basic business NEWS

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JOBLESSNESS DOWN; EMPLOYMENT SETS NEW RECORD FOR MAY

Unemployment dropped to its lowest level in eighteen months in May while the number of Americans at work hit a new record for the month, the Departments of Labor and Commerce reported June 10. A decline of 238,000 from April lowered the May jobless total to 3,389,000. The decline in unemployment cut the jobless rate to 4.9% of the labor force. The decline was attributed largely to the recall of factory workers to their jobs.

Employment rose by 1,004,000 to establish a new May record of 66,016,000. The rise was attributed to sharp pickup in non-farm jobs as well as a further seasonal gain in agricultural employment. Durable goods industries, which were hit hardest by the recent recession, chalked up nearly all of the increase. (N.Y. Herald Trib., 6/11 p.14)

STEEL PRODUCTION IN MAY HITS RECORD

The steel industry poured more raw steel in May than in any other month in history--11,600,000 net tons--the American Iron and Steel Institute reported. That compared with 6,301,159 tons poured in May last year when the steel-makers were just beginning to recover from the 1958 recession. The institute noted that steel production had exceeded 11 million tons in each of the last three months. The vigorous production drive reflected efforts to meet the demand of consumers whose manufacturing needs for steel were rising at the same time they sought to build inventories to tide them over possible widespread steel strikes after labor contracts expire at the end of June. (N.Y. Times, 6/12 p.37)

HOME STARTS HIT '59 LOW IN MAY

The annual rate of private home starts dropped last month to the lowest level of the year, although it was the highest for May in four years, the Department of Labor reported. The seasonally adjusted annual rate of private homes begun in May fell to 1,340,000 from 1,390,000 the month before. One reason for the abnormal decline in total starts between April and May, housing experts said, was builders' uncertainty over the fate of the housing legislation pending in Congress. That bill contains new mortgage insuring authority for the Federal Housing Administration. The Agency has practically exhausted its existing authority, and for several months has been issuing letters that commit it to insure mortgages when it receives more authority. (Wall St. J., 6/15 p.22)

BUSINESSES RAISE '59 OUTLAY PLANS Business men, encouraged by rising sales, have increased their planned spending for new factories and machines, the Department of Commerce and the Securities and Exchange Commission reported jointly. Capital spending this year on new plant and equipment is now expected to hit $32,565,000,000. This is an increase of $773,000,000 over the figure predicted by the same Agencies in March. The report said that "except for public utilities and non-durable goods manufacturers, all major industry groups have raised their 1959 programs from those anticipated earlier this year." (N.Y. Times, 6/11 p.45)

RETAIL SALES CLIMB IN MAY Total sales of retail stores in May were $18.6 billion, the Department of Commerce announced. This advance figure, after adjustment for seasonal factors and trading day differences, was about 2% above April of this year and 10% above May 1958. Advances in sales from April to May were widespread among the non-durable trades, while the durables showed little change from the high April rates. (J. of Comm., 6/12 p.4)

BUYERS THRONG TO NEW YORK MARKET Buyers by the thousands are in New York to take a look at the fall styles. Almost without exception, they have found the styles highly acceptable and they are buying heavily for fall selling. In interviews with buyers who are representing just about every type of store and every type of selling throughout the country, one comment was repeated over and over in many different ways. It ran to this effect: "The styles are much more wearable than last year, and we are buying as much as 10% more goods because we expect a good fall season." (Freeman. N.Y. Times, 6/9 p.51)

COTTON MILL ORDERS HIGHEST SINCE '56 Cotton mills at the end of April had more firm orders for new cloth production than at any time since January 1956, a private industry report showed. The report asserted that cotton mills at the end of April had unfilled orders equal to 12.6 weeks' production, while inventories were down to the equivalent on only 3.4 weeks' output. That meant the industry could have sold out its entire inventory and kept running another 9.2 weeks on orders already booked--the best "committed production" figure since January 1956. (Wall St. J., 6/10 p.13)

SHIRT PRICES MOVE UPWARD Manhattan Shirt Company posted a 25¢ retail increase on its $4 shirts to kick off the first major boost in less-expensive, brand-name men's shirts in seven years. The move, effective July 1, shatters some existing price lines, which have hugged an even-dollars level since 1952, and may be the start of a whole wave of men's furnishings price revisions. (O'Donnell. Wall St. J., 6/15 p.5)

EISENHOWER ASKS AN END TO CEILING ON BOND INTEREST President Eisenhower sent to Congress on June 8 a proposal to abolish interest ceilings on savings bonds and Treasury bonds and to raise the limit on the national debt to $295 billion.

