basic business NEWS

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REDISCOUNT RATE BOOSTED

Four Federal Reserve Banks boosted their rediscount rates to 3% from 2-1/2%, assuring that the other eight regional banks would follow. There was no semi-official explanation of the reasons why, but it was assumed that the "out of line" character of the rediscount rate quoted since last November was a major consideration. Whether this action will mean that interest rates charged business for commercial funds will rise close to 1957 peaks is up to private lenders. They have the ready-made excuse to raise rates; they also are confronted with the sobering indication that demand for business money for a long time has been below par. The small increase recorded for business loans this week in New York was only the second of this year; for the period since December 31 commercial loans are down $478 million. (J. of Comm., 3/6 p.1)

TREASURY SPURS BOND MARKET STUDY

The Treasury, seeking ways to prevent another bond market slump such as last summer's, is stepping up and broadening a study of the Government securities market that has been informal so far. The study, being conducted jointly with the Federal Reserve System, is focused particularly on the reasons for the drop in bond prices last year. Results of the joint study, the Treasury said, will be made public about mid-year. There's little doubt that the summer sag in Government securities prices, attributed to dumping by speculators jolted Treasury officials. It is apparent the Treasury would like to remove any questions in the minds of Congressmen that it is making sufficient effort to see that such a slump doesn't happen again. It is obvious the Treasury would like to accomplish its aims voluntarily, and not have to ask for legislation that would set up any sort of Federal policing of the Government securities market, currently free from such regulation. (Wall St. J., 3/9 p.2)

TREASURY OFFERING The Treasury moved, for the second week in a row, to tap the money market for an extra $100 million by increasing the amount of its weekly bill offerings. Bids were invited on $1.7 billion of the issues for cash and in exchange for $1.6 billion coming due March 12. The new bills, bearing that date, will consist of $1.3 billion of 13-week and $400 million of 26-week bills. The 13-week issue will mature June 11, and the 26-week bills will come due September 10. (Wall St. J., 3/6 p.5)

MUNICIPAL BORROWING HIGHEST SINCE MAY '58 State and municipal long-term financing in February aggregated $850,565,533, the largest monthly total since May of 1958, according to the Daily Bond Buyer. In May of last year, borrowing exceeded $876 million. The revised total for January was $639,271,641, which brought the total for the first two months of this year to $1.5 billion, compared with $1.7 billion for the first two months of 1958. (N.Y. Times, 3/4 p.46)

INSTALMENT DEBT ROSE IN JANUARY Consumers boosted their outstanding instalment debt by a seasonally adjusted $387 million in January, the Federal Reserve Board reported. The increase, reflecting a pickup in sales of cars and other consumer goods, brought the total of instalment credit outstanding at the end of January to nearly $33.7 billion. This was a gain of $55 million from the outstanding amount a year earlier. Extensions of new time payments credit in January mounted to a record $3.8 billion on an adjusted basis. Repayments of old debt during the month of an adjusted $3.4 billion were at about the same level as in other recent months. (Wall St. J., 3/5 p.5)

HOUSEHOLD APPLIANCES SHOW GAIN IN SALES A major upswing in sales of large household appliances since the beginning of the year is making manufacturing plants hum. Producers of refrigerators, washing machines and other home laundry equipment, and gas and electric ranges reported (March 6) that they were busily filling increasingly larger orders from stores. At the same time, orders were pouring into factories from builders of new homes. Virtually all manufacturers have reported that their volume for the first two months of the year ran considerably ahead of those in the 1958 period. (N.Y. Times, 3/7 p.27)

NEW CAR SALES HIT BEST '59 RATE Sales of American-built new cars in the final third of February climbed to the highest daily level this year. Dealers delivered an average of 18,615 cars a day in the February 21-28 period. This was a gain of

21% from the selling rate of the like period a year before, and brought total volume for the month to 405,000 cars--up 26% from February 1958. (Wall St. J., 3/9 p.5)

