

basic
business

NEWS

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INDUSTRIAL PRODUCTION DOWN AGAIN IN DECEMBER

Industrial production, a key reflector of how business is doing, dropped for the fourth straight month in December, the Federal Reserve Board reported. The seasonally-adjusted December index stood at 136% of its 1947-49 average, three points, or 2%, below November and 11 points, or 7%, below the record high of 147 in December of 1956. For the full year of 1957, however, industrial production averaged 143, the same as for 1956. (Wall St. J., 1/16 p.7)

NATION'S JOBLESS UP TO 3.3 MILLION

Unemployment in the United States rose to an estimated total of 3,374,000 in mid-December. This was the highest total for any December since 1949, according to a report by the Departments of Commerce and Labor. The seasonally-adjusted rate of unemployment--5.2%--was the highest in three years. This meant that one of every twenty persons in the labor force was looking for a job. Unemployment rose by 186,000 between mid-November and mid-December, contrary to the normal seasonal pattern. Cutbacks in manufacturing and construction were blamed. Civilian employment actually declined much more than unemployment rose. The decline was about 447,000. The difference in figures is reconciled by the fact that many persons withdrew from the labor force. If they are not working or seeking work they are not counted. Despite this, civilian employment in the nation remained close to the levels of a year ago. (N. Y. Times, 1/15 p.1)

INVENTORIES FELL IN NOVEMBER

The value of business inventories dropped for the second straight month in November. The Department of Commerce reported the book value of manufacturing and trade inventories at the end of November was down \$200 million below the end of October, on a seasonally-adjusted basis, to a total of \$90.9 billion. The October drop which preceded it was the

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first in nearly three years and came after a succession of moderate increases for the first 10 months of 1957. (Wall St. J., 1/14 p.16)

\$74 BILLION BUDGET President Eisenhower sent Congress a \$73.9 billion fiscal 1959 spending budget that he said "adequately" meets the Government's responsibilities in a "time of growing danger." He called for increasing Federal spending by \$1.1 billion to a new peacetime peak, predicted that an upturn in business activity will raise tax collections to a record high, and forecast that the Government will register a small budget surplus. The budget is the program that the President has put forward to carry out his State-of-the-Union message declaration that the United States must throw "every asset" into the cold war struggle against world communism. He proposed a \$1.5 billion increase in national security spending, a slight reduction in civilian programs, and maintenance of present Federal tax rates. Congressional acceptance of the President's \$73.9 billion budget would lift Government spending to its highest point since the Korean War year of fiscal 1953, when outlays totaled \$74.3 billion. The country's biggest budget amounted to \$98.4 billion and was posted in the World War II fiscal year of 1945. (Slevin. N. Y. Herald Trib., 1/14 p.1)

DEBT-CEILING RISE ASKED Secretary of the Treasury, Robert B. Anderson, has asked Congress to vote a \$5 billion temporary increase in the public-debt ceiling. He urged that the debt limit be raised to \$280 billion from \$275 billion. He recommended that the increase remain in effect from the date the bill is signed until June 30, 1959. Identical bills to carry out Mr. Anderson's recommendations were introduced in the House by Rep. Mills and Rep. Daniel A. Reed. The present ceiling forced the Treasury to adopt costly and inefficient debt management methods. It has had to make frequent and upsetting trips to the money market to borrow small sums because the debt ceiling prevented it from borrowing large amounts in one package. (Slevin. N. Y. Herald Trib., 1/15 p.1)

The House Ways and Means Committee approved a temporary increase of \$5 billion in the \$275 billion ceiling on the national debt. (Mooney. N. Y. Times, 1/18 p.1)

MARGIN REQUIREMENTS CUT TO 50% The Federal Reserve Board cut stock margin requirements from 70% to 50%, effective January 15. The reduced requirements, the Board said, apply to both purchases and short sales. The change means that a buyer now only has to put up 50¢ in cash on each \$1 of the purchase price of the stock, and can borrow the rest. The margins were raised from 50% to 60% in January 1955. They went to the present 70% level

April 23, 1955. The move, of course, would have the effect of pep-
ping up the outlook of any company preparing to put out a new stock
issue. It would also serve, some experts believe, to broaden demand
for stock in a market that has just gone through a long decline.
(Wall St. J., 1/16 p.3)

