OUTPUT DECLINES
THREE POINTS

Industrial production declined in January for the fifth consecutive month, largely because of "broad curtailments in durable goods industries," the Federal Reserve Board has reported. The drop-off in production from the peak of December 1956 has been almost as great as the full decline in the 1953-54 recession. January production was measured at 133 on the Board's production index, which uses the 1947-49 average as a comparison base of 100. The January figure represented a 9-1/2% drop from the peak. The report showed that production in durable goods industries has fallen by more than 14% since its December 1956 peak, and production of non-durables had fallen 4-1/2% from its later peak, last September. On the other hand, the Board's separate index of the output of electric and gas utilities showed a further increase from a slight dip last fall. At 236, this output was 5% higher than a year ago. (Mooney. N.Y. Times, 2/15 p.1)

JANUARY RETAIL SALES RISE

Total sales of retail stores in January amounted to $15.5 billion, a rise of 1% from the previous month on a seasonally-adjusted basis, the Department of Commerce estimated. The Department added that the January figure was 4% above the like month in 1957, after adjustments for seasonal factors and trading day differences. (Wall St. J., 2/12 p.2)

UNEMPLOYMENT INCREASES IN JANUARY

Unemployment climbed by twice the normal seasonal amount in January, largely because of layoffs in manufacturing, the Departments of Commerce and Labor reported. The total at mid-month, when the counting was done, was 4,494,000 or 5.8% of the civilian labor force. This was the highest since 1950. The increase of 1,120,000 jobless persons from mid-December was the largest since the Government began

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keeping such records in 1941. There were comparable increases in unemployment in the 1949-50 and 1953-54 recessions and presumably larger increases in the depressed nineteen thirties. On both earlier occasions, unemployment rose to more than 6% for a few months. Administration officials have made it clear that they do not consider the present level of unemployment unbearable and that they feel it may get worse before it gets better. If it does not get better in the spring, they may be more willing to consider such moves as a tax cut. (Mooney. N.Y. Times, 2/12 p.1)

EMPLOYMENT FORECAST Secretary of Labor James P. Mitchell predicted a substantial increase in employment by midsummer. He conceded that present unemployment was "higher than we would like to see it." But, he said, such Administration programs as relaxed credit, the Federal highway program, and increased defense spending should stimulate business activity and employment. The Secretary's prediction was an echo of a statement made earlier by President Eisenhower. The President declared that "every indication is that March will commence to see the start of a pick-up in job opportunities." (Katz. N.Y. Times, 2/13 p.1)

PROPOSED $2 BILLION PLAN FOR POST OFFICES President Eisenhower has put forward a $2 billion post office modernization program in a sudden move to brake the business recession. He acted less than six hours after the Departments of Commerce and Labor had reported that unemployment had increased to 4,494,000 in January. White House Press Secretary James C. Hagerty said the plan is part of the Administration's program to combat the recession, and declared it will "afford greater job opportunities in every section of the country." Postmaster General Arthur E. Summerfield will present the emergency post office program to the Senate Post Office Committee.

The White House said the plan is designed "to modernize the obsolete physical plant of the Post Office Department over the next three to five years." It explained that private investors will be called upon to advance $1.5 billion to build post offices which will then be leased to the Government. (Slevin. N.Y. Herald Trib., 2/12 p.1)

MARKET RALLIES AFTER DIP Mixed forecasts about the duration of the business recession ran up against realities last week, leaving the big question in everybody's mind still unanswered. In the stock market, traders took a pessimistic view. As a result, stocks underwent the widest decline of the year. Not even President Eisenhower's encouraging statement had much immediate effect on the erosion in stock values. It was not until Friday that a
definite change in the course of prices took place; then a sharp rally erased about half of the week's losses. But The New York Times combined average of fifty stocks closed off 5.01 points for the week at 277.42 after touching 272.49, its lowest point since January 13. (Forrest. N. Y. Times, 2/16 III p.1)

