basic business NEWS

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BANK RESERVES CUT AGAIN — Commercial banks' reserve requirements again were reduced one-half percentage point by the Federal Reserve Board. It was the second such step in a month aimed at reversing the business slump. The move will free some $490 million of reserves which member banks are required to keep on hand against demand deposits. Theoretically, this could mean a $3 billion expansion in credit supplies. Bankers said they had anticipated the step, particularly in view of the financing the Treasury is expected to undertake next month to raise $3 billion to $5 billion "new money." (Wall St. J., 3/19 p.1)

INDUSTRIAL OUTPUT DOWN IN FEBRUARY — Industrial production dropped 3 points in February, the Federal Reserve Board has reported. The production index, using average output in the 1947-49 period as 100, was 130 in February after seasonal adjustment. The peak was 147 in December of 1956. It was 146 in February a year ago and 145 in August, when the index began its sharp decline. The drop since August has been 15 points or 10.3%--as much as the entire declines in the 1953-54 and 1948-49 recessions. Because this index is the best measure of the broad industrial sector of the economy, any further decline in it would make this the worst of the postwar recessions. It already is the worst in terms of unemployment. The February figures also confirmed that the decline in output has been steeper in this recession than in 1953-54. (Dale, Jr. N.Y. Times, 3/18 p.1)

CONSUMER PRICES AGAIN AT RECORD — Consumer prices edged upward again in February to still another high, the Bureau of Labor Statistics has reported. Food prices again led the way, accounting for most of the increase of 0.2%. The consumer price index, using average prices in 1947-49 as 100, was 122.5, compared with

122.3 in January. The February increase of 0.2% brought the index to a level of 3.2% higher than February a year ago and 7% above the level of March 1956, when the current "creeping inflation" began. Since March 1956, the index has risen in every month but three, and in two of those it merely held steady. The consumer price index measures changes in a fixed "market basket" of goods and services usually bought by urban families of moderate incomes. (Dale, Jr. N.Y. Times, 3/22 p.1)

BUSINESS LOANS UP $354 MILLION — Outstanding loans to business by the seventeen larger New York City banks rose $354 million in the week ended Wednesday, the Federal Reserve Bank of New York reported. This compared with an increase of $376 million in the like week a year ago. The increase reflected borrowings to meet Federal tax payments due March 17. In the two weeks ending last Wednesday, borrowings were $468 million, compared with $599 million a year ago. (N.Y. Times, 3/21 p.31)

NEW CAPITAL ISSUES IN SHARP RISE — Activity in the new capital market is rising again. The backlog of new issues of corporate bonds and preferred stocks slated for offering rose to beyond $2 billion in the week ended March 21 for the first time in months, according to the Investment Dealers Digest. While the debt securities of private corporations and local governments still play a dominant role, major offerings of convertible preferred and common stock are appearing with more frequency. (N.Y. Times, 3/22 p.23)

BRITAIN LOWERS BANK RATE TO 6% — The British bank rate, which was raised six months ago to the unusually high level of 7%, was cut to 6% on March 20. The Bank of England's announcement said speculative pressure against the pound sterling had ceased, and there no longer was any justification for the exceptionally high level of short-term interest rates in Britain. The bank said inflationary pressures were moderating. But it cautioned that the reduction in the rate did not imply any general relaxation in the Government's monetary policy. (Ronan. N.Y. Times, 3/21 p.31)

SHORT INTEREST HITS 27-YEAR TOP — Short interest on the New York Stock Exchange rose 539,400 shares in the month ended March 14 to the highest level since September 11, 1931, the Exchange reported. The short interest on March 14 totaled 4,460,660 shares compared with 3,921,260 on February 14. On September 11, 1931, the total was 4,480,400 shares. While short interest indicates a pessimistic attitude upon the part of those who have sold short, it also is viewed as a cushion under the market as the short sellers eventually must buy. (J. of Comm., 3/20 p.3)

