basic business
NEWS

Published Weekly by the FEDERAL RESERVE BANK of CLEVELAND

December 9, 1958 to December 15, 1958

JOBLESSNESS HOLDS STEADY IN OCTOBER Unemployment held steady at 3.8 million between mid-October and mid-November. This was reported by the Departments of Commerce and Labor, which noted that the number of persons out of work usually increases sharply in that period. The seasonally adjusted rate of unemployment fell to 5.9% of the labor force on November 15--lowest in 10 months. Employment dropped 700,000 during the month to a total of 64.7 million, largely as a result of curtailment in farm activities. Factory jobholders, however, showed an increase of 155,000. This contra-seasonal rise followed termination of major strikes at auto plants and settlement of related work stoppages. (Wall St. J., 12/11 p.1)

INDUSTRIAL OUTPUT SHOWS NEW GAIN The Federal Reserve Board's index of industrial production rose three points to a seasonally adjusted 141% of the 1947-49 average in the month. A major advance in auto production in November, accompanied by widespread gains throughout manufacturing, were responsible for the upward push in the production index. As a result of continued work stoppages in the auto industry, the index had gained only one point in October, to 138%. The November index is two points above the like month a year ago, when the business recession was first becoming evident, and only four points below the 145% peak 1957 level, which came in August. (Wall St. J., 12/15 p.3)

HOUSING STARTS CONTINUE GAINS The adjusted annual rate of private home starts increased to 1,330,000 in November from 1,260,000 the month before, the Department of Labor said--even though the actual number of starts during the month dropped to 100,000 from 109,000 in October. The increase in the annual rate occurred because the drop was far less than usual for this time of year, the Agency added. The November annual rate was the highest since June 1955. (Wall St. J., 12/15 p.3)

INCREASE PREDICTED FOR NEW PLANT OUTLAYS The Government reduced its estimates of business spending on new plant and equipment for the final six months of this year, but forecast for the first three months of 1959 a small increase over the reduced 1958 figures. On the basis of a new survey of business plans, the Government estimated first quarter 1959 capital outlays at a $30.5 billion seasonally adjusted annual rate, a lower figure than forecast just three months ago for the current quarter. In their new report, the Department of Commerce and the Securities and Exchange Commission revised downward to $30 billion their estimate for the final three months of 1958. They also revised downward their September estimate of spending in the third quarter of this year to $29.6 billion. Thus, their two revisions did not cancel the previous trend of an increase in fourth quarter spending over the third quarter. The revisions reflect the fact that the business recession of 1957-58 bit more deeply into plant and equipment spending than had been anticipated. (Wall St. J., 12/10 p.3)

RULING BACKS GAS INDUSTRY The Supreme Court cleared the way today (December 8) for natural-gas-pipeline companies to raise their rates without first going through a rate proceeding at the Federal Power Commission. The High Court held that companies using the most common form of contract might use a short-cut rate provision of the Natural Gas Act. Under this provision, gas prices go up six months after filing of new rate schedules, subject to later revision by the FPC. The decision reversed the District of Columbia Court of Appeals in the so-called Memphis case. The natural gas industry generally welcomed yesterday's Supreme Court reversal of the Memphis decision as paving the way for greater expansion. Spokesmen for all segments were jubilant. This reaction extended to the steel industry, which supplies pipe for the transporting of gas, and to suppliers of other equipment. (Lewis. N.Y. Times, 12/9 p.1)

PRESIDENT'S DEFENSE BUDGET PROPOSALS The Eisenhower Administration has decided on a defense budget of about $41.5 billion in the fiscal blueprint the President will send Congress next month for the fiscal year that starts next July 1. This is somewhat less than the figure in earlier Administration planning. It is still another sign of the Administration's efforts to cut back the size of the Federal budget now taking final shape. Among the specific defense economies to be made, according to one high Administration official, is elimination of any plan for a second atomic supercarrier. (Otten. Wall St. J., 12/10 p.2)

