

basic
business

NEWS

Published Weekly by the **FEDERAL RESERVE BANK of CLEVELAND**

February 18, 1958 to February 24, 1958

GROSS NATIONAL PRODUCT DOWN The Department of Commerce has reported that the annual rate of the nation's output declined by \$7.4 billion--a little more than 1.5%--in the final quarter of 1957. The largest part of that was a sharp reversal in the trend of inventories, from up to down. The Department's estimate of the decline was slightly larger in dollar terms than the preliminary estimates that appeared in President Eisenhower's economic report to Congress last month. This dollar difference had essentially no effect on the percentage maintained. (Cleve. Plain Dealer, 2/24 p.18)

PERSONAL INCOME STEADY IN JANUARY Personal income in January showed no change from December, the Department of Commerce has reported --but the Agency said the high level of dividend payments prevented a drop. Seasonally adjusted, personal income was at an annual rate in January of \$343.5 billion. But excluding dividends, the Agency said, the figure would have declined by an annual rate of \$2 billion from December to January. The January rate was \$7.5 billion above the like month of 1957, but was down a full \$4 billion from the August high of \$347.5 billion. (Wall St. J., 2/24 p.10)

JOBLESS CLAIMS CONTINUE TO DROP New claims for unemployment insurance benefits last week continued a downward trend, the Department of Labor's Bureau of Employment Security has reported. The decline--normal at this time of year--began in mid-January. It is an indication that unemployment may be rising at a slower rate than before. (Mooney. N.Y. Times, 2/22 p.1)

LORAIN STEEL MILL RECALLS WORKERS Recall of 1,000 workers by the National Tube Division of the U.S. Steel Corp. buoyed hopes at Lorain that the worst in a wave of layoffs was over. All of the recalled workers, some laid off for as long as a

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month, will be back on the job next week. Spokesmen for U.S. Steel in Cleveland said that the No. 2 and No. 4 seamless mills would be placed back into operation and that two additional steelmaking open hearths would be refired. Resumption of work on the two mills, said a spokesman, resulted from "a sufficient backlog of orders to justify their operation." Including a major layoff four weeks ago, the division had furloughed a total of 4,300 of the plant's force of 11,000 in recent months. (Cleve. Plain Dealer, 2/19 p.7)

FORD CUTS LAYOFF ESTIMATES Layoffs and production cuts continued to spread among the Big Three auto makers, although Ford Motor Co. tempered the extent of a layoff this week at its main River Rouge plant near Detroit. Ford said it actually will idle 6,000 employes for this week at the Rouge plant, which turns out Ford cars. It originally announced Friday 14,000 workers would be affected. The layoff of 6,000 means a net reduction of 2,000 in employment this week at the plant, because 4,000 workers are to return to their jobs today. The layoffs will be scattered generally through the Rouge plant, which employs 32,000 workers, Ford said. (Wall St. J., 2/24 p.3)

WEATHER BETRAYS RETAIL TRADE Retail business has been betrayed by the weather. At a time when the elements could do much to help the economy out of the doldrums, nature has become extremely unfriendly. Cold, snow, and freakish storms have combined to keep shoppers away from stores. Result: dollar volume so far in February is more than 5% below the 1957 level in department stores and probably is similarly lower in other segments of retail trade. (Koshetz. N.Y. Times, 2/23 III p.7)

COLD WEATHER UPS DEMAND FOR POWER The frigid weather that swept across much of the nation caused power sales to rise in every major geographical area of the country, the Edison Electric Institute reported. During the week ended February 15, the industry distributed 12.4 billion kilowatt hours of electricity, 3.9% ahead of the 11.9 billion kwh produced in the week ended February 16, 1957. (Wall St. J., 2/20 p.22)

FRB CUTS RESERVE REQUIREMENTS The Federal Reserve Board called its most powerful anti-recession weapon into play and cut the reserves that it requires commercial banks to hold against deposits. The action will release \$500 million that is now frozen in special Federal Reserve accounts, and ultimately, will add \$3 billion to the lending power of the American banking system. A

spokesman said that this is a further step to promote recovery. The Board voted a 1/2% cut in the demand deposit reserve requirements of all Federal Reserve System banks. The move will directly affect 6,400 commercial banks that control 85% of the country's commercial bank deposits. The reduction will lower demand deposit reserve requirements to 19-1/2% at central Reserve city banks, to 17-1/2% at Reserve city banks, and to 11-1/2% at country banks. Time deposit requirements were not changed. The cut will take effect February 27 in central Reserve and Reserve cities, and on March 1 at country banks. The cut is the first the Board has ordered since the 1953-54 recession. It dropped reserve requirements in June 1953, and again a year later. (Slevin. N.Y. Herald Trib., 2/20 p.1)

