basic business NEWS

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PRICES AT RECORD FOR SIXTH MONTH Consumer prices rose 0.4% last month, the Bureau of Labor Statistics has reported. The rise put the consumer price index at another high, 118.7. Average consumer prices for the years 1947-49 are 100 on the index. It was the sixth consecutive monthly increase in the index and the sharpest rise since October. The February index left the "cost of living" 3.6% higher than a year ago. The rise in the index brought automatic pay rises to about 135,000 workers, mostly in the aircraft industry. The typical increase was 2¢ an hour. (Dale. N.Y. Times, 3/23 p.1)

STEEL PRODUCTION Steel production, which dropped to a low for the year last week, is expected to slide again this week. Output last week declined to a scheduled 93.5% from 93.8% the week before, but from preliminary estimates, a sharper drop is indicated for this week. Reduced demand, plant alterations, and labor troubles are combining to slow operations. Biggest factor in the drop is the sluggish pace of automotive steel buying which has softened the market for cold rolled sheets and other light flat rolled steel products. A check with car makers shows two of the auto industry's three leading producers have no plans to step up their steel buying in the next two to three months. (Wall St. J., 3/25 p.1; p.3)

FORECAST CUTS IN FARM PLANTINGS The Department of Agriculture has reported that in 1957 farmers may plant the smallest acreage of crops since World War I. Production can be expected to exceed post-World War I levels, however, because of technological progress in crop production. The Department said a survey based on farmers' planting plans as of March 1, indicated about 277 million acres for 16 major spring crops. This would be about 2 million acres less than was planted to the same crops last year. The reductions in plantings will take place under crop control and a new soil bank program--both designed to help reduce production until price-depressing surpluses are reduced. (N. Y. Times, 3/19 p.47)

MARCH 15 TAX LOANS SHARPLY LOWER IN '57 Business borrowing to meet March 15 tax payments dropped sharply this year, according to figures issued by the Federal Reserve Bank of New York. For the two-week tax payment period, net borrowings from the larger New York City banks were about 20% below the year ago level. The total for the two weeks was $599 million, compared with $753 million in 1956. (N. Y. Times, 3/22 p.30)

RESERVES OF OIL AND GAS RISE TO NEW HIGHS The nation's known reserves of crude oil and natural gas liquids were at a record high of 36,337 million barrels at the close of last year, according to the American Petroleum Institute. This was 886 million barrels above the 35,451 million figure on December 31, 1955. The increases in known reserves were made in the face of record output. Production of crude oil and natural gas liquids last year amounted to 2.9 billion barrels, 158 million above the record set in 1955. Natural gas output was 10,908,790 million cubic feet, up 790,000 million. This was the largest gain reported for any year. (N.Y. Times, 3/21 p.43)

SHORT INTERESTS AT 18-MONTH HIGH Between February 15 and March 15, the aggregate short interest on the New York Stock Exchange rose to the highest mid-month point it has touched since September 1955, the Exchange has reported. It jumped from 2,815,519 to 3,002,510 shares. A short interest arises when speculators sell borrowed stock in the hope of being able to replace it at a lower price. (N. Y. Times, 3/21 p.47)

LAKES CARGO RACE SHAPING UP The greatest scramble for ocean cargo in Great Lakes shipping history is forecast by ship line officials, once the St. Lawrence canals are opened to traffic from overseas ports within the next few weeks. This view is based on the fact that at least five new lines will vie with old established Great Lakes-overseas shipping firms this season for a slice of what all agree could be the busiest cargo year in the history of the trades. By the middle of April, the first of a greatly increased fleet of British, European, and Scandinavian midget-sized cargo ships will push their bows westward to reopen the Great Lakes link with the ports across the seas. Another factor which could change the inland-overseas shipping picture will be the entry of several U. S. flag ships, should the lines get approval in time from the Federal Maritime Board. A modest estimate is that more than 400 sailings to and from the Great Lakes will be made before the end of the eight-month season. (Mantrop. J. of Comm., 3/22 p.1)