TREASURY FINANCING — The first issue of the Treasury's new series of 182-day discount bills sold at a price to yield an average interest rate of 3.082%, the Treasury disclosed (December 8). At the same time, the regular weekly issue of 91-day bills, slightly reduced in size, sold at an average interest rate of 2.805%, virtually unchanged from the 2.806% of the previous week. The offering included $400 million of new bills and $1.6 billion of the old ones. The combined total of $2 billion meant that the Treasury raised $200 million in new cash, because the maturing bill issue was $1.8 billion. (N.Y. Times, 12/9 p.66)

MUNICIPAL BONDS SHOW RECORD PACE — The increasing popularity of municipal bonds is emphasized by the record purchases of such tax-exempt securities during the first 11 months of 1958. Nearly $7 billion of state and local government bonds have been bought so far this year, compared with $6.2 billion during the corresponding 1957 period. According to the Investment Bankers Association of America, it looks like the total for this year will be in the neighborhood of $7.5 billion. From July through November, only $48 million or 1.9% of the bonds offered for sale during this period, were unsold. (Goodman. Wash. Post, 12/14 C p.12)

INSURANCE ASSETS TO INCREASE — Life insurance companies this year will show a gain of $5.9 billion in assets, and life insurance in force in the country an increase of $34.6 billion, according to estimates at the annual meeting of the Life Insurance Association of America. The year-end asset total will be about $107.2 billion, Dr. James J. O'Leary, the association's economic research director, reported. The asset gain tops that of last year, when the increase was about $5.3 billion. (Wall St. J., 12/12 p.11)

STEEL FIRMS BOOST CAPITAL OUTLAYS — Improvement in steel company earnings and operations during the last six months has brought with it a moderate step-up in new investments, compared with those contemplated in the early months of the year. Total spent for new facilities this year, however, will be substantially below the record breaking $1.75 billion invested in 1957. Early this year, the American Iron & Steel Institute estimated that capital investments by steel producers this year would total $1 billion. This total has been fully equaled, it is believed, although the actual amount will not be known for about two months. Next year, investments are likely to be about equal to the 1958 total. The steel industry will probably enter the new year with an annual production capacity of at least 144 or 145 million tons of ingots, compared with 140.7 million at the end of last year. (Fish. J. of Comm., 12/9 p.1)

AUTO INVENTORIES, PRODUCTION

New car inventories in dealers' hands are gradually climbing as auto producers continue to schedule the highest production in a year or more. But retail deliveries are also moving up, and the auto industry remains hopeful that it will sell 5.5 million or more cars next year. New car inventories on November 1 were estimated at only 265,000, lowest level in four years. During November, dealer sales were hindered by this shortage. It is estimated retail deliveries were around 370,000, with the second and third ten-day periods showing an upturn. Since production last month was around 500,000 units, it appears inventories rose about 130,000 units to close to 400,000 as of December 1. This month, with production of 600,000 cars scheduled, another rise in dealer stocks is indicated. (Fish. J. of Comm., 12/12 p.1)

U.S. CORN HOLDINGS RISE TO NEW HIGH

Uncle Sam's inventory of corn acquired under the price support program rose to a record high during October, the Department of Agriculture reported. The Government owned nearly $2 billion worth of corn, or 1.1 billion bushels, on October 31. This was $184 million above the year-before figure. Officials said the corn inventory probably has climbed even higher during November and December. The Government is now taking title to 1957-crop corn offered by farmers as collateral for price support loans which were not paid off by the deadline last July 31. The value of all surplus commodities owned by the Government on October 31 rose to nearly $5.6 billion. The value of crops held as collateral for price support loans stood at $2.3 billion, bringing Uncle Sam's total investment in the price support program to nearly $7.9 billion, up $895 million from the year before. (Wall St. J., 12/12 p.4)

CIGARET OUTPUT SETS RECORD

Cigaret and cigar production and shipments rose to records in October. October was the biggest cigaret-making month in tobacco history, and the production of large cigars hit a 29-year high, the Tobacco Merchants Association of the U.S. said, judging by Internal Revenue Service figures. Makers of cigarets, according to the IRS, shipped some 40.9 billion smokes to retailers in October, up from 38.1 billion in September and 38.2 billion in October 1957. Cigar shipments also topped September and year-earlier levels, the IRS reported. (Wall St. J., 12/15 p.7)

Editor's Note: Disruption of publication of some daily newspapers reduced the range of selectivity of items in this issue.