RISE SEEN IN FEDERAL SPENDING

Federal Government purchases of goods and services will rise by the end of this year to an annual rate of about $1 million higher than had been expected, according to an analysis made within the Government. The increase will be mainly in defense. The other anti-recession actions of the Government will have little impact on Federal spending for goods and services this year. The new analysis projects the rate of Federal purchases at about $53 billion by the end of 1958. The earlier projections put the year-end rate at $52 billion. While the new projection can be taken as a note of moderate optimism for later in the year, it can also be taken as a measure of the difficulties in speeding Federal spending. (Dale, Jr. N.Y. Times, 3/30 p.1)

JOBLESS BENEFITS EXTENSION ASKED

The White House has sent to Congress its long-delayed plan for supplementary unemployment compensation benefits. The proposal gives the States discretion to decide whether they will repay the Federal assistance by levying an increased tax on employers or by tapping other State funds. The special program of extended unemployment compensation benefits should cost about $500-600 million and benefit as many as 2 million unemployed workers between now and April 1, 1959, when it would go off the statute books. The additional benefits to any individual worker will be at the same dollar level as provided in his State's own laws and the period of extended benefits will be half as long as that provided by State law. Only workers who exhausted their unemployment compensation benefits after January 1 of this year will be eligible for the extended payments. The White House estimated that about 290,000 workers exhausted their benefits in January and February. (Shanahan. J. of Comm., 3/26 p.1)
LABOR SURPLUS IN MANY AREAS  The Department of Labor has said that almost half of the country's major industrial centers have "substantial" labor surpluses. It reported that there is a "possibility" of a slight pickup in employment between mid-March and mid-May, but it held out no hope of a significant improvement in the hard-hit manufacturing industries. The report showed that seventy of the country's 149 major industrial centers now are classified as surplus labor areas. That means that at least 6% of the section's working force is jobless, and unemployment is expected to remain the same or grow worse during the next few months. (Slevin. N.Y. Herald Trib., 3/28 p.1)

OUTLOOK CLOUDED FOR BOND MARKET  The bond market is stabilized for the moment on a firm basis. But in the background are forces whose combination is an unfamiliar experience to the financial world. Despite the widening recession, there seems to be no slackening in demand by companies and local governments for long-term debt capital. After a dip in mid-winter, the backlog of pending corporate bond and preferred stock issues is back to the $2 billion level common to much of last year. The Treasury, now committed to deficit financing, is about to borrow up to $4 billion in cash. It is a safe guess that the Government will not try to borrow at long term and thus compete with private companies or local governments for the market's available savings. (Heffernan. N.Y. Times, 3/30 III p.1)

HEAVY MORTGAGE SALES BY FNMA  Fannie Mae is starting to cash in on her bulging mortgage portfolio. Once a big buyer in the secondary, or resale, mortgage market, the Federal National Mortgage Association is starting to become a heavy seller. Since the first of February, the Agency has closed the sale of $20 million of its mortgages--about double the amount sold from the start of its secondary market operations in 1954 through the end of 1957. Another $70 million in sales already is contracted for, with the closing dates to come over the next few weeks. The key to Fannie Mae's growing popularity is in the dropping interest rates in the mortgage market and the increase in the supply of money available for mortgages. With a plentiful supply of money around, lenders, banks and other savings institutions are looking around for good investments. (Grimes. Wall St. J., 3/28 p.4)

EXCESS RESERVES RISE  The nation's banks got back on easy street this week, thanks chiefly to a drop of $520 million in required reserves arising from the second cut of one-half of 1% in requirements. On an actual basis, the banks' excess reserves exceeded their rediscounts by $297 million; on a daily
average basis, the difference was $520 million in their favor. The
country's member banks found immediate employment for the released
funds. The Treasury drew into the Reserve banks $524 million of tax
collections, and Reserve bank credit granted against uncollected
checks fell $120 million. (J. of Comm., 3/28 p.4)

TREASURY BILL
The Treasury's short-term borrowing costs dropped to
the lowest level in three years. Its weekly issue of
91-day bills was marketed on a 1.18% yield basis--
down from 1.34% last week. Last October, the bill rate had reached
a 24-year high of 3.66%. (Wall St. J., 3/25 p.1)

