basic business
# NEWS
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JULY PLANT OUTPUT HELD STEADY — Industrial production in July remained at the June seasonally-adjusted level, the Federal Reserve Board reported. Last month's rate was eight points higher than the year-earlier pace. American industries produced at a seasonally-adjusted rate of 144% of the 1947-49 average in July. This was one point above the rate in both April and May, and 3 points below the high reached last December. (Wall St. J., 8/19 p.9)

EMPLOYMENT HITS ALL-TIME HIGH — The nation's employment rose to an all-time high of 67.2 million for July, the Departments of Commerce and Labor announced. The increase of 700,000 workers over the June total was attributed mainly to the continued hiring of young people in summer jobs and a slight increase in farm work source. This monthly rise in the labor total was described as "one of the largest on record for this time of year". Unemployment for the month was 3 million, a drop of 300,000, caused by the employment of students and graduates who had been listed as job seekers on the previous month's record. (J. of Comm., 8/13 p.1)

GNP AT PEAK; PERSONAL INCOME UP — The Department of Commerce reported that gross national product hit an annual rate of $434 billion in the second quarter of this year, over $5 billion higher than in the first quarter. Nearly all of the increase in GNP "seems to have been associated with increases in prices", the Department of Commerce said.

Personal income in July rose by $700 million to reach the seasonally-adjusted annual rate of $345.5 billion. (J. of Comm., 8/16 p.2)

RESERVE CHIEF URGES MONETARY RESTRAINT

Testifying before the Senate Finance Committee, the Federal Reserve Board's Chairman, William McChesney Martin, Jr., said that the United States can halt inflation, but he warned that breaking the price spiral will require the continued use of monetary restraint and the achievement of a bigger budget surplus than the Federal Government now has in sight. Inflation is the most critical economic problem facing the country, Mr. Martin told the Committee. He evinced little patience and scant respect, either for those who contend that inflation must go hand in hand with full employment, or for those who contend that creeping inflation is a good thing. Mr. Martin vigorously defended Federal Reserve credit curbs, called for a larger budget surplus, and sternly warned of the menace of inflation, in his initial appearance before a committee whose members include some of the Senate's sharpest critics of tight money. The group is investigating the financial condition of the United States. Mr. Martin urged that Congress strengthen the Government's will to halt inflation "by declaring resolutely--so that all the world will know--that stabilization of the cost of living is a primary aim of Federal economic policy". Mr. Martin made it plain that he believes the United States has not yet taken sufficiently rigorous steps to halt the inflationary advance that has boosted living costs 5% in the last eighteen months. (Slevin. N. Y. Herald Trib., 8/14 II p.2)

HEARINGS ON MONETARY POLICY TO RECESS UNTIL FALL

The Senate Finance Committee expects this week, possibly today, to recess its current investigation of Governmental monetary policy until later this year. The hearings will resume, probably with Mr. Martin still on the witness stand, at some time this fall. (Wall St. J., 8/19 p.22)

NEW YORK KEEPS 3% DISCOUNT RATE

Directors of the Federal Reserve Bank of New York have taken no action to increase the discount rate. Failure to raise the rate put New York in company with Reserve Banks in Cleveland, Richmond and St. Louis, which also have failed, so far, to take part in the discount rate rise. (N. Y. Times, 8/16 p.24)

The Federal Reserve Bank of Richmond has advanced the discount rate from 3% to 3-1/2%, effective Monday. (N. Y. Times, 8/17 p.20)

TREASURY BILL RATE AT 24-YEAR HIGH

The Treasury's short-term borrowing cost rose to 3.498%--the highest rate since the bank holiday period of 1933. The increase was attributed to the rising cost of money generally, as reflected in the past week by increases in commercial banks' "prime" rate, and the Federal Reserve System's discount rate. The Treasury is also offering an additional $1.8 billion of 237-day bills on Wednesday, which creates more demand for short-term money. (Wall St. J., 8/13 p.17)

The Treasury's latest trip to the money market cost the Government a whopping 4.173% interest rate on $1.8 billion of 237-day bills. (Wall St. J., 8/16 p.3)

