

basic  
business

# NEWS

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**INDUSTRIAL OUTPUT CONTINUES RISE** The Federal Reserve Board reported that business activity continued a "rapid recovery" in August. The statement is the most exuberant comment on the business upturn that any Government agency had made. Industrial production jumped 2% in August and now has recovered more than half of the ground that it lost during the downturn. The Board's adjusted production index climbed to 137 of the 1947-49 average. It had dropped from a pre-recession reading of 145 in August 1957 to 126 in April, before beginning the current series of advances. (Slevin. N.Y. Herald Trib., 9/13 II p.5)

**HOUSING STARTS BEST SINCE 1956** The pace of private home building edged upward again in August to the best level since January 1956, and the outlook for proposed home construction showed a pickup after a two-month drop. The Department of Labor estimated the seasonally adjusted annual rate of private home starts in August at 1,170,000--a gain of 10,000 from the July rate and well above the recession low of 915,000 in February. Averaging out the annual rate of private housing starts for the first eight months of this year, brings it to 1,037,000 compared with 982,000 for the like period in 1957. (Wall St. J., 9/12 p.3)

**STEEL OUTPUT HIT '58 HIGH IN AUGUST** Steel production in August was at the highest level of any month this year, the American Iron and Steel Institute has reported. The melt totaled 7,285,000 net tons, compared with 9,233,890 tons in August 1957. Based on the January 1 capacity rating of 140,742,570 net tons of steel annually, the August operating rate averaged 60.9%. (N.Y. Herald Trib., 9/13 II p.7)

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STEEL UNION MAPS BID FOR CONTRACT GAINS      The giant United Steelworkers of America will set in motion this week a new drive for higher wages, a shorter workweek and a comprehensive list of other contract improvements. The drive, which will not reach the showdown stage until next July 1, is virtually certain to become a principal economic pattern-setter for labor and management in 1959. The signal for the drive will be given at the union's biennial convention, opening in Convention Hall at Atlantic City (September 15). The early declaration of the union's determination to win substantial gains next year is designed to offset recent pleas by industrial leaders for a hold-the-line policy aimed at arresting the upward trend in steel wages and prices that began immediately after World War II. (Raskin. N.Y. Times, 9/14 p.1)

JOBLESS AT A 7-MONTH LOW      Unemployment declined last month to its lowest point since January and employment rose for the sixth consecutive month to a high for the year, according to joint estimates by the Departments of Commerce and Labor. Unemployment at mid-August was put at 4.7 million. This was 600,000 lower than in July. Employment at mid-August was 65.4 million--up 200,000 from July. The Commerce and Labor report also said it was difficult to be precise about seasonal trends where there were large numbers of students moving into and out of the labor market. (N.Y. Times, 9/10 p.1)

BUYERS' ARRIVALS SET RECORD IN NEW YORK      Buyers are descending upon New York City in droves, seeking more merchandise for their stores and asking for deliveries as fast as possible. The reason is that their customers have snapped up so much of what they had to offer that their shelves are all but cleared. Manufacturers of many types of goods had been cautious in their production planning early in the season. They had little choice, it seemed, in the face of a business recession and wary trial orders from merchants not sure of how customers would buy in the fall. But, in the last ten days, as back-to-school buying spread into other store departments, it was clear that they had guessed wrong. They had been altogether too cautious. The number of buyers registered is the largest total ever to visit the city for a September buying trip. (Freeman. N.Y. Times, 9/9 p.49)

CHASE MANHATTAN RAISES PRIME RATE; N.Y. DISCOUNT RATE HIKED      Chase Manhattan Bank, largest bank in New York City and second largest nationally, raised its "prime" interest rate to 4% from 3-1/2%, and reports from over the country were that commercial banks generally would follow Chase Manhattan's lead.

