about to unleash a one-two punch on behalf of more wage-hour protection for workers. Some success looks likely. This year union men will concentrate on getting Congress to extend to some 10 million more workers the law that calls for a \$1 an hour minimum wage and extra pay after 40 hour's work a week. With the expected help of the Eisenhower Administration's first specific proposals for wider coverage, the unions probably will win at least part of what they want. Then labor will push next year for a boost in the wage floor to \$1.25 an hour. (Grimes & Otten. Wall St. J., 2/21 p.1)