basic business
NEWS
Published Weekly by the FEDERAL RESERVE BANK of CLEVELAND
June 3, 1958 to June 9, 1958

UNEMPLOYMENT LOWER IN MAY National unemployment declined in May by more than is usual for the month, the Departments of Labor and Commerce reported. It was the first more-than-usual decline since the recession began. The drop amounted to 216,000, bringing the new total of unemployed to 4,904,000. This was 7.2% of the civilian labor force, after the total was adjusted for normal seasonal conditions. The report also showed a greater-than-usual increase in employment--up 1,154,000 from April, to 64,061,000. The improvement was attributed to normal gains in farming and service jobs, and to better gains in construction work. (Mooney. N.Y. Times, 6/7 p.1)

MAY AUTO OUTPUT AT 10-YEAR LOW U.S. auto production in May was 349,474, a rise of 10.4% from April, but still at the lowest level for the month since 1948. And in this first week of June, there are indications of the further cutbacks that may occur as attempts are made to accelerate the work-off of dealers' inventories, now estimated at about 750,000 cars. So far this year, auto output in the United States totals 1,900,000, down 33.8% from the 2,870,000 of the like period last year. (Wall St. J., 6/3 p.2)

BUILD AUTOS WITHOUT PACT Almost a half million production workers obeyed the instructions of United Auto Workers president, Walter P. Reuther, and worked without contracts and without serious incident in plants throughout the country. The first regular working day under the unprecedented industry-wide no-contract situation produced only one abnormal occurrence which the company and the union both belittled as unimportant. Mr. Reuther has barred strike action now on the ground that to strike would be futile because of slack sales and an inventory of unsold cars currently estimated at 750,000. (Bedolis. N.Y. Herald Trib., 6/3 p.13)

STEEL SCRAP PRICES RISE Steel scrap prices rose sharply as the nation's steel production continued to climb. Quotations for the steel-making material moved up as much as $3 a ton in Pittsburgh and $5 in Chicago. These gains followed a further spurt in mill operations last week to 58.1% of capacity--11 points above the year's low in late April. The output of the week ended May 30 amounted to 1,567,000 tons. This was 44,000 tons over the preceding week and topped the previous 1958 high in mid-January. The American Iron and Steel Institute predicted a further increase to 1,641,000 tons, which would be the largest since the week started last December 16. (Wall St. J., 6/3 p.1)

CONSTRUCTION OUTLAYS UP The Department of Commerce estimated that construction outlays last month rose seasonally to $4.1 billion, up $400 million from the April total. Expenditures for the first five months amounted to $17.7 billion--slightly above the $17.6 billion in the like 1957 period. The five-month gain was credited to a 4% rise in public construction, reflecting increased spending for highways and public housing. Private construction work was slightly below a year ago. (Wall St. J., 6/6 p.1)

INVENTORIES DECLINE Cutbacks in manufacturing and trade inventories continued in April at the same seasonally adjusted pace as in March, the Department of Commerce reported. But the Agency also said total business sales turned up, on an adjusted basis, for the first time since last summer. The total book value of manufacturing and trade inventories at the end of April, seasonally adjusted, stood at $87.7 billion. This was down by $800 million from the adjusted total of $88.5 billion at the end of March. While manufacturing and trade sales went up to an adjusted total of $52 billion in April from $51.3 billion the month before, the increase was all in the retail and wholesale trades. (Wall St. J., 6/5 p.6)

MONEY SUPPLY AT NEW PEAK The nation's money supply, the sum of deposits and currency outside banks, is expanding at a more rapid pace under the influence of increased Treasury deficit financing and rising savings. Total money supply on April 30, according to latest Reserve Board figures, set an all-time high of $228.4 billion, an increase of $3.9 billion from March 26, and a total $8.8 billion higher than in April 1957. (J. of Comm., 6/4 p.5)

STOCK MARKET HITS '58 HIGH The stock market bloomed last week with the advent of June. It wasn't a "burst" by any means, but stocks generally held steady to higher, and The New York Times combined average of fifty stocks touched a new 1958 high at 289.14 on Friday, the best level since October 15, 1957. It wasn't just the weather, of course, that buoyed Wall Street. The state of the economy seemed to be improving and there were hard statistics that said so. Even the international situation, so grave recently, seemed to be easing. (Forrest. N.Y. Times, 6/8 III p.1)

