basic business NEWS

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CONSUMERS OPTIMISTIC

Consumer optimism has increased markedly since midsummer, according to a periodic survey taken by the University of Michigan under Federal Reserve auspices. But the rise has been tempered by continued caution in planning major purchases, the study showed. The "consumer attitudes index," with which the researchers rate answers to a variety of economic questions, rose to 100 in October from 94 last June. This was regarded as an important upturn, though it was not as great as the recovery in the like 1954 period, when the index climbed 16 points to 109. (Wall St. J., 12/3 p.1)

ECONOMISTS STILL VIEW INFLATION AS PROBLEM

Inflation "remains a problem of serious concern" over the long run despite the fact that the economy during 1957-1958 has been characterized by a recession, according to economists polled by the National Industrial Conference Board. The panel expects the wage-cost push--moderated for the present--to return as recovery flourishes. Continuing international uncertainties, the problems and costs of adequate defense and armaments in the missile-age, and the prospect of sustained Government deficits, all can add impetus to future inflationary trends. (J. of Comm., 12/5 p.2)

INVENTORY LIQUIDATION NEARLY HALTED

Inventory liquidation apparently came to a virtual halt in October, the Department of Commerce reported. The draw-down of stocks during the month amounted to only $200 million, on a seasonally adjusted basis, and was wholly confined to the retail sector. Declines in the stocks of automobile dealers accounted for most of the liquidation at retail. The key feature of October inventory movements was the termination of liquidation by manufacturers. Their stocks, seasonally adjusted, were the same at the end of October as they had been at the beginning. (J. of Comm., 12/5 p.4)

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STEEL ORDER RISE TOPS OUTPUT GAIN Fresh steel order volume improved again last week. Prospects are good for a further increase this week. Sources of the new business, slated for delivery in January and February, were more varied than they were a month ago. Steel production was expanding slightly also, but its gain had not matched the pickup in orders. The result was a substantial increase in backlogs for many concerns. This will give companies a good chance to step up their earnings in the first quarter because of a higher operating rate and the ability of mills to properly schedule finishing mills in advance. Much of the improvement in steel last week came from the auto and auto parts industries. Orders from those customers for delivery next month and in February have been larger than in recent months. (N.Y. Times, 12/8 p.51)

GOVERNMENT SPENDING TO BE CUT IN 1959-60 Government spending in the fiscal year starting next July 1 would be cut to around $78 billion under plans being drafted at the White House. Efforts to reduce outlays well below the over $80 billion total indicated for the current fiscal year will center primarily on the farm and veterans' programs, Budget Director Maurice H. Stans asserted. In addition to economy steps, Eisenhower aides count on a $7 billion to $8 billion gain in revenues in 1959-60. If all goes according to the blueprints, the deficit would be trimmed to $2 billion to $3 billion. In the year ending June 30, 1958, Uncle Sam is expected to go $12 billion into the red. (Wall St. J., 12/8 p.1)

TREASURY BEGINS NEW BILL CYCLE The Treasury Department announced today (December 1) that it would take bids for $400 million in twenty-six-week bills at the start of a new program leading to a half-year cycle. Bids for the new bills will be invited Thursday (December 4), and the first of the new series will be issued December 11 on the regular discount basis. The aggregate of bills outstanding under the present thirteen-week cycle is $23.4 billion. After the first thirteen weeks of the new system, the total will be $26 billion. The issuance of the new twenty-six-week bills is designed to help put some of the Treasury's refinancing on a routine basis. It is expected that the twenty-six-week bills will become a permanent part of the national debt structure. (N.Y. Times, 12/2 p.55)

RESERVE BANKS BUY MORE U.S. BILLS The Reserve banks stepped up their purchases of Government securities to give commercial banks the funds with which to meet approaching year-end demands, which include substantial increases in money in circulation and delays in the collection of out-of-town checks created by holiday sluggishness in the mails. Business loans rose moderately at New

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York banks. This week foreigners took no gold and added only slightly to their dollar balances. (J. of Comm., 12/5 p.1)

