

basic
business

NEWS

Published Weekly by the FEDERAL RESERVE BANK of CLEVELAND

September 3, 1957 to September 9, 1957

AUGUST SETS RECORD IN CONSTRUCTION

Dollar outlays for construction reached a record \$4.6 billion in August, the Departments of Labor and Commerce have reported. The rise of 4% over July was somewhat more than seasonal. For the first eight months of the year, the value of construction was a record \$30.5 billion, or 2% more than the comparable 1956 period. Public construction of all kinds, led by highways and schools, continued to be the pace setter. Private construction for the first eight months continued at about the same level as last year. (N. Y. Times, 9/6 p.23)

STEEL RATE RISES SLOWLY

The summer doldrums in steel are lasting a little longer than expected, even though they haven't proved quite so bad as predicted. While orders and operations have picked up in recent weeks, the improvement has been far from spectacular, and Labor Day has come and gone without working any magic formula on steel industry order books. General outlook on steel production is that September will be a better month than August, that October will be better than September, and that November will improve on October. Forecasts on fourth quarter production range generally between 85% and 90%--or at least that has been the case until a few days ago. Now some say October-November-December might slip a little under 85% of rated capacity. Currently, production is running around 82% of capacity. (Lally. Wall St. J., 9/9 p.3)

INSTALMENT DEBT RISES

Consumers added \$355 million to their instalment debt during July, the Federal Reserve Board has reported. Last year, instalment debt grew by \$213 million during July, while in 1955, the rise for the month was \$545 million. The Board said instalment debt outstanding during July totaled about

Selection of these items does not imply this bank's guaranty of their accuracy,
nor agreement with the views expressed.

\$32.7 billion, a \$2.4 billion increase over a year ago. July's instalment credit climb was the third largest of the year. (Wall St. J., 9/4 p.16)

FEDERAL PAY RISE VETOED AS INFLATIONARY President Eisenhower today vetoed legislation that would have increased the pay of almost 1,500,000 postal and white-collar workers in the Federal Government by about \$850,000,000. He said the proposed rises were unfair, unnecessary, inflationary, and a menace to the national debt limit. "Government cannot in good conscience ask private business and labor leadership to negotiate wage adjustments with full regard to the whole nation's interest in price stability while at the same time approving the enactment of these wholesale salary increase bills," the President said. (Mooney. N. Y. Times, 9/8 p.1)

MUNICIPAL FINANCING INCREASED IN AUGUST State and municipal long-term financing totaled \$575,109,288 in August, a record for the month, according to The Daily Bond Buyer. The August financing brought the total for the first eight months of the year to \$4.5 billion, more than 21% above the figure for the like period last year. (N. Y. Times, 9/7 p.28)

MANY NEW ISSUES SLATED FOR WEEK A season of heavy commitments of capital for securities underwriters is slated to get under way next week. Following the recent trend, debt issues--both corporate and local government--will command the spotlight. Public financing next week will see the return of the Kingdom of Belgium to the market to borrow on dollar bonds. The issue will total \$30,000,000. (N. Y. Times, 9/7 p.23)

JORDAN GETS U.S. ARMS The first airlift of arms will arrive in Jordan on September 9 in a dramatic move by the United States to bolster its Middle Eastern allies against any Soviet aggression. The arms, promised Jordan under an agreement concluded earlier this year, were being rushed to this small Middle Eastern kingdom in the wake of a pro-Soviet turn in neighboring Syria. (N. Y. Times, 9/9 p.1)

BRITAIN'S DOLLAR RESERVES DECLINE The full impact of Western Europe's currency problems hit Britain's gold and dollar reserves last month. In its monthly statement on the gold and dollar position, the Treasury announced a drop of roughly 10%, or \$225 million in August, bringing reserves from the July 31 level of \$2.4 billion to \$2.1 billion. It was by far the gravest drop of the

year, but financial observers regarded it as only a temporary setback. They traced it to a flurry of speculation in the solidly based West German Deutschemark following the partial devaluation of the French franc. A further fall is expected for this month, but anything of the magnitude of the August drop would be cause for serious restudy of the British financial position. (N. Y. Times, 9/4 p.47)