CAPITAL MARKET ENDS SUMMER DIP The midsummer lag in the public market for new capital is ended. Investment banking syndicates are getting ready to take commitments in new issues of corporate and local government bonds ranking in volume with any period of the year. Meantime, the backlog of new issues of securities is rising again, both on the corporate and local government fronts. In the corporate field, issues of bonds and preferred stocks awaiting marketing total $2.2 billion, according to the Investment Dealers Digest. (N. Y. Times, 8/17 p.19)

BANK OF FRANCE RAISES DISCOUNT RATE The Bank of France today raised its discount rate from 4% to 5% while the black market rate for the dollar rose to 436 francs, the five-year peak it reached Monday. While some observers felt that the action taken falls short of the goal in some respects, it was being praised for at least bringing the official value of the franc closer to reality and of putting French products on a more competitive basis on the international market. (de Lyrot. N.Y. Herald Trib., 8/13 p.2)

STEEL MAKERS AWAIT UPTURN Steel industry officials are still waiting for the strong upturn in the volume of new orders. Some slight improvement has occurred but the real "push" has not appeared. Seasonal influences, including repairs and vacations, still were ruling the market late last week. The same outlook is promised for this week but a few optimistic factors were building up. Auto makers appeared to be holding up orders until the last moment. Contrary to the trend in light plate and flat rolled steel procurement, which is fairly easy at present, heavy plate deliveries in many cases are becoming extended. (N. Y. Times, 8/19 p.26)

JULY HOUSING STARTS ABOVE JUNE The annual rate of new housing starts picked up in July to match May's level, but actual starts were the lowest for the month since 1951. The Department of Labor reported builders began work on new homes at a seasonally-adjusted annual rate of 980,000 units in July, up from June's 970,000 rate but lower than the 1,070,000 level a year earlier. The gain brought the rate to the same level attained in May, which was the highest for the year. Although starts went up on a seasonally-adjusted basis, the actual number of public and private units on which work was begun in July slipped to 96,000, from 97,000 the month before and 101,100 a year earlier. (Wall St. J., 8/19 p.9)

GLASS PRICES CUT BY MAKERS Three glass makers reduced prices by 5% to 16% on heavy sheet glass for large windows in homes and office buildings and on thin glass, used for picture framing. Trade sources said reductions were designed to meet competition from imported glass of the two types. No changes were made in prices of single and double-strength window glass, big volume products of the flat glass industry, for which demand has slackened as a result of the decline in home building. (Wall St. J., 8/14 p.1)

GREAT LAKES SHIPPING UP Combined shipments of iron ore, coal and grain over the Great Lakes this year to August 1 totaled 79 million net tons, the Lake Carriers Association has reported. This was more than 10 million tons ahead of the movement for the same period last year and has been exceeded only in the record tonnage year of 1953. Oliver T. Burnham, associate vice president and secretary, said the July ore shipment of 14 million gross tons was the second highest tonnage for the month in history. (Cleve. Plain Dealer, 8/14 p.16)

STORES LOOK EAGERLY TO YULE With 104 shopping days left before Christmas, investors are wondering if Santa Claus will be kind to the department stores this year. According to the Federal Reserve Board, department store sales for the year so far are only 2% higher than they were last year. If 1957 is to close with a record better than this, the lag will have to be made up in the Christmas quarter. The holiday season normally accounts for 25% to 30% of the year's business. (Tompkins. N. Y. Times, 8/18 III p.1)

IMPACT OF HIKE IN FREIGHT RATES Transportation cost increases pose knotty problems for manufacturing firms. They are casting about for ways to ease the impact of higher freight rates which railroads will start charging August 26. The search for alternate channels of shipment is complicated by prospects that trucking lines may raise their rates, too. Manufacturers of items in toughly competitive fields figure they can't pass along much, if any, of the higher costs. Some concerns feel the consumer price effects of transportation rate boosts may be delayed until fall or next year. An example is the auto industry, in which, trade sources say, the higher freight tariffs will boost retail prices--but not while dealers are getting rid of 1957 models. (Wall St. J., 8/15 p.1)