STEEL PRODUCTION
A batch of new production curtailments is indi-
cating the bottom of the steel recession has not
yet been reached. The industry is now operating
at a fraction above 50% of capacity, its lowest rate since before
World War II, except for periods of strike, but signs are the rate
will go even lower before any upturn. Steelmakers concede the im-
mediate outlook is bleak. Orders are not showing the seasonal im-
provement that had been expected. Steel's biggest consuming industry,
the automotive, is steadily reducing its buying and, according to the
mills, is not likely to come into the market for significant tonnages
the rest of the model year. Other consumers are not taking up the
slack. The weakness in demand is showing up in additional steel-
making cutbacks, some of them among the most severe since the decline
in production started early in 1957. Some of these curtailments will
be reflected in this week's industry operating rate, while others
will not show up until next week. (Lally. Wall St. J., 3/31 p.5)

PRODUCERS TRIM
All three major aluminum producers in this country
ALUMINUM PRICES
will trim the price of primary aluminum 2¢ a pound
April 1, as a result of reductions of about the
same amount by their principal Canadian competition. Aluminium, Ltd.,
announced on March 27 that it would cut prices approximately 2¢ in
all its world markets. The aluminum price cut will be the first for
the primary metal since October 1, 1941. Some doubts were expressed
in the domestic industry as to how much the ultimate consumer might
benefit from the reduction in primary metal. (N.Y. Times, 3/29 p.24)

BUILDING CONTRACTS
Building contracts in February fell below year-
FELL IN FEBRUARY
earlier levels for the third successive month.
Awards totaled $1.9 billion, down 10% from Feb-
uary 1957, according to F. W. Dodge Corp. Noting the continuing de-
cline in contract awards, Government officials, builders and produc-
ers of building materials are less optimistic on 1958 construction
prospects than they were some weeks ago. Federal economists now say total building outlays this year probably won't exceed the 1957 level. At the turn of the year, they had looked for an increase of 5% or more. (Wall St. J., 3/31 p.1)

NYLON MAKERS SEE A ray of hope is beginning to penetrate the gloomy SIGNS OF UPTURN nylon production picture. The two biggest U.S. nylon makers late last week announced the first recalls of workers since a heavy wave of layoffs struck their plants about two months ago. Nylon men cautioned that these developments do not signal any dramatic upswing in demand. But they do feel that the market has hit bottom and rebounded a bit. They're encouraged not only by the rehirings, but by the fact that even heavier layoffs, which some trade sources had been expecting even early last week, have now been cancelled as unnecessary. Recalls will still leave idle about 14% of the 16,700 workers these companies normally employ in nylon production. The new nylon developments are the first good textile news of any sort so far this year. (Church. Wall St. J., 3/31 p.7)

MACHINE TOOL ORDERS ROSE Machine tool (cutting type) net new orders—a factor in evaluating the economy—rose 18% in February over January, the National Machine Tool Builders Association has reported. The orders totaled $22.9 million compared with $19.3 million in January. The February total would be at an annual rate of $274.2 million against $519.8 million in 1957. (Bryan. Cleve. Plain Dealer, 3/27 p.31)

FARM PRICES UP 4% IN MONTH Department of Agriculture officials were jubilant over a 4% jump in farm prices in the month to mid-March. It was the biggest one-month increase in seven years. The Department's latest monthly price report showed that the index of prices received by farmers in the month ended March 15 rose 11 points to 263 of the 1910-14 average. This was the biggest jump since February 1951, and shoved the index to its highest point since May 1953. The 263 figure compared with an index of 252 a month earlier and only 238 a year earlier. Continued higher prices for meat animals and price gains for potatoes, fruit and eggs were chiefly responsible for the increase. (Wall St. J., 3/31 p.16)

FARM INCOME RISES Farm income rose in January and February, buoyed by stiffening prices for livestock, the Department of Agriculture reported. Farmers received $4.8 billion from marketings—4% more than in the initial two months last year. Volume of farm products sold was down from the like 1957 period, the Agency said, but prices were 6% higher. (Wall St. J., 3/26 p.1)