CONSUMER BUYING INTENTIONS UP Consumers are more optimistic now than they were a year ago about their own financial positions and the economy generally--and many more of them are planning to buy houses this year than last. The annual survey of consumer finances, made by the University of Michigan Survey Research Center for the Federal Reserve Board, showed a modest increase in plans for purchases of cars and a marked increase in house-buying intentions. Of the 2,500 households covered by the survey, 9.3% were planning to buy a new home this year, as compared with 7.5% last year. More families are also planning major improvements and repairs on their homes--24.6% this year as opposed to 22.1% in 1958. The average outlay on home improvements is expected to be less this year, however--$360 vs. $380 last year. More modest increases also showed up in consumer plans to buy new cars. (J. of Comm., 3/6 p.1)

STEEL PRODUCTION MAY BE HIGHEST EVER March has good prospects of becoming the steel industry's best production month in history. Record tonnages poured last week totaling a scheduled 2,535,000 tons are likely to be exceeded this week, based on indications of sharp increases in the Pittsburgh and Chicago districts and a smaller gain in the Youngstown area. Mills in the Chicago district are stepping up operations to 94.2%, while Pittsburgh district furnaces will reach 94.6%. At Youngstown, production is scheduled at about 91%. The outlook in those three centers, which make about half the country's steel, promises to boost the national operating rate above last week's scheduled 89.5%. That would put the industry on the way to breaking the record 11,048,513 tons of October 1956. (Wall St. J., 3/9 p.26)

COPPER PRODUCERS RAISE PRICES TO 9-MONTH HIGH The nation's three largest producers of copper announced (March 6) that their prices would rise 1-1/2¢ a pound on Monday (March 9) to 31-1/2¢. The new price is the highest to be quoted by major producers since June 19, 1957, when copper was in the midst of a long price decline that carried quotations from a 1956 high of 46¢ to the recession low of 25¢ early last year. (N.Y. Times, 3/7 p.27)

MANUFACTURERS' STOCKS UP FIRST TIME SINCE '57 Manufacturers boosted their inventories in January for the first time since July 1957, the Department of Commerce reported. At the end of January, the seasonally adjusted book value of manufacturers' inventories was $49.5 billion, an increase of $300 million over the previous month. The latest figure, however, was still some $3.4 billion below the like 1957 month. Government economists have been expecting manufacturers to start rebuilding inventories. They figured that once the recession-prompted liquidation that featured 1958 had halted, manufacturers would quickly start adding to their stocks. However, apparently reflecting businessmen's caution, the inventory accumulation held off longer than Government specialists had expected. Manufacturers' January new orders, a gauge of future production, were even with the December figure of $28.4 billion. January sales amounted to an adjusted $28.2 billion, a gain of $100 million over December. (Wall St. J., 3/5 p.3)

RUBBER OUTPUT BOOMS The rubber manufacturing industry's production is booming. This surge comes at a time when the biggest customer for rubber products--the auto industry--is moving along at a rate far below its 1955 peak. The rubber industry is turning out products at a rate close to its estimated normal capacity. Production is running somewhat ahead of sales. Anticipating possible strikes in April, rubber companies are building inventories, more so than in any recent year, and this is especially true of tires. The auto companies have asked the big tire makers to have a 30-day supply available for them in the event of rubber strikes, compared with normal supply of two weeks or less. January shipments of passenger tires for the replacement, or retail, trade set a record for the month. They totaled close to 6 million, up 24% from 4,837,745 a year ago. (Byrne. Wall St. J., 3/6 p.20)

TEXTILE BUYING DECREASES Textile buying has begun to simmer down from the hot pace of the last few weeks, but prices are holding firm and one or two products are still inching higher. The lull doesn't alarm fabric specialists, who interpret it as the "digestive" period that usually follows an order burst. Wage increases granted to 300,000 Southern mill hands last month prompted a rash of price hikes on nearly all types of textile products, and this in turn stirred a rush of orders which will take up much second quarter mill production. (Church. Wall St. J., 3/9 p.11)