AUTO INVENTORIES NEAR RECORD HIGH — The auto industry's new car inventories continued to mount last month despite sharp production cutbacks. The stock of unsold new cars stood at 869,771 units on March 1, up from 779,103 on February 1. The highest inventory ever recorded by the industry was 903,789 cars on March 1, 1956. The auto makers are sharply reducing their production target for 1958, Ward's Automotive Reports says. Now in prospect for the year, is an output of 4.7 million units against earlier estimates of 5.3 million. "Not since 1952 has the production outlook for cars within the United States fared so poorly. New life injected into retail sales could erase some of the gloom; but the mountainous auto stockpile may already have taken its toll." (N.Y. Times, 3/18 p.41)

STEEL INDUSTRY STILL AUTO-POOR — The consensus last week was that March steel order volume would do well if it matched the daily average in February. But there were still those who, taking a look at weekly production totals, felt that April business might be a trifle better. The pattern of steel activity is not uniform. Some areas are doing better than the average for the nation. Other localities are much harder hit than the output rate would indicate. Hardest hit last week were steel companies that depended largely on auto and automotive parts makers. When orders do come in from car makers, they are often canceled, cut back, postponed, changed and perhaps reinstated. But in the last few weeks, the gloom in Detroit has hit all steel centers where automotive sheets, strip and bars are produced. (N.Y. Times, 3/24 p.35)

"BOTTOMING" TREND SHOWS UP IN COPPER — Signs of a bottoming out in copper were pointed up by industry sources on both sides of the Atlantic. In the United States, custom smelters raised their prices by 1/2¢ to 23-1/2¢ a pound, their first price hike since November 6. Domestic dealers followed suit by raising their price for copper scrap by 3/8¢. On the London exchange, spot copper advanced by the equivalent of .68 of a cent while copper for forward delivery moved up by .56 of a cent. Dealers said the advance would have taken place even without the additional influence of the 1% reduction in the British bank rate. (Regan. J. of Comm., 3/21 p.1)

DELAYED TEXTILE UPTURN LIKELY — A recovery in the textile industry, considered already overdue because the textile slump started well ahead of most industries, is likely to be delayed somewhat longer. Most textile executives believe demand is at ebb tide, with prices now just about as low as they will go. Inventories throughout the industry are down to reasonably low levels. Retail stocks for the most part are quite low, some observers believe unwisely low. (Wyss. J. of Comm., 3/19 p.1)

NICKEL COMPANY CUTS OUTPUT — The recession has caught up with nickel, one of the metals in shortest supply during the Korean War and the years following. The largest producer, the International Nickel Company of Canada, announced that it was curtailing production because free world output "is substantially in excess of total market demand." Inco's nickel production is being cut about 10%, or about 2.5 million pounds a month. Last year, the company delivered more than 290 million pounds of nickel. The last nickel cutback by Inco, in 1949, lasted only a couple of months. Then defense needs soared in the Korean War, strategic stockpiling was pressed, and the metal was carefully rationed to industry. By last fall, with major expansion programs by nickel producers well advanced, supplies began catching up and demand contracted as general business slowed. (N.Y. Times, 3/18 p.41)

CATTLE AND HOG PRICES CLIMB — The price of top grade slaughter steers shot up to $39 a hundred pounds at Chicago on March 19, the highest since April 1952. The hog market just about kept pace with the market for cattle. Butcher hogs reached a $22.35 top, the highest since last August 12. The recent upsurge in prices hog farmers, cattle feeders and ranchers have enjoyed stems almost wholly from reduced marketings of live animals. This has meant a cut in meat production and higher prices for fresh meats at wholesale and retail. (Wall St. J., 3/20 p.18)

CROP ACREAGE AT 40-YEAR LOW — Crop plantings for harvest this year seemed likely to drop slightly below last year's low level, according to a report of the Department of Agriculture. The indicated acreage--based on a survey of farmers' planting intentions as of March 1--would be the smallest total in more than forty years. Considerable land will be held from production under crop control measures and under the soil bank program, offering subsidy payments to farmers for reducing plantings of surplus crops. The farmers' plans indicated that the total acreage planted to all crops this year would be about 333 million acres, down 1 million from last year. (N.Y. Times, 3/19 p.45)