basic business NEWS

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CONSUMER PRICES HOLD AUGUST LEVEL Average consumer prices held steady in September, after dropping a bit in August, the Department of Labor has reported. It was the first time since the winter of 1955-56 that the Consumer Price Index had failed to rise over two successive months. The September index was 123.7%, with average prices in the 1947-49 period taken as 100. Ewan Clague, the Commissioner of Labor Statistics, foresaw general stability in the price index, with only slight movements up or down. The September experience was much the same as that in August--declining food prices offsetting small increases elsewhere. September showed one unusual development. The average price of services failed to rise. They have risen in almost every month for twenty years. (N.Y. Times, 10/24 p.1)

WHOLESALE PRICES STEADY IN 1958 Wholesale prices declined 0.2% in the week ended October 21 to 118.6% of the 1947-49 average, the Department of Labor reported. This figure is less than 0.1% above the level prevailing at the start of 1958. Prolonged stability in wholesale prices is getting increasing attention in a year marked by widespread talk of inflation and soaring stock quotations. Despite the upward pressure of mounting labor costs, prices of non-farm goods are no higher than they were two years ago, while farm commodities are far below their levels of seven years ago. The big brake on prices is the nation's tremendous capacity to produce both agricultural and manufactured products. (Wall St. J., 10/27 p.1)

FARM INCOME UP The Department of Agriculture reported farmers are getting some solid financial gains from this year's high livestock prices and record crop production. The Agency said farmers' cash returns from the sale of crops and livestock mounted to $22.8 billion in the first nine months of the year, up 11% from a year earlier. The figures were included in the Department's latest report on the demand and price situation. For the first nine months, livestock receipts added up to $13.8 billion, a 10% increase over last year's nine-month total. Higher prices for cattle, hogs, and eggs accounted for most of the increase. (Wall St. J., 10/22 p.6)

DISCOUNT RATE INCREASED The Federal Reserve Board grasped the nettle and approved a second round of rediscount rate increases by five Reserve banks (Philadelphia, Richmond, St. Louis, Minneapolis, and Dallas), this time of a full one-half of 1% to 2-1/2%. It had to act, if it was going to, before the Treasury did its new financing next month. The impact would seem to be higher rates for business borrowing in all markets, but since open market rates already are so far above even the new rediscount rates, further jumps in the market rates may be modest. (J. of Comm., 10/24 p.1)

STOCK PRICES AND VOLUME DECLINE Stock prices and stock volume went down together last week. No definite reason was evident for the changed appearance of the market. Among the causes advanced, however, were a deterioration in the Far East situation, a belated effect of the recent rise in margins, poor earnings reports, and impairment of the market's technical position. While prices dropped each day, the decline in market values last week was not severe, and there was no visible disposition on the part of traders to cash in on profits and move to the sidelines. Profit-taking did have its effect, of course, particularly in the motor, steel and metal issues. (Forrest. N.Y. Times, 10/26 III p.1)

SHORT INTEREST DROPPED 10.9% The New York Stock Exchange's short-interest report for mid-October would indicate that last week, at least, some of Wall Street's "bears" had decided not to continue fighting a "bull" market. The Exchange reported yesterday (October 20) a 10.9% drop in the short interest in the month to October 15. A total of 5,030,722 listed shares were short, against 5,646,414 a month earlier. This was the lowest short interest reported by the Exchange since April 15. The latest figure represented only one-tenth of 1% of all shares listed on the Exchange. In May 1931, when the Exchange began keeping short-interest statistics, the 5,509,700 shares then short represented four-tenths of 1% of listed shares. This percentage has never since been exceeded. (N.Y. Times, 10/21 p.47)

STEEL OUTPUT TOPS 2 MILLION TONS Steel production topped two million tons (in the week ended October 18) for the first time in a year, and was slated to edge still higher (in the following week). With mills operating at 74.2% of capacity, output climbed to 2,003,000 tons--70,000 tons above the previous week and 16,000 tons greater than the forecast for the period. (Wall St. J., 10/21 p.1)