PROFIT-TAKING This week the market in Government securities has
BREAKS OUT seen profit-taking and has reacted from the highs.
 The fact that the request was made of Congress to
increase the debt limit by \$5 billion, and also the testimony of
Under Secretary Baird before a congressional committee, brought out
some selling on Tuesday. Wednesday, selling continued until late in
the afternoon, when prices began to stiffen. Thursday, the long bonds
again were lower. The market had been discounting that the Federal
Reserve Banks might lower their discount rates, and hopes had been
expressed that Thursday might see an announcement. In view of the
change in margin requirements, hopes for a reduction in the discount
rate lessened. (Amer. Bkr., 1/17 p.4)

STOCK MARKET The stock market paid little heed to a rash of dramatic
 economic developments last week. Prices, in general,
held within a narrow range and ended with moderate gains. The Federal
Reserve Board's surprise reduction of margin requirements on stock
purchases provided only a temporary--and minor--stimulant. Had there
not been further evidence of the general business decline, the news
from Washington might have generated a more pronounced spurt in the
prices of securities. With misgivings over the near-term business
outlook so prominent, however, the best the stock market could manage
was a modest rise that barely erased the preceding week's loss.
(N. Y. Times, 1/19 III p.1)

A.T. & T. HOLDERS American Telephone & Telegraph Co. shareholders
VOTE DEBENTURES approved a plan to sell \$718 million of converti-
 ble debentures. The massive issue, which will be
the biggest private securities offering in U.S. corporate history,
will be used to help finance the Bell System's expansion program,
expected to total \$2.25 billion this year. A.T. & T. directors an-
nounced the debentures will bear interest at 4-1/4% and will mature
in 15 years. They will be offered for subscription at face amount
to shareholders of record January 24 in the ratio of \$100 worth of
debentures for each nine shares of stock they own. (Wall St. J.,
1/16 p.3)

HOUSING STARTS Private housing starts in 1957 totaled 989,700, drop-
 ping below the million mark for the first time since
1949, the Department of Labor reported. Private housing starts during

December dropped to 60,800, the lowest since April 1956, and nearly 5,000 below November. Total starts in December were 62,000, down from 78,000 in November. This decline is a little more than usual for the time of year. (Wall St. J., 1/15 p.6)

RETAIL TRADE The Department of Commerce announced that December 1957 retail store sales totaled \$19.7 billion, bringing sales for the full year 1957 to a record of more than \$199.8 billion, 5% above sales for the year 1956. December 1957 sales, after adjustment for seasonal factors and trading day differences, were 1% above November of this year and 2% above December a year ago. (J. of Comm., 1/14 p.4)

PERSONAL INCOME OFF IN DECEMBER Another of the Government's key economic indicators --personal income--fell for the fourth straight month in December. The Department of Commerce reported that personal income in December was at a seasonally-adjusted annual rate of \$343 billion, down \$2.5 billion from the preceding month and a full \$4 billion below the August 1957 high. The total for the full year of 1957 was \$343 billion, or 5% above 1956. The drop in December from the preceding month was the sharpest fall personal income has taken since it started sliding in September. The 1957 gain from 1956 in personal income represented a gain in money income and in purchasing power as well, since the relative advance topped the rise in consumer prices. Compared with 1956, wages and salaries were up \$11.5 billion in 1957. (Wall St. J., 1/17 p.6)

WEEKLY STEEL REPORT TO STRESS TONNAGE The American Iron & Steel Institute announced that it had adopted a new procedure to be used in releasing weekly steel production figures. The estimated percentage of tons produced based on capacity as of January 1, 1958, will no longer be issued, Benjamin F. Fairless, president of the institute, stated. Instead, the weekly report will emphasize the tonnage produced and the index of production, based on the 1947-1949 period. (Casazza. J. of Comm., 1/14 p.3)

GERMAN BANK RATE SLASHED The Central Banking Council decided to lower the West German bank rate from 4% to 3-1/2%, effective January 17. This was the fourth successive reduction by the Federal bank following a series of increases up to May 19, 1956, when the rate was fixed at 5-1/2%. The last previous cut was from 4-1/2% to 4% September 19. Banking sources said that the action had been expected for some time because of an abundance in the West German money market and three successive declines in the Treasury bill rate. (N. Y. Times, 1/17 p.31)