HOUSING STARTS The pace of private housing starts in January was ROSE IN JANUARY at an annual rate of more than 1 million. The Department of Labor reported the seasonally adjusted annual rate hit 1,030,000—a little better than the 1,000,000 average for the fourth quarter of 1957 and the highest annual rate since last August's 1,056,000. Administration economists expect the rise to continue. In their forecasts of a business upturn about the middle of the year, officials have consistently listed housing as one of the favorable factors indicating the early return of economic recovery. The general prediction for the full year 1958 is around 1,100,000—against 1957 private starts of about 990,000. (Wall St. J., 2/14 p. 3)

FNMA RAISES BUYING PRICE OF MORTGAGES The Federal National Mortgage Association increased its buying price of mortgages backed by the Veterans Administration and Federal Housing Administration, effective yesterday. In effect, the Agency increased the amount it will pay for VA-insured 4-1/2% mortgages by 1-1/2 percentage points. Prices that Fannie Mae has paid for FHA-guaranteed 5% and 5-1/4% mortgages will, in some cases, go up by one-half percentage point. By boosting its buying price on VA and FHA mortgages in the secondary, or resale, market, Fannie Mae hopes to attract more sales offers from lenders. This has the effect of freeing the funds mortgage lenders have tied up in these mortgages so they can invest in new home loans. FNMA President J. Stanley Baughman said the action reflected the continued easing of interest rates in recent weeks and the "current conditions of the mortgage market." (Wall St. J., 2/13 p.16)

LONG-TERM TREASURYRS MOVED HIGHER With the active new 3-1/2s of 1990 again leading the way, long-term U.S. Government issues advanced Friday to end a week of sizable gains. Some dealers closed the new Treasury 32-year 3-1/2s at 102 27/32 bid, a new high. The issue climbed 1 17/32 during the week. (Wall St. J., 2/17 p.17)

NEW ISSUES CONGEST CAPITAL MARKET The new capital market is again becoming congested. A heavy volume of corporate and local government securities is standing by, awaiting its turn at the market. More than a half-billion dollars' worth is slated to come up for pricing and offering next week. The backlog of new
issues of corporate bonds and preferred stock issues awaiting market-
ing stood at $1.9 billion yesterday, according to the Investors Deal-
ers Digest. A week ago it was $1.8 billion. The Blue List's total
of dealer offerings of tax-exempt interest bonds rose this week to
$339 million, a new high. It stood at $326 million at the close
yesterday, not counting public housing bonds. (N.Y. Times, 2/15 p.25)

SAVINGS BONDS Sales of U.S. savings bonds in January hit their best
SALES RISE mark in 24 months and the rate of cash-ins over sales declined, the Treasury has reported. Combined E-
and H-bond sales totaled $510 million--10% above sales in the like
month of 1957. But, as they have for more than a year, cash-ins
again topped sales. Redemptions for January were $518 million, but
the Treasury noted this was a drop from the $547 million in January
of last year. (Wall St. J., 2/14 p.6)

RATE INCREASES The Interstate Commerce Commission has announced
WON BY RAILROADS conditional approval of most increases in freight
rates and other charges proposed by the railroads
on a selected list of commodities. The average is about 2%. The
increased rates and charges are subject to investigation as to their
lawfulness, and on possible cutbacks and refunds to shippers. The
Commission estimated that the increases would result in increased
revenue for the railroads of approximately $182 million a year if
applied to both interstate and intrastate traffic. (N.Y. Times,
2/13 p.43)

CANADIAN BANKS Canadian chartered banks announced a cut in their
CUT PRIME RATE "prime" lending rate to 5-1/4% from 5-1/2%, effec-
tive next Monday. The reduction is the second one-
fourth point drop since early December. The latest cut in the char-
tered banks' lending rate follows a drop in the Bank of Canada dis-
count rate aggregating more than one-half point in the past two weeks.
(Wall St. J., 2/12 p.20)

TIN CAN PRICES Tin can prices will rise about 2.3% on March 10.
TO RISE This was confirmed yesterday by three of the produc-
ers. It will be the first increase since May 1
when can prices went up about 4% following a 4-1/2% boost in tin
plate prices by steel makers. Rising costs of labor and materials
were cited by the can makers as the reason for their price boosts.
(Wall St. J., 2/14 p.2)