DEMAND BRISK FOR 1959 CARS Automobile dealers across the country reportedly were fretting last week as they noted a brisk demand for 1959 models and a shortage of new cars to deliver to eager buyers. The problem of increased demand and few cars was particularly disturbing to the recession-plagued industry that was convinced that the 1959 models would lead it to prosperity. But work stoppages have crippled new car production, and best industry estimates were that, barring further complications, it would take three to seven weeks to catch up with the backlog of unfilled orders. To achieve the original production goal of 1.4 million cars in the last quarter of this year will require a good deal of overtime, for to date, only 200,000 cars have rolled off assembly lines. (Ingraham. N.Y. Times, 10/26 III p.1)

FREIGHT CARLOADINGS HIT NEW HIGH FOR YEAR Revenue freight carloadings by U.S. railroads reached another new high for the year --the sixth in a row--with 695,768 cars loaded in the week ended October 18, the Association of American Railroads reported. In the latest week, loadings were down only 4.3% below loadings of the corresponding week of 1957. So far this year, carloadings are down 17.5% from loadings in the like period of 1957. Although the decline from year-earlier levels has been narrowing recently, association officials said, loadings a year ago did not rise as rapidly as is customary in the fall, because early effects of the recession were being felt. (Wall St. J., 10/24 p.20)

P.R.R. SETS 25¢ DIVIDEND Pennsylvania Railroad declared a 25¢ dividend today (October 22)--its first in eleven months. But the dividend doesn't mean business is getting better, said James M. Symes, president of the country's largest railroad. "On the basis of our results so far this year, no earnings are available for a dividend payment... However, the directors took into consideration the fact that the payment would not impair the cash position of the company as compared to a year ago, that the company had been able to continue its debt reduction program to the extent of approximately $20 million for the year, and the improved outlook on business." A company spokesman said the railroad has made a cash return to shareholders every year since May 1848. (N.Y. Herald Trib., 10/23 III p.7)

DROUGHT IN FOREIGN MACHINE TOOL ORDERS Orders for machine tools last month recovered only slightly from the low August level. They remained 31% behind September a year ago, even though that month was one of the poorest of 1957. A drought in orders from abroad was responsible for holding down the industry's September gain over August. Domestic orders showed a 10% rise from August. The foreign order total was the worst for any month since World War II, when the industry began keeping tabs on this overseas activity. According to figures released by the National Machine Tool Builders' Association, domestic and foreign bookings less cancellations for these metal-cutting-type tools which perform basic production operations on parts for autos, airplanes, appliances and the like, totaled $20 million last month, up 3.8% from August. (Wall St. J., 10/24 p.20)

COPPER PRICES INCREASE AGAIN Copper prices continued to climb in world markets. U.S. custom smelters raised their charge for the metal by 1-1/2¢ to 30¢ a pound. This is seven cents a pound above the recession low quoted by the smelters early this year. It is 2-1/2¢ above the level now being charged for copper by major U.S. producers. The further rise in the American market was foreshadowed by persistent strength in spot copper at London and another price boost by Katanga, big Belgian Congo copper producer. Rising copper prices reflect the tight supply situation created by prolonged strikes at mines in Northern Rhodesia, Canada, and the U.S. (Wall St. J., 10/21 p.1)

ALUMINUM OUTPUT EXPANDING Aluminum is sharing in the general improvement in the business picture that has typified most of the non-ferrous metals industry during the final quarter of this year. While copper, silver, lead, and zinc have been the subjects of a series of price hikes and some increases in output, improvement in the aluminum industry so far has manifested itself solely by boosts in production. Domestic aluminum producers face an early end to the "put" contracts to the Government which has been taking substantial tonnages of the metal off the market at a firm price. (Regan. J. of Comm., 10/22 p.1)

NATURAL GAS CASE HEARD Argument began in the Supreme Court today (October 21) on the so-called Memphis Case, regarded as one of unusual importance to the natural gas industry. At issue is the right of gas pipeline companies to raise rates without waiting for the Federal Power Commission to complete rate proceedings. The Court of Appeals (in Washington) held that gas suppliers could not do so unless their customers agreed to the rate increases. (Lewis. N.Y. Times, 10/21 p.47)