ECONOMIC REPORT

President Eisenhower warned business and labor that "unwarranted" price or wage increases, achieved through "the exercise of economic power," could threaten the recovery he expects this year. In his annual Economic Report to Congress, the President gave his reasons for believing that "the decline in business activity need not be prolonged and that economic growth can be resumed without extended interruption." The President's analysis of the economic outlook, prepared for him by his Council of Economic Advisers, based much of its confidence on rising defense orders, with their probable effect in curbing the recent sharp reduction in business inventories. The President also cited indications of greater housing activity, and higher State and local government spending as favorable factors in the outlook. The report showed that the cutbacks in production, jobs and incomes had been caused mainly by the using up of business inventories, and only slightly by the reduction of final demand by consumers, business, Government and foreigners. (Dale, Jr. N. Y. Times, 1/21 p.1)

RESERVE BANK RATE

A new round of rediscount rate cutting was indicated when the Federal Reserve Bank of Philadelphia broke the ice with a cut to 2-3/4% from 3%. This followed a cut from 3-1/2% by all Reserve banks only last November. Unlike the action taken last November, when commercial banks failed to cut their business loan rates, the Philadelphia action immediately percolated down to business borrowers. In Washington, Federal Reserve Board approval of the lower Philadelphia rate was related to "economic developments" and in part to the necessity of bringing the central bank rate into alignment with other market rates. It was indicated that there was nothing particular in the Philadelphia situation to make that bank the leader in cutting rates. (J. of Comm., 1/22 p.1)

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

A handful of banks, in New York City, Philadelphia, Cleveland and Kansas City, cut their "prime" rate to 4% from 4-1/2% Wednesday following a similar half-point reduction by Chase Manhattan Bank in New York on Tuesday. Most banks over the country, however, stuck to the higher rate. Chase Manhattan acted shortly after the Federal Reserve Board approved a cut in the discount rate to 2-3/4% from 3% for the Philadelphia Federal Reserve Bank on Tuesday, in a move widely interpreted as a further credit-easing step to spur sagging business. There were indications that some banks in New York and elsewhere might hold back for a while in order to underscore the point that their money-supply conditions do not warrant a rate cut. (Wall St. J., 1/23 p.3)

OTHER RESERVE BANKS

The Federal Reserve Bank of New York and five other regional cities will lower their discount rate today from 3% to 2-3/4% as part of a pattern to ease the reins on credit. In Washington, the Federal Reserve Board announced its approval of the actions shortly after the close of the stock market. The five other Federal Reserve banks which approved the move yesterday are Cleveland, Richmond, Chicago, St. Louis and Kansas City. The 2-3/4% rate marks the low point since the late summer of 1956 when it rose from that level to 3%. (Vartan. N. Y. Herald Trib., 1/24 III p.4)

3% DISCOUNT RATE IS HELD ON COAST

Directors of the Federal Reserve Bank of San Francisco have decided to keep the discount rate at 3%. Thus, they refused to follow the example of seven other Federal Reserve banks led by Philadelphia. The San Francisco directors gave no specific reason for their action. (N. Y. Times, 1/25 p.26)

HOUSE VOTES HIKE IN DEBT LIMIT

Legislation authorizing the Treasury to borrow an extra $5 billion, if it needs it, was passed by the House today and sent to the Senate. The measure would raise the national debt ceiling temporarily from $275 to $280 billion. It would be effective from the time of enactment until June 30, 1959. During World War II, Congress raised the debt limit to $300 billion--the highest ever. Actual borrowing never reached that figure. (J. of Comm., 1/24 p.1)

TREASURY REFUNDING

The stage is being set for the Treasury's first big refunding of the year, a total of $15 billion of certificates, notes, and bonds due from February 14 to April 14. Terms probably will be announced by the Treasury late next week. The market expects that holders of the maturing debt will get the choice...
of exchanging their holdings for any of three new securities. At present yields, one could be a one-year certificate, a second might be a bond for five to seven years' term, or a long-term bond maturing in about twenty years might be chosen. (N. Y. Times, 1/25 p.27)