U. S. BONDS OVERSOLD The Treasury Department said its offering of $1 billion in long-term bonds was oversubscribed by a margin of about 2-1/2 to 1. It said reports from the Federal Reserve banks indicate that subscriptions totaled about $2.57 billion. In announcing allotments for the issue, the Treasury said savings-type investors, such as mutual savings banks and pension funds, will get 60% of the amount for which they subscribed. A 40% allotment was fixed for commercial banks buying the bonds for their own accounts, and a 25% allotment for all other subscribers. (N.Y. Herald Trib., 6/6 III p.7)

TREASURY OFFERING The Government market took in stride the week's huge Treasury financing operations. Initially, some uncertainty was reflected in softer prices for long bonds as investors and dealers found it difficult to make an educated guess as to the percentage allotment on subscriptions to the $1 billion cash offering of 3-1/4s of 1985. The decision to price the new bond at 100-1/2 marked the first time since the mid-1930s that the Treasury had deviated from a par offering in fitting a bond into the existing market pattern. Also, the 20% cash deposit required to accompany subscriptions from all investors, including banks, was in contrast to lower cash outlays specified in most recent Treasury operations. (Stone. Amer. Bkr., 6/6 p.2)

BIG U.S. BUDGET DEFICIT SIGHTED The Government deficit--without any tax cut--might go as high as $12.5 billion in the coming fiscal year, if new estimates of plummeting tax receipts prove correct. The forecast comes from the Congressional Joint Committee on Internal Revenue Taxation--which in the past has predicted Government revenues rather accurately. In the fiscal year 1959, receipts are expected to plunge to $66.9 billion as a result of a continued slight decline in personal incomes and a further drop in corporate profits. Revenues of $66.9 billion, coupled with spending of $79.5 billion--the latest estimate from the Bureau of the Budget--would produce a deficit of $12.6 billion. (J. of Comm., 6/4 p.1)

EXCISE AND CORPORATE TAX RATES EXTENDED The House of Representatives approved a one-year extension of present corporate and excise tax rates that otherwise would drop at the end of this month. The measure now goes to the Senate where a drive is slated to reduce some excise levies, notably those on auto sales and rail transportation. The outcome in the Senate is still not clear, though the tide seems to have been running against the excise cut proposals in the past several days. Republican Congressional leaders, after their weekly conference at the White House, said President Eisenhower was standing fast against all tax rate reductions. (Wall St. J., 6/6 p.1)

PRESIDENT SIGNS FHA MORTGAGE BILL

President Eisenhower signed into law a $4 billion increase in the Federal Housing Administration's authority to insure mortgages, and the Agency moved immediately to revive the nearly stalled program. FHA Commissioner Norman Mason followed up the President's action by wiring all the Agency's 75 field offices, telling them they could resume making commitments for mortgage insurance. He recently stopped the processing of applications for the insurance because the former $25.8 billion authorization was almost exhausted. In April, the FHA received applications for insurance on about 79,500 units, more than double the amount in April 1957. (Wall St. J., 6/5 p.10)

PAY INCREASE VOTED FOR U.S. EMPLOYES

The House of Representatives has approved a bill to give an average 10% pay increase to more than 1 million Government employes. The increases would be retroactive to January, and would cost about $542 million a year. This action followed approval of similar salary increases for Post Office Department workers. These amounted to $265 million annually, also retroactive to January. In addition, approval has been given to sharp increases in military pay to hold those with high skills in the service. The cost of this is estimated at about $668 million a year. So the Government payroll in the civilian and military departments promises to rise by about $1.5 billion. The combined civilian and military payrolls now run roughly to $19 billion. (Trussell. N.Y. Times, 6/3 p.1)

SHIP LINES HUNT CAPITAL

The nation's leading steamship lines are launching the biggest search for ship financing in their history. Some plan to issue bonds publicly to attract new investors, a departure from the traditional practice of borrowing mainly from the Government, and more recently from banks and insurance companies. Shipping executives report they'll need over $1 billion--possibly much more--to help finance the construction of more than 300 new vessels over the next 10 to 12 years. The wide need for ship financing stems from the Department of Commerce's dry cargo ship replacement program. The 14 steamship lines that operate under Federal subsidy are required by law to replace a ship after 20 years, or face the loss of subsidy on its operation. (Wall St. J., 6/5 p.24)