PRODUCTION RATE SHOWS AN UPTURN

Industrial production in the nation turned upward slightly in May after eight months of severe decline, the Federal Reserve Board reported. The index, after seasonal adjustment, rose to 127 in May from 126 in April, with the 1947-49 average as 100. The index was 145 last August, just before the slump set in. The key to the upturn was the first improvement this year in the manufacture of durable goods. This, in turn, stemmed almost entirely from improvements in the steel and automobile industries. Prior to May, the industrial production index had declined either two or three points every month since September—a total decline greater than in either of the two previous post-war recessions. (Dale, Jr. N.Y. Times, 6/13 p.1)

RETAIL SALES CONTINUE GOOD

Retail sales in May maintained the improved April levels, 3% above the low point of the recession in March, the Department of Commerce reported. Sales in May, after seasonal and trading-day adjustment, were $16,534,000,000, compared with the final figure of $16,512,000,000 for April. The combined April and May figures provided strong evidence that the recession had not begun to "feed on itself"—meaning a decline in jobs leading to a decline in incomes, which in turn leads to a decline in retail sales and then a further decline in jobs. By contrast, retail sales may even be providing an independent upward push for the economy. (Dale, Jr. N.Y. Times, 6/11 p.24)

PERSONAL INCOME ROSE IN MAY

Led by the first rise in wage and salary payments since last August, the seasonally adjusted annual rate of personal income rose in May to a total of $344.3 billion, the Department of Commerce reported. The adjusted annual rate in May was $1.2 billion above the $343.1 billion level for April. Wage and salary payments increased $700 million over
April. The increase in wage and salary payments came partly from the boost in construction payrolls, and from payrolls in the trade, finance, farming and government sectors of the economy. (Wall St. J., 6/12 p.2)

**FEDERAL PAY RAISE**  Personal incomes, already the major bulwark against the recession, are due for still another important increase over the next few months regardless of general employment conditions. The reason is the passage by Congress of major pay increases for Government workers of all kinds, some retroactive, plus increases for retired workers. The effect of these measures, which include large "lump sum" retroactive increases for many workers, may begin this month and will certainly reach significant proportions next month. The economic impact of this and other factors that have bolstered incomes beyond general expectations could be important. (Dale, Jr. N.Y. Times, 6/15 p.1)

**HOUSING STARTS**  Private, non-farm housing starts in May swung up to a seasonally adjusted rate of 1,010,000 units from 950,000 the month before, the Department of Labor reported. This was the first time the rate had passed 1 million since January. In May last year, the seasonally adjusted annual rate was only 994,000. Housing begun under FHA and VA programs was responsible for two-thirds of last month's gain. The report said preliminary tallies of building permits indicate the housing starts gain was nationwide, "though strength was less evident in the South than elsewhere." (Wall St. J., 6/13 p.3)

**FHA MORTGAGE APPLICATIONS**  In its housing report, the Federal Housing Administration said it received applications for mortgage insurance covering 90,000 dwelling units in May, topping the previous record of 89,764 reported in May 1950. The Agency said 34,558 new-home units were included in the May total--more than 9% above the 31,610 reported for April. Applications for proposed homes are regarded by Government housing officials as an indicator of the pace of home building in the coming months. FHA also reported a new record of applications for mortgage insurance on existing homes covering 55,449 units in May, topping the previous record of 47,860 set just the month before. (Wall St. J., 6/11 p.3)

**BONDS PREFERRED BY PENSION FUNDS**  Even though purchases of common stocks by corporate pension funds rose sharply last year, the most important type of investment continued to be corporate bonds, according to the Securities and Exchange Commission. The ratio of total assets invested in corporate bonds at the end of 1957 was 54%, compared with 45% in 1951. Increases in this ratio...
were fairly constant in the intervening years. The net increase in corporate bond holdings from 1956 to 1957 was $1.7 billion, compared with a $1.5 billion rise from 1955 to 1956. The sharper rise in pension fund holdings of corporate bonds during the past two years is probably linked directly to the rise in interest rates during the same period. (Tompkins. N.Y. Times, 6/15 III p.1)