STOCK MARKET SETTLES DOWN Entering the homestretch for 1958, the stock market settled down somewhat last week. December, normally a month of rising prices, was ushered in on a firm note in quieter trading. But stocks moved in a narrow range, ending the week mixed to slightly lower. There were wide moves, however, in both directions, in individual issues. There was little news to stimulate the market. This being a period of adjustment in security portfolios when tax adjustments are made, what favorable news there was failed to influence the cross-currents of trading. (Forrest. N.Y. Times, 12/7 III p.1)

NEW EQUITY OFFERINGS UP The volume of new equity offerings, which, until recently, has been running at a lower level than in any year since 1954, has begun to rise sharply. The week just ended was one of the most active of the entire year in the capital market. There were eleven major stock offerings worth more than $66 million. In 1957, only about $20 million in common and preferred shares were sold during December. Since the last month of the year is normally a slack period, the unusual pace of stock offerings late in 1958 suggests that a trend may be in the making. (Tompkins. N.Y. Times, 12/7 III p.1)

OIL INDUSTRY FACES STRIKE The oil industry is facing its first coast to coast strike threat since 1952. The largest oil workers union--the Oil, Chemical & Atomic Workers International (AFL-CIO)--has been trying to nail down a 25¢ wage boost since last February. But companies holding talks with OCAW have rejected union demands, and OCAW spokesmen state that no counter offers have been received. Most of the union's 600 oil industry contracts have been terminated. This could pave the way for swift strike action except where the contract calls for a 15-day notification period. (Bley. J. of Comm., 12/3 p.1)

REPLACEMENT TIRE SHIPMENTS HIGH Replacement tire shipments in October gained 22% over a year ago, reaching the highest level for the month since 1946. And November was another good month, sales executives reported. October pushed passenger car replacement tire volume for the first 10 months to 53.9 million units --more than 6% ahead of the like 1957 period. But the slump in original equipment business, stemming from the falling off in auto production, pulled total 10-month passenger tire shipments down to 71.2 million--9% less than a year earlier. (Wall St. J., 12/2 p.1)

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COAL PRICE RISE TO FOLLOW WAGE HIKE

Soft coal prices are going up January 1 in the wake of the industry's new wage agreement with John L. Lewis' United Mine Workers. Despite severely competitive conditions in coal marketing, a number of producers wasted no time (December 2) in announcing that they will move to offset, at least in part, the $1.20 a day pay increase that will go to Mr. Lewis' 180,000 miners the first of the year. The wage agreement, which Mr. Lewis negotiated with Northern producers Tuesday (December 2) and with Southern operators on December 3, provided for a wage increase of 80¢ a day on April 1 in addition to the $1.20 a day boost set for January 1. Estimates of these cost increases, while varying from district to district and even from mine to mine, are ranging between 25¢ and 30¢ a ton. Price increases, however, are not expected to go that high in most districts. (Wall St. J., 12/5 p.3)

TARIFF CUTS BY EUROMART

The six-nation European Common Market headed off a threatened economic crisis by extending 10% tariff cuts to all other member states of the General Agreement on Tariffs and Trade (GATT), including the United States. The cuts also were extended to all nations trading with the six countries on a "most-favored-nation" basis. The tariff cuts go into effect between Common Market countries on January 1. The decision to extend the tariff cuts to the full GATT list of nations amounts to an emergency stop-gap solution aimed at preventing an undesirable division of Europe into two opposing trade camps. (J. of Comm., 12/4 p.1)

FRENCH ECONOMY PUT AT 1957 LEVEL

French industrial activity at the first of November was down about 3% from the early summer peak, but just about on a parity with the rate a year earlier. The decline in industrial activity is reported largely confined to three sectors--textiles, consumer durables, and shipbuilding. (J. of Comm., 12/4 p.13)

RECORD SHOE SALES PREDICTED FOR '59

Spokesmen for the shoe industry predicted next year's production and sales would set new highs with output reaching about 605 million pairs compared to 590 million pairs estimated for 1958. The predictions were made at the opening of the Popular Price Shoe Show of America by officials of the National Association of Shoe Chain Stores and the New England Shoe and Leather Association. In spite of the recession, they said, shoe production dropped only about 1% from the 598 million pairs produced in 1957. (J. of Comm., 12/2 p.4)

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