Under the plan, savings bonds would pay 3-3/4% interest instead of the current 3-1/4%. Present holders of savings bonds would also get more interest, through a revision of the redemption schedules on the back of the bonds. The President said the proposed improvement in the savings bond interest rate would "reinvigorate" the program. At present market prices, many Government bonds yield more than 4-1/4% to new buyers, the President pointed out. Thus the Treasury would find it difficult to sell new bonds with a return of only 4-1/4%.

As for the debt limit, the President proposed an increase in the "permanent" ceiling from the present $283 billion to $288 billion and an additional increase of $7 billion on a "temporary" basis to expire a year from June 30. Enactment of the legislation, the President said, "is essential to sound conduct of the Government's financial affairs." (Dale, Jr. N.Y. Times, 6/9 p.1)

SEE PROMPT MOVE ON DEBT HIKE President Eisenhower's request for an increase of the public debt ceiling has been assured prompt congressional action, but doubt is prevalent whether Congress will move with equal speed to remove the interest rate ceiling on Government bonds. The House Ways and Means Committee scheduled a hearing for Secretary of the Treasury Anderson, Budget Director Stans and Federal Reserve Chairman Martin on the proposed bills. (Amer. Bkr., 6/9 p.1)

TREASURY SECURITIES SHUNNED BY BUYERS Most retail buyers stayed away from the Government bond market last week, as national financial leaders debated before Congress the Administration's proposal to remove the 4-1/4% initial interest ceiling that limits the rate that can be offered on new Treasury bond issues. Although up a bit on the week, most U.S. Government bonds were still only fractions above the record lows for the existing issues.

established in recent weeks. Yields from the various issues were almost the most generous on record since 1932. Government bond dealers are looking for an announcement of the Treasury's July financing plans late this month. There is general agreement among dealers that the market at present has "no appetite" for other than short-term securities. (Wall St. J., 6/15 p.14)

BUSINESS LOANS RISE Loans to businesses by the larger New York City banks increased by $94 million in the week ended June 10, the Federal Reserve Bank of New York reported. This compared with an increase of $21 million in the comparable week a year ago. It was suggested that business concerns might have begun borrowing somewhat early this year in anticipation of June 15 Federal income tax payments. The New York City banks again operated under relatively light reserve pressures. This contrasted with the experience of banks in the so-called Reserve cities which have felt a steady build-up of pressures in recent weeks. Net borrowed reserves for the nation as a whole remained almost exactly where they were the week before. They increased by $2 million, to $525 million. (N.Y. Times, 6/12 p.37)

GOLD OUTFLOW While the country lost another $51 million in gold in the week ending June 10, making $397 million gone since January 1, there was evidence that foreign banks were finding investments here increasingly attractive as yields rose. They added $97 million to their holdings of U.S. Government securities along with the net addition to their gold holdings. (J. of Comm., 6/12 p.1)

19% DIP FORECAST IN WHEAT OUTPUT The Department of Agriculture forecast this year's wheat crop at 1,181,596,000 bushels. This is 19% less than last year's record crop, but 10% above average. A crop of this size would add to a burdensome surplus of the grain, but nothing like the excess produced last year. Official forecasts have put market requirements at one billion bushels. Thus this year's crop would add around 180 million bushels to a record reserve and surplus of 1.285 billion bushels, much of which is stored under Government price supports. (N.Y. Times, 6/11 p.45)

WHEAT-PROP RISE PASSED BY HOUSE Democrats, aided by twelve Midwestern Republicans, pushed through the House of Representatives a wheat bill opposed by the Administration. It is designed to cut surplus production and give farmers higher price supports. The bill now goes to a conference with the Senate, which adopted a similar bill on May 22. The President had indicated he would veto any wheat legislation that raised price supports. He regards such measures as incentives to overproduction. (Blair. N.Y. Times, 6/13 p.1)