PLANT, EQUIPMENT SPENDING TO RISE

The multi-billion dollar slide in business spending on plant and equipment, rated a key cause of the recession, has hit bottom and is turning upward far in advance of earlier estimates, the Government reported. Officials also believe, however, that an upsurge in plant and equipment spending next year—should it develop on the heels of the slight improvement expected for the rest of 1958—could raise new problems as a result of increased competition for funds in an already-tightening market. A survey by the Department of Commerce and Securities and Exchange Commission of businessmen’s capital spending intentions for the latter half of this year estimates the current quarter as the low point of the slump which has been going on since the third quarter of 1957. Since then, spending on plant and equipment dropped from a record $37.7 billion adjusted annual rate to an estimated $30.3 billion in the third quarter of 1958—a fall of $7.4 billion. But for the fourth quarter, the Agencies report, industrialists intend to spend at an annual rate of some $31 billion. (Wall St. J., 9/8 p.22)

INVENTORIES CUT $500 MILLION IN JULY

Manufacturers and merchants pared their inventories another half-billion dollars in July, bringing stock to a total $5.5 billion lower than a year ago, the Department of Commerce reported. The reduction in goods on hand was viewed as an encouraging economic sign, for it indicated businessmen were approaching the point where stocks would need replenishing. Inventories totaled $84.6 billion at the end of July. The reduction in the month was smaller than the rate of decline in the spring; it averaged $700 million a month during the second quarter. (N.Y. Herald Trib., 9/6 II p.4)

Selection of these items does not imply this bank’s guaranty of their accuracy, nor agreement with the views expressed.
FISCAL AND CREDIT POLICIES DIVERGENT
Fiscal and credit policies now offset, rather than complement, each other, and are moving in divergent directions. Government deficit spending continues to be the chief impetus behind business recovery. By contrast, Federal Reserve credit policy has been shifting steadily from active ease towards neutrality. This shift has been motivated by fear that speculative and inflationary consequences will gather momentum, as after 1954, if interest rates are held down while business recovery fosters the revival of optimism and confidence in the economy. (Bogen. J. of Comm., 9/3 p.3)

MONEY SUPPLY
The nation's money supply picture continued to tighten moderately, with the Reserve banks still following markets rather than leading them. True, two more Reserve banks moved their rediscount rates up to 2% from 1-3/4%, but the 2% rate was little more than a gesture in the light of the broad advance in open market interest rates since June. For the week, marked by one of the biggest currency outflows recorded for a Labor Day holiday period, average free reserves of the country's banks shrank to the lowest since January. The Reserve banks gave some support to the market, but not enough fully to offset tightening influences, which included a further $75 million gold loss to foreign account. (J. of Comm., 9/5 p.1)

WEEKLY BILL OFFERING
The Treasury moved to tap the money market for $100 million by boosting its weekly offering of Treasury bills. The Department invited bids for $1.8 billion of 91-day bills for cash, and in exchange for $1.7 billion of bills maturing September 11. Officials said the move to raise some extra money was to improve the Department's bank balances. The Department in the next two weeks faces the prospect of little inflow income, at least until the quarterly payment of corporate income taxes September 15. Officials have said the Department pays out in normal operating expenses about $1.5 billion every five working days. (Wall St. J., 9/4 p.2)

BOND MARKET FOG
Wall Street is hopeful that the sale last week of 1958's second largest corporate bond issue will help stabilize an unsettled market. A thin and drifting Government bond market and postponement during the last month of nearly a score of corporate debt offerings have left underwriters without the usual guideposts to aid them in pricing their wares. The offering of $150 million of Standard Oil of California debentures on September 5, may have furnished a needed reference point at a 4.4% yield for AAA-rated twenty-five-year security. Investment bankers find themselves groping in a fog when they lack a steady flow of new
issues to test the temper of the market, when Treasury bonds seem unable to find a stable price level, when there is a large backlog of forthcoming issues building up, and when institutional investors play coy on the prices they are willing to pay. All these factors have plagued underwriters in recent weeks. (Tompkins. N.Y. Times, 9/7 III p.1)