FR CHAIRMAN GIVES William McChesney Martin, Federal Reserve Board
VIEWS ON ECONOMY Chairman, appeared February 19 before a Senate Banking Subcommittee to give his views on the economic outlook for business and to answer questions. He was, on the whole, optimistic. "In my own view, the underlying strengths of the economy are many," he said. He predicted, "after not too long a period of readjustment, a healthy revival of business should set in, progressing to new records of economic performance and new high levels of national well-being." The Reserve Board Chairman indicated his opposition to proposed tax cuts, in reply to questions. He declined to be pinned down to stating that recovery would come in March. (Amer. Bkr., 2/20 p.1)

\$3.9 BILLION FOREIGN AID BILL SUBMITTED President Eisenhower sent Congress the Administration's \$3.9 billion foreign aid program with a declaration that deep cuts would result in bigger defense budgets, higher taxes and a step-up in the draft. In a sharply worded special message to lawmakers who have already indicated their eagerness to slash foreign aid, the President urged "vigorous continuation" of the program. The \$3.9 billion of new money requested is divided up this way: Direct military aid--\$1.8 billion, defense support aid--\$835 million, development loan fund--\$625 million, and contingency fund--\$200 million. (Wall St. J., 2/20 p.5)

TREASURY ISSUE The Treasury said it will make an offering next Friday (February 28) of a bond issue maturing in about nine years to raise \$1.25 billion of "new money." The funds are needed in connection with the \$16.8 billion refunding earlier this month when cash-ins by holders of maturing issues amounted to \$1.4 billion. (Wall St. J., 2/21 p.1)

SHORT INTEREST AT 26-YEAR HIGH Short interest on the New York Stock Exchange rose 1,088,520 shares from January 15 to February 14 to a twenty-six-year peak of 3,921,260 shares. Short interest represents the number of shares borrowed and sold short in the hope that they can be bought later at lower prices. Although reflecting bearish sentiment, the amount is construed by some to act as a stabilizing influence when it is covered through buying. (Moseley. N.Y. Herald Trib., 2/20 III p.4)

TIME DEPOSIT RATE CUT Large New York commercial banks have begun backing away from the 3% rate paid on time deposits for other than small individual savers. The Hanover Bank cut its rate on six months' time deposits to 2-1/2% from 3% and its rate on 90-day deposits to 2% from 2-1/2%. Other large banks indicated they were about to reduce the incentive for foreign banks, in particular, to move their funds from Treasury bills and acceptances into bank deposits. This action may take the form of a cut in the interest rate, or it may be refusal of deposits. In the event that a cut of as much as one-half of 1% becomes general on time deposits, other than those of the small "thrift" account variety, a deposit volume of about \$2.5 billion would be affected. (J. of Comm., 2/19 p.3)

PRIME SLAUGHTER STEERS HIGHEST IN THREE YEARS Cattle prices continued their upward climb at Chicago yesterday, February 19. Prime grade slaughter steers hit a new three-year high while choice stock jumped to its highest point in five years. A load of strictly prime 1,233-pound fed steers brought the day's highest price of \$35.50 a hundred pounds, up \$1 from recent highs and the highest price for beef animals since February 9, 1955. (Wall St. J., 2/20 p.16)

CANADA JOBLESS AT POST-WAR PEAK Canada's jobless reached a post-war record of 520,000 by mid-January, up 134,000 from the previous month and 217,000 from a year ago, a joint Labor Department-Bureau of Statistics release said today. (N.Y. Herald Trib., 2/19 p.2)

LITTLE UNEMPLOYMENT REPORTED IN BRITAIN Lord Mancroft, Minister without Portfolio, told the House of Lords today that only 1.8% of insured employees in Britain are without work. He made this statement when asked for the effects of the American business recession on Britain. (Humphreys. N.Y. Herald Trib., 2/19 p.3)