CEMENT PRICES RAISED IN EAST Several of the nation's major cement producers are boosting prices for the second quarter. Most of the price increases are 15 cents a barrel, effective April 1, at plants in the Eastern U. S. Price rises at mills in the East are the first since last October when similar boosts were put in effect. On January 1, most Western U. S. producers raised prices. One official said the latest eastern rises are in an effort "to catch up" with other parts of the country. (Wall St. J., 3/21 p.8)

CONSUMER CREDIT STUDY RELEASED The Federal Reserve Board has published its long-awaited staff study on consumer instalment credit. The study had been requested by the President's Council of Economic Advisers, and was carried out under the direction of Ralph A. Young, director of the Federal Reserve Board's Division of Statistics. The six-volume study reaches no conclusion on whether the Government should have stand-by powers to regulate down payments and maturities in peacetime. But, after studying the staff report, the Reserve Board itself is expected to make a recommendation. The study seemed unlikely to make a decision any easier. It did, however, make clear the intricacy and variety of the arguments on both sides. Majority Congressional opinion traditionally has opposed regulation of consumer credit in peacetime. Inasmuch as the study presented as many arguments against as for such regulation, it is unlikely to create much change in Congressional sentiment.

The first volume of the study represents the staff's assessment of all the aspects of consumer credit. The second volume, a supplement to the first, contains six special studies on individual aspects of the question, including the first survey by the Census Bureau on the debt status of a large number of households. The third and fourth volumes comprise a series of papers presented by academic specialists, mainly economists. They were selected to represent both the pros and cons of stand-by regulatory authority. The fifth volume is a special survey of opinions of people in the trade itself, of whom the great majority opposed stand-by controls. The last volume, not yet published, will be a special survey of the automobile market based on interviews with dealers.

On the key question of whether instalment credit contributes to boom-and-bust in the economy, the report says that "other factors have been of greater importance". When changes in over-all business activity are closely related to changes in the consumer durable goods sector, "instalment credit can be regarded as an important contributory factor". In the future, easing of this credit will likely exert "wider influence on economic activity than in most earlier cycles", and in boom times will exert less stimulus. But, the report adds, the "danger of progressive or spiraling deflation of consumer credit is less currently than it was in 1929".

The report concludes that consumer credit is definitely responsive in some degree to general credit restraint. But it leaves open the question of whether this response is "sufficient". Consumer credit, as a whole, is likely to continue to grow, the staff estimated, but at a rate considerably slower than the average 10% a year during the period since it began in 1920. (Dale. N. Y. Times, 3/20 p.1)

CHECK TURNOVER GAINS SPEED The velocity of demand deposits--the rate at which bank customers use their checking accounts--increased in February by 4.4% in New York and 2% in the rest of the nation, it was announced by the Federal Reserve Bank of New York. Outside New York, check writers were busier than they had been in twenty-four years. The bank's index shows that velocity in 343 reporting centers, excluding New York, rose to 146% of the 1947-49 average in February, highest since July 1933. (N. Y. Times, 3/21 p.44)

TREASURY SHORT-TERM BORROWING COST DOWN The Treasury's short-term borrowing costs dropped to 3.041%, the lowest level since mid-November. Last week's issue of 91-day bills drew a rate of 3.238%, compared with 2.422% in the like 1956 week. A declining bill rate is generally interpreted to indicate an easing of money market conditions. One reason for this week's rate decline may be that the Treasury offered only $1.6 billion of new bills for cash and in exchange for a like amount of maturing bills. In the previous seven weeks, the Treasury had been raising new money through its weekly bill offerings by putting out enlarged issues. (Wall St. J., 3/19 p.2)

TREASURY OFFERS SECURITIES To replenish its rapidly-dwindling supply of ready cash, the Treasury (recently) offered investors $2,250 million of 3-3/8% certificates dated February 15, 1957, and due February 14, 1958; also, $750 million of 3-1/2% notes dated February 15, 1957, and due May 15, 1960. Though reports are incomplete, the Treasury received roughly $7 billion of subscriptions for the certificates and $6 billion of subscriptions for the notes. (Wall St. J., 3/21 p.18)