TAX-EXEMPT BONDS ON NOVEMBER BALLOTS

Eight state and local governments have announced plans to place over $164.2 million in tax-exempt bond proposals on November 4 ballots. The recent additions bring to $1,367,240,000 the total to date of bonds up for voter approval in the general elections. Previously, three states --California, Illinois, and New York-- said they would include state bond proposals totaling $1.3 billion on November ballots. The incomplete total to date is far ahead of last year's final figure of $935 million voted on in general elections. (Wall St. J., 9/4 p.11)

CONSUMER DEBT DOWN IN JULY

Another indication of a possible turnaround in economic sentiment can be found in the figures on consumer credit for July. The Federal Reserve Board reported that total installment credit outstanding in that month continued its long decline--but that the drop was the smallest in six months. On a seasonally adjusted basis, consumer credit outstanding at the end of July fell by only $32 million, as compared with drops ranging from $100 to $180 million per month in the February-June period. Total installment credit outstanding at the end of the month was $33.1 billion. Automobile paper accounted for all the decline in outstanding consumer installment credit in July. (J. of Comm., 9/3 p.4)

STOCKPILE PURCHASES CUT BACK SHARPLY

The Government is cutting back sharply on its purchases for the strategic stockpile, limiting it in the next 10 months to amosite asbestos, small diamond dies, and muscovite block and film mica. The reduction in stockpiling is due to two developments in the past year: filling of many more stockpile "goals"; and the change in expectancy of the duration of a future all-out national emergency to a three-year period, rather than five years, with a general lowering of estimated goals. (J. of Comm., 9/4 p.1)

EXPORT DECLINE SLOWS

The post-Suez slump in exports appeared to have come to a halt during the second quarter of this year, according to the Department of Commerce. The slump can largely be attributed to the event that preceded it--the Suez Canal crisis, which caused a bulge in United States exports of oil, wheat, and cotton. The Department also cited the Canadian recession as a drag on United States exports. Exports to Canada, the biggest...
foreign market for United States goods, were off 18% in the first half as compared with a year earlier. Commercial exports (which do not include military aid) were at an annual rate of $16.6 billion, about the same as in the first half of 1956, but 20% below the peak registered in the first half of 1957. (N.Y. Times, 9/5 p.35)

AUTO OUTPUT DROPS

Shutdowns for model changeover dropped last month’s auto output to only 180,313 assemblies, the lowest August total since 1941. The August production was well below the 321,053 cars turned out in July, about a third of the passenger cars assembled in August 1957, and one of the lowest monthly production totals since auto output picked up after the end of World War II. In the first eight months this year, the industry produced 2,743,228 cars, down nearly 38% from the first eight months of 1957. (Wall St. J., 9/3 p.2)

WASTE PAPER

Important grades of waste paper used in the manufacture of paperboard advanced $2 to $5 a ton in the Chicago area, bringing some grades to 1958 highs. The advances, the first across-the-board boosts in about a year, reflect increased demand for raw materials by paperboard makers, and seasonally low supplies. Chief reason for the increase, however, is stepped-up operations by paperboard mills, whose business has shown a marked upturn in recent weeks. Paperboard mills have been operating near 93% of capacity during the last month and the industry has been averaging slightly over 3% above August last year. (Wall St. J., 9/3 p.18)

FARM PRICES OFF

Farm prices turned down in the month ended August 15 as ideal growing weather boosted market supplies of most crops. But Department of Agriculture officials said farm income prospects are still bright, since the size of this year's harvests will likely offset the price declines. They currently estimate 1958 net farm income at $12.4 billion, up 15% from last year's post-war low. (Wall St. J., 9/2 p.16)

STRIKE TIME LOST

Strikes in July cost U.S. factories 1,700,000 man-days, the lowest for any July since 1944, the Department of Labor reported. However, the toll of man-days lost due to strikes was slightly ahead of the 1,650,000 reported in June of this year. A total of 350 work stoppages, taking about 160,000 men off the job, started in July. (Wall St. J., 9/4 p.10)