INDUSTRIAL OUTPUT STEADY IN AUGUST  Industrial production failed to rise in August despite record levels of employment, personal income and retail sales. The Federal Reserve Board reported today that its monthly index of the output of mines, mills, and factories stood at 144% of the 1947-49 average. This was unchanged from the June and July production rate, after allowing for seasonal fluctuations. The index, a yardstick of physical output, has lagged all year behind the peak of 147 reached in December. Manufacturing activity climbed as automobile assemblies rose as usual in the period preceding a model changeover, but the over-all gain was no more than seasonal. (N. Y. Herald Trib., 9/17 II p.3)

PERSONAL INCOME HITS NEW HIGH  Personal income continued to rise last month, mostly because of greater employment and higher wages in sales and service industries. The annual rate of income increased $1 billion to a record rate of $347.3 billion, the Department of Commerce reported. The steady climb in income this year has been almost as strong as last year's. The rate has risen about 4% since last December, compared with an almost 5% rise in the same period a year ago. The increase has been better than conservative estimates made by the Treasury when it was calculating income tax collections at the start of the year. This means an improvement on the revenue side of the Federal budget ledger. (N. Y. Times, 9/18 p.18)

TREASURY BILL RATE MOVES TO NEW HIGH  The Treasury's short-term borrowing costs once again moved above all comparable rates since 1933 and also continued above the Federal Reserve System's discount rate. The latest issue of short-term Treasury bills was sold at a price equivalent to an average yield of 3.633%. Last week, a similar issue drew a rate of 3.575%. The Selection of these items does not imply this bank's guaranty of their accuracy, nor agreement with the views expressed.
average yield on the latest issue set a new 24-year record for the third consecutive week. It's the highest since the Treasury had to pay 4.259% on short-term bills during the "bank holiday" in March 1933. (Wall St. J., 9/17 p.19)

TREASURY ISSUES  The Treasury has reported a heavy oversubscription for all three parts of last week's $3 billion cash financing. The new 4% 12-year bonds were so heavily oversubscribed that bidders will get only 10% of any amount above $50,000 that they asked for. Subscriptions for the bonds totaled $4.6 billion, though the Treasury offered only $500 million. For the new 4% 5-year note, redeemable at the option of the holder in 2-1/2 years, subscriptions aggregating $6 billion were submitted for an offering of $1.7 billion. For the August-dated 4% certificates, subscriptions were $3 billion for an offering of $750 million. Although it was clear that much of the oversubscription for the new bond was occasioned by an expectation that subscribers would exceed the offering, there was some feeling that considerably more than $500 million might have been sold. The ceiling on the national debt kept the total down to $3 billion. (N. Y. Times, 9/19 p.41)

REDISCOUNT RATE  The West German central bank announced a reduction of 1/2% in its rediscount rate. Starting September 20, commercial banks will pay only 4% of the principal for credit obtained from the Bundesbank, the German Federal bank. The Bundesbank also announced that its interest rate for cash credits would be reduced from 4-1/2% to 4%. The reduction was the third since May 1956 when the rediscount rate reached a six-year high of 5-1/2%. It contrasted with a wave of bank rate increases in the United States and west European countries during the summer. (Olsen. N. Y. Times, 9/19 p.7)

BRITAIN RAISES DISCOUNT RATE  Britain launched a new drive on inflation. The Bank of England raised its discount rate from 5% to 7%--highest in 37 years. The boost was effected to hold down borrowings by commercial banks at the Government institution. It sent prices tumbling in British bonds and in all sections of the London stock market. The British bank rate, which last was changed in February of this year when it was cut to 5% from 5-1/2%, is now the highest since November 1920, when it also stood at 7%. Only once in this century has the rate been above that level--at the beginning of World War I in August 1914, when the rate stood for a few days at 10%. Chancellor of the Exchequer Peter Thorneycroft announced the boost yesterday, one day after a reduction by the West German central bank in its discount rate to 4% from 4-1/2%. The latter move, whether
or not taken in concert with the British decision, was expected to reinforce its effects by discouraging continuation of the recent flow of money out of other European countries and into Germany. (Linge, Bond. Wall St. J., 9/20 p.2)