CONSUMER PRICE INDEX  REMAINED UNCHANGED
Living costs in December remained unchanged at 121.6% of the 1947-49 average, the Bureau of Labor Statistics reported. This was only the second time in the last 16 months that consumer prices had not pushed into new high ground. Auto dealers offered discounts last month that reduced new car prices by 2.3%. This decline offset other increases in the index, chiefly in food prices. Though living costs leveled off in December, 650,000 workers will get wage increases under escalator clauses because of previous rises in retail prices. (Wall St. J., 1/22 p.1)

CONSUMERS  CAUTIOUS  Consumers, affected by unfavorable economic news, have pared their plans for major purchases, the semi-annual consumer attitudes study of the University of Michigan's Survey Research Center indicated. Based on its late November and December sample of 1,475 selected adults around the country, the center revised its "consumer attitudes index" downward to just under 95. Last June, the index stood at 104 and a year ago it was 112. The survey, which has been reasonably accurate in forecasting buying trends, not only samples intentions to buy major items like cars and houses, but also studies the feelings of citizens about their personal finances, general business conditions and prices, and other market conditions. In the latest survey, bad news about the economy seemed to play a greater part in creating caution than actual adverse personal experiences. (Wall St. J., 1/22 p.7)

UNEMPLOYMENT  SPREADING
Nearly one-third of the nation's industrial centers now show "substantial" unemployment, according to the Department of Labor. More than 6% are jobless in forty-five of 149 major districts. This compares with twenty-four such distressed areas in November, and nineteen in January 1957. (Forrest. N. Y. Times, 1/26 III p.1)

MACHINE TOOL ORDERS  HIT 8-YEAR LOW
Orders for machine tools in December took another turn for the worse, tumbling to the lowest one-month level in over eight years. Builders report little pick-up so far in January. New bookings for the heavy tools that go into new plants or to replace old equipment in the vast metal-working industries last month totaled $18.7 million, according to figures compiled by the National Machine Tool Builders'
Association in Cleveland. This is a hefty 34% below the $28 million in new orders, less cancellations, booked in November and more than 65% below the $57 million of December 1956. Not since the $16 million in net new orders placed in October 1949, has the one-month total been that low. (Wall St. J., 1/24 p.18)

FIRST DROP IN ELECTRICITY OUTPUT SINCE 1946
The U.S. power industry's weekly electricity output failed to show a year-to-year rise last week for the first time since 1946, in a period that wasn't distorted by such a special factor as a holiday that occurred in one week and not in the other, the Edison Electric Institute said. For some months now, the current business decline has held the power industry's weekly generating increases to 2% or 3% on a year-to-year basis, compared with 7% or 8% a year earlier. The 1.2% decline in the week ended last Saturday, however, was apparently caused by weather that was considerably warmer than in the 1957 week, an Institute spokesman said. (Wall St. J., 1/23 p.3)

AIRLINE PASSENGER FARE INCREASE
Airlines were offered what amounts to a temporary 6.6% passenger fare advance by the Civil Aeronautics Board. The CAB said it will permit a 4% increase on all fares, plus an extra $1 charge on each ticket, to be effective until a decision is reached in the current fare study. Spokesmen for TWA, Eastern and United (airlines) termed the boost inadequate. (Wall St. J., 1/27 p.1)

MILLS REDUCE SHEET PRICES
Following the lead of the Cannon Mills Company, other manufacturers of sheets have lowered their prices. Cannon announced that it had cut wholesale prices on its entire line, with one reduction amounting to as much as 11%. The wholesale price cuts are not expected to be felt at retail immediately, as most retailers are conducting their traditional cut-price January white sales. The move was made because the sheet market had been undermined recently by a growing lack of confidence in the price structure, according to William H. Mann, vice president of Cannon Mills, Inc. (N. Y. Times, 1/21 p.40)

'57 CASH DIVIDENDS ABOVE 1956
Payments of cash dividends by corporations climbed to a record high of $11.5 billion in 1957 despite a downturn in December, the Department of Commerce reported today. The total for the full year was 2% higher than in 1956, but in December, corporations issuing public reports paid out $100 million less in dividends than in December 1956. This decline contributed to a December drop in personal income. (N. Y. Times, 1/22 p.37)