The Chase announcement of a rise in its charge on loans to the biggest borrowers with the best credit ratings came minutes after the New York Federal Reserve Bank followed other Reserve district banks in a quarter-point boost in its discount rate--the fee charged on loans to member banks. The Cleveland, Richmond, and St. Louis Federal Reserve Banks also raised the discount rate to 2% from 1-3/4%, effective (September 12). That brought to 10 the number of districts charging the higher rate, and left only the Philadelphia and Boston Reserve districts at the 1-3/4% rate. (Wall St. J., 9/12 p.3)

**SEARS ISSUE OVERSUBSCRIBED** A milestone of sorts is being passed in the capital market with the public offering of \$350 million of Sears, Roebuck 25-year bonds at par, carrying a 4-3/4% coupon. This is the biggest issue the market has ever handled, aside from certain government and telephone issues. The coupon interest rate also probably is a new high for this kind of financing. An advance oversubscription was reported. The high coupon rate and the size of the issue had some side effects, notably in the form of a fresh decline in longer term Treasury bonds to new lows, on selling that came in part from investors seeking to switch into the new Sears issue. (J. of Comm., 9/10 p.1)

**MUNICIPAL BOND PRICES HIGHER** Municipal bond prices edged higher last week, marking the biggest gain since the first of May. The recovery came after prices slipped close to the lowest point in nearly a quarter-century. Prices of tax-exempts had dropped almost steadily since the end of April, except for a few weeks of relative stability. The Dow-Jones index of municipal yields, in reflecting the improved price structure, fell to 3.52% (September 12) from 3.57% the previous Monday. Inventories, meanwhile, were slashed for the sixth consecutive week. New issues brought out last week received what one dealer called "an extremely fine" investor reception on reoffering. (Wall St. J., 9/12 p.15)

**ESTIMATED U.S. DEFICIT AT \$12.2 BILLION** The Government specified the details of why it faced a record peacetime deficit of \$12.2 billion in the current fiscal year. The annual mid-year budget review, bringing up to date the original estimates of last January, estimated expenditures at \$79.2 billion, up \$5.3 billion from January, and receipts at \$67 billion, down \$7.4 billion from January. In January, the two had been estimated as roughly in balance. The review showed that 60% of the deficit was accounted for by the impact of the recession on receipts and 40% by higher spending. For the first time since records have been kept, the Government's "cash" deficit will be larger than its budget deficit.

The cash figures include the transactions of the Government's trust funds, for such items as social security and unemployment compensation, and leave out certain intra-governmental transactions. The cash deficit is larger than the budget deficit because, for the first time, the trust funds as a whole will pay out more than they take in. This is only temporary, however. Meanwhile, the cash deficit of \$13.7 billion is a major factor leading to economic recovery--and possibly to inflation after the recovery. (N.Y. Times, 9/12 p.1)

A.T. & T. PENSION FUND      The world's largest corporate pension fund, the \$2.6 billion pool of capital set aside for the benefit of the Bell Telephone system's 750,000 employees, has entered the stock market for the first time since its formation in 1913. Heretofore, it has bought only bonds of "Grade A or better" rating. In keeping with the conservative principles of the management, and of pension funds generally, common stocks are being acquired on the basis of careful selection. No bonds are being sold to make room in the portfolio for equity securities, but part of the new money that flows into the account at the rate of \$220 million a year is being so invested. Bankers Trust Company, trustee for the fund, has been authorized to place up to 10% of the assets of the entire pool in common stocks. (Stabler. N.Y. Herald Trib., 9/11 p.1)

CROP ESTIMATES RAISED      Major crops scored gains in August from "slight to spectacular," the Department of Agriculture reported. Last month's favorable growing weather enhanced indications that 1958 crop production will "far exceed" previous achievements of American farmers. Indicated output of 59 crops was again marked up--to 116% of the 1947-49 average. Only a month ago, the Department figured the index would be 113%--well above the previous record of 106% reached first in 1948 and equalled in 1956 and 1957. The outlook confronts Uncle Sam with substantial additions to his huge farm surpluses. (Wall St. J., 9/11 p.1)

DEMAND FOR ZINC UP SHARPLY      Demand for zinc--one of the hardest-hit metals in the recession--turned sharply upward last month, a report of the American Zinc Institute showed.

Domestic shipments rose to the highest level since last November. Zinc stocks in the hands of smelters turned downward for the first time so far this year. The institute's monthly statistical report said deliveries to users in this country rose to 68,718 tons last month from July's 60,132 tons. The rise in domestic deliveries was considered all the more significant since it did not include any deliveries to the Government. (N.Y. Times, 9/10 p.47)