STOCK MARKET

Stocks broke Friday to a two-year low. There was a half-hearted recovery late in the afternoon, only to be followed by another sell-off in the final half hour. Selling pressure was evident through most of the session and volume was the largest in more than three weeks. About the only groups to resist the skid were tobaccos and utilities. If news were needed to explain the latest break, there was news aplenty. The London market was off again in the wake of the Bank of England's boost in its discount rate from 5% to 7%. The London Financial Times' index of ordinary industrial shares fell to a new 1957 low of 177.2. The index has dropped 7.8% since Wednesday. (N. Y. Times, 9/21 p.25)

GOVERNMENT SPENDING

Government spending in fiscal 1958 will be close to the $71.8 billion projected by President Eisenhower last January. It may even go a little higher. That is the expectation in official quarters despite the recent economy drive. It will be set forth in a report the Bureau of the Budget is now preparing. The figures will show that economies thus far effected have at least been offset--and perhaps outweighed--by higher interest costs on the public debt and Congress' refusal to boost postal rates. (Wall St. J., 9/19 p.1)

BUSINESS LOANS

Leading New York banks increased their loans to business by $105 million in the week ended September 18, the same as the previous week, the Federal Reserve Bank of New York reported. In the corresponding week last year, such loans rose $69 million. The bigger jump this year was attributed in part to seasonal needs, as well as to borrowings by corporations to pay a somewhat bigger Federal income tax instalment than in 1956. Under the Government's accelerated payment schedule, 15% of a corporation's 1957 tax liability fell due September 15, as it will again December 15. The required payment for each of these periods last year was 10%. (Wall St. J., 9/20 p.11)

PRUDENTIAL HEAD ASKS FOR MORE CONTROLS

Carrol M. Shanks, president of Prudential Insurance Co. of America, urged the Federal Reserve System to step still harder on the credit brakes to halt inflation--though this may mean running the risk of producing some unemployment and "possibly even plunging us into a recession". In a speech before the Economic Club of Detroit, Mr.
Shanks said that rising prices should not be taken as a sign that traditional general Federal Reserve controls are ineffective, but that "under present circumstances those controls must be applied more steadfastly and for a longer period... Putting it bluntly, some of the super-confidence must be shaken out of the boom." The Prudential president noted, "We have had so many years of continuous boom that the economy has become relatively insensitive to external pressures." (Wall St. J., 9/17 p.17)

**PIG OUTPUT UP 4% FOR FALL SEASON**

A survey made by the Department of Agriculture indicated that the midwestern livestock belt would produce around 4% more pigs during the June-November fall season than it did a year ago. It also indicated that farmers in that area planned to produce 7% more pigs in the first half of the 1958 spring season than they did in this year's period. Ezra T. Benson, the Secretary of Agriculture, has urged farmers to hold pig production in line with this year's level lest they start a new cycle of overproduction and falling prices similar to that which plagued growers and Federal farm officials in 1955 and early 1956. The prospective increase in production could have far-reaching political implications. Its impact on markets and supplies would be felt first in measurable degree during the fall of 1958--the time of the next Congressional election campaign. (N. Y. Times, 9/20 p.35)

**WHEAT EXPORT**

Grains and soybeans were lower last week on the Chicago Board of Trade, with wheat and rye losing most on discouraging export news. Wheat fell 2-3/8¢ to 3¢ a bushel as longs reduced holdings. The price is too high to attract export buying, and current supplies are adequate for domestic needs. News from abroad concerning wheat export possibilities was not encouraging. Supplies in Europe are larger than a year before and the economic situation in France and England induced pessimism. Hope prevails that wheat-grower participation in the Government support program will increase. Moisture in Southwestern States encourages belief that more wheat will be sown, and the soil bank program lags materially behind last year. (Wall St. J., 9/23 p.14)

**FIRST SULFUR PRICE CHANGE SINCE 1953**

The price of sulfur, one of the major basic materials used in industry, has been reduced more than 11%. The reduction was attributed to competitive conditions arising from lower prices on Mexican sulfur, as well as a recent uneasiness in the domestic economy. The reduction, amounting to $2.50 to $3 per long ton, represents the first change in price since 1953, at which time the price of bright sulfur was boosted $1 to $26.50. (Suckley. J. of Comm., 9/19 p.1)