COTTON-CLOTH MARKET Cotton-cloth mills are once more being forced to postpone their hopes for an already long-delayed sales and price pickup. Mill executives and cloth traders for weeks had been predicting an August break in the year-long apathy that has gripped their market--or at least an improvement shortly after Labor Day. Nothing of the sort happened. Sales of unfinished apparel fabrics in this city's big Worth Street market maintained their months-long pattern of small fill-in orders for immediate or quick delivery. The price of 80-square print cloth, a cotton-market barometer because of its wide use in inexpensive house dresses, pajamas and underwear, stayed put at the eight-year low of 17-3/4 cents a yard to which it sank as far back as last April. The persistence of this hand-to-mouth buying pattern, while retail sales of clothing and other textile products remain high, has worried mill men all year, and their puzzlement is deepening. (Church. Wall St. J., 9/9 p.26)

NEWSPRINT MILLS CUT PRODUCTION Production cutbacks are being made by a number of North American newsprint mills as U.S. newspaper publishers' supplies of this printing paper mount. Trade sources estimate the cutbacks amount to 5% of these mills' capacity. Newsprint consumption, which had been running at record levels, has begun to turn down lately. Trade sources attribute this largely to a decline in U.S. newspaper advertising lineage which fell 4.6% from the July 1956 level. Consumption was further hit in August by newspaper strikes in two cities. Contributing to growing supplies is an increase in newsprint productive capacity which has amounted to about 500,000 tons in Canada. Additional increases have been made in U.S. capacity and more are on the way. (Wall St. J., 9/6 p.3)

COPPER PRICES SLIDE FURTHER Big American copper producers yesterday slashed their price by 1-1/2 cents a pound to 27 cents, the lowest quotation in more than four and a half years. Custom smelter concerns went down a half cent to 26-1/2 cents, and the price in London hit another four-year low. World over-production of copper and a protracted slump in consumer buying are the twin factors mostly to blame for copper's price plight, industry sources assert. Some copper trade authorities are looking for a pick-up in buying this fall. (Wall St. J., 9/4 p.18)

MANUFACTURERS' SALES
ROSE 3% IN JULY

Higher steel prices figured in a 3% gain in manufacturers' sales in July over the June rate, adjusted for seasonal changes, the Department of Commerce reported. All manufacturing sales, at the seasonally-adjusted rate, totaled \$29 billion, compared with \$28.1 billion for June, the report said. Durable and non-durable goods industries shared in the increase. The largest relative gain occurred in the primary metals industry, where the new steel prices were an important part of the dollar increase. (Wall St. J., 9/5 p.7)

CRUDE OIL OUTPUT
AT 22-MONTH LOW

The nation's output of crude oil took a further dip during the week ended August 30 to the lowest level in 22 months. Production for the period averaged 6,766,250 barrels daily, a decline of 22,250 barrels from the previous week and some 340,000 barrels daily under a year ago. Production in the latest week was the lowest since the week of October 28, 1955, when daily crude output averaged 6,749,500 barrels. (Wall St. J., 9/6 p.8)

WORK LOST IN
STRIKES DROPS

Fewer workers were on strike during the first seven months of this year than in any comparable period since 1945, the Department of Labor has reported. About 904,000 workers were idle for 10,100,000 man-days from January through July. The Department said the time lost was 0.15% of the total number of hours worked in all industries. (N. Y. Times, 9/5 p.3)

NATIONAL PRODUCT RISE
DUE TO HIGHER PRICES

The Federal Reserve Board has estimated that rising prices accounted for almost two-thirds of the dollar increase in the gross national product since last year. In the second quarter of 1956, the country was producing goods and performing services at a rate of \$411 billion a year. By the second quarter of 1957, the figure had risen to \$434 billion. The Board estimated that 62% of the increase could be laid to higher prices paid for the same amount of products, and the remainder to greater physical output. (N. Y. Times, 9/3 p.30)

BAIRD, ST. PAUL BANKER,
NAMED TO TREASURY JOB

President Eisenhower named Julian B. Baird, St. Paul banker, as Under Secretary of the Treasury, to succeed W. Randolph Burgess. Mr. Baird will serve as the Treasury's top debt manager under a recess appointment, since his selection came as Congress was adjourning. His nomination will be subject to Senate approval next year. (Wall St. J., 9/3 p.12)