SOCIAL SECURITY

The Social Security fund will show a deficit for the fiscal year ending June 30—the first in its 18-year history. Trustees of the fund made this report to Congress as the House Ways and Means Committee prepared to open hearings on proposals to broaden social security payments. The report blamed the impending string of deficits on a greater-than-expected increase in benefit payments to farmers, and women, and to the effects of the current recession. The new program would not push the fund deeper into the red, as its sponsors plan to couple any rise in benefits with an increase in payroll taxes. (Wall St. J., 6/16 pp.1,4)

LOAN AID TO RAILS

The Senate approved legislation to aid the railroads, but knocked out two provisions that the railroad industry had particularly sought. The bill would make major changes in national transportation law. Among other things, it would authorize the Government to guarantee up to $700 million of private loans to railroads and would revise the Interstate Commerce Commission's authority over rates and service. The changes voted by the Senate affected the discontinuation of unprofitable rail service and facilities, and the establishment of tax-free reserves of construction funds. Transportation experts were surprised that the Senate did not dilute the bill further. (Mooney. N.Y. Times, 6/12 p.1)

HOUSE VOTES

President Eisenhower's request for a five-year extension of reciprocal trade won smashing approval in the House, June 12, in the most important foreign policy test of this session. On the critical vote to substitute a two-year protectionist trade bill for the Administration measure, the House upheld the President and its own bipartisan leadership by a standing vote of 234 to 147. The extension measure permits an annual 5% reduction in import duties, or a reduction of two percentage points in rates that are already low, or a reduction to 50% of value in three stages. It spells out standards for operation of the national security section, providing relief in cases involving the national security. The bill also permits Congress, by a two-thirds vote, to override a decision by the President rejecting Tariff Commission recommendations of relief under the escape clause. (Evans, Jr. N.Y. Herald Trib., 6/12 p.1)
COPPER PRICES

Custom smelter and London copper prices surged higher Wednesday—topping the major domestic producer level for the first time in more than two years—in the wake of the U.S. Government proposal to stockpile the red metal for a year's time. The stockpile plan would solve many of the industry's current problems and has already boosted prices to well above the lows they touched earlier this year, but aside from a flurry of buying to beat higher prices, there has been no change in the low level of basic demand. The Government announced on Tuesday that it plans to buy 150,000 tons of metal for the stockpile in the course of one year at the market price, but with a ceiling of 27-1/2¢ per pound. Meanwhile, the smelters added another full cent to their price, boosting it to 26¢, the highest in nearly a year. (J. of Comm., 6/12 p.1)

LARGE WHEAT

The Department of Agriculture forecast this year's wheat crop at 1,271,000,000 bushels—the fourth largest of record. A crop of this size would be more than a third larger than last year and 14% above average. The crop is being grown under rigid production controls which, because of prospective record high acre yields, will be largely ineffective in preventing new surpluses. (J. of Comm., 6/11 p.5)

TRANSISTOR

Factory sales of transistors took the first monthly drop in volume in their four-year history during April, the Electronics Industry Association reported. However, the dollar value of April sales still topped March. In April, 2.9 million units were sold at a value of $7,025,547, compared with 3.0 million units sold in March. Transistors—tiny devices that do the work of some vacuum tubes—were first offered in 1954. (Wall St. J., 6/13 p.9)

CARLOADINGS

Revenue freight carloadings by U.S. railroads in the week ended June 7 totaled 612,715 cars, the highest volume this year and the highest since the December 7, 1957, week, when 617,838 cars were loaded. The Association of American Railroads said the large volume of loadings in the latest week was due mainly to larger shipments of so-called miscellaneous freight, made up mostly of manufactured products, and grain. (Wall St. J., 6/13 p.5)

MEAT PRICES

Meat and livestock prices, now up on stilts, appear virtually certain to move lower during the next few months. Price declines may be moderate, or they may be substantial, dependent upon how rapidly growers and feeders market their stock and, as well, upon the extent of rising consumer resistance. (J.R.W. J. of Comm., 6/11 p.1)