

basic
business

NEWS

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INDUSTRIAL OUTPUT AT PEAK IN MAY

Industrial production jumped another two points in May, the Federal Reserve Board has reported.

The report revised April output upward by a point, making the two-month increase an unusually steep five points. In May the industrial production index, using 1947-49 as 100, was 152. This compares with the pre-recession peak of 146 and the recession low of 126. The pace of recovery in this key indicator is now established as clearly in line with the rebound from the two previous recessions in 1949 and 1954. The industrial production report said that output of durable goods in May crossed the pre-recession peak for the first time. Production of non-durable goods and minerals also rose.
(Dale, Jr. N.Y. Times, 6/16 p.49)

PRICE INDEX IN MAY ROSE 0.1%

The Government's consumer price index in May hit a new high of 124% of the 1947-49 average, rising 0.1% from the month before, the Department of

Labor reported. Officials indicated the outlook is for continued increases in the index through the summer as food prices follow their usual upward course before heading down in the fall. The new record tops the previous record of 123.9% reached in July last year. Despite the May increase, factory workers carried home the heftiest take-home pay checks in history, and officials said the buying power of their money also hit a record during the month. The May increase in the index was the result of rises in all major groups of the index. However, it reflected mainly the seasonal turn around in food costs.
(Wall St. J., 6/22 p.2)

PERSONAL INCOME SETS NEW RECORD

Personal income reached another new record in May-- a seasonally adjusted annual rate of \$376.2 billion, an increase of \$3 billion over the April rate--the Department of Commerce announced. Personal income has been making

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new records ever since the third quarter of last year and is now 7% higher than it was a year ago, the figures showed. The increase was hailed by Commerce Secretary Lewis L. Strauss, who noted that the rising level of incomes represents a real gain to the individual inasmuch as there has recently been very little upward movement in prices. (J. of Comm., 6/18 p.4)

HOUSE APPROVES The House of Representatives approved a \$3.5 billion foreign aid authorization for the coming fiscal year. The House bill reflects a strong sentiment in Congress this year for increasing emphasis on economic aid programs and for taking a more cautious attitude toward military assistance. The foreign aid debate now switches to the Senate, where a bill authorizing a \$4.1 billion program for the fiscal year 1960 is pending. (Baker. N.Y. Times, 6/19 p.1)

FEDERAL GAS TAX INCREASE WANTED The White House applied new pressure on Congress (June 20) for action on the President's request for a gasoline-tax increase. James C. Hagerty, Presidential press secretary, announced that "as matters now stand" there would be no apportionment of Federal highway construction aid to the states at the normal time this summer. In a few days, he said, President Eisenhower will receive and make public a report on what this will mean to each of the forty-nine states. (Mooney. N.Y. Times, 6/21 p.1)

GI LOAN RATE INCREASED Congress sent to the White House a bill to raise to 5-1/4% the interest rate ceiling on privately financed mortgages guaranteed by the Veterans' Administration. The present ceiling is 4-3/4%. The veterans mortgage program has slowed down considerably because of the 4-3/4% ceiling on interest rates on GI home loans. As a result, lenders have become increasingly unwilling to put their money into the program. (Wall St. J., 6/18 p.4)

FEDERAL RESERVE TIGHTENS CREDIT The two latest weekly Federal Reserve statements indicate that a further tightening of credit policy is under way. Net borrowed reserves of member banks have exceeded \$500 million in two consecutive weekly statements, indicating that this may be the target level of the Reserve authorities under current economic conditions. The net borrowed reserves of member banks averaged less than \$100 million in January and February. It is highly significant that, at this early stage of the recovery, they are now in the \$500 million range, a level reached only when credit policy was in its restrictive 1957 phase. (J.I.B. J. of Comm. 6/16 p.1)

NEW TREASURY ISSUE COMING The Treasury will unveil this week the securities it will offer investors to raise about \$4 billion in new money. Present indications are that the offering, which probably will be announced late Thursday, will be short-term obligations maturing in a year or less. Some private financial experts predict the financing will be confined to one issue--tax anticipation bills, coming due next March. Others, however, believe the Treasury also will offer a security maturing in one year. (Wall St. J., 6/22 p.1)

PRICES OF MUNICIPALS FALL AGAIN Municipal bond prices lost more ground last week, a trend that has persisted almost without interruption for over three months. When the five-day trading stretch ended, state and city issues were at the lowest prices and offering investors the highest tax-exempt yields since December 29, 1934. The reasons cited by investment specialists for the persistent decline were much the same: A large volume of present or immediately prospective new tax-exempt issues, along with other factors calculated to push interest rates still higher on borrowings of nearly all types. (Wall St. J., 6/22 p.17)

VARIABLE ANNUITIES Robert B. Meyner, Governor of New Jersey, signed into law three bills authorizing insurance companies to sell so-called variable annuity contracts. The contract provides the purchaser with payments based on income derived from stocks bought by the insurance company. Proponents of the plan claim it is a measure designed to offset the reduction in fixed incomes by inflation, while critics contend the stock pool payments may be reduced to nothing in times of economic distress. (J. of Comm., 6/19 p.1)

STOCKHOLDERS' RANKS SWELL During the last three years of the stock market boom, the number of shareholders in the nation's publicly held corporations has jumped 45% to a total of 12,490,000 persons, the New York Stock Exchange disclosed June 16. One out of every eight adults now owns a share in American business. In its study, "Share Ownership in America: 1959," the Exchange cited important gains in employee stock purchase plans as a leading factor in the sharp three-year increase in nationwide stock ownership. (Berry. N.Y. Herald Trib., 6/17 III p.5)

TEXAS REDUCES OIL ALLOWABLE The Texas Railroad Commission (June 18) again ordered a drastic slash in the allowable statewide oil production for July of 226,044 barrels a day. The commission ordered that wells be run on a nine-day producing pattern for the month, compared with ten days in June. Most of the major oil

companies had informed the oil regulatory agency that the market for oil had decreased and that they must reduce refinery runs. (N.Y. Times, 6/19 p.32)

PAPERBOARD Paperboard production rose to a record 330,025 tons (the
OUTPUT UP week ended June 13) the National Paperboard Association
 has reported. Production was 13.5% higher than a year
ago. (N.Y. Times, 6/17 p.49)

BUMPER PIG CROP The Department of Agriculture reported farmers
PROMISES CHEAP PORK intend to produce their largest fall pig crop
 in 16 years, assuring plentiful pork bargains
for housewives in the first half of 1960. Though this may cheer re-
tail food shoppers, the prospect of a continued expansion of hog pro-
duction through the middle of 1960 promises "a rough year for farmers,"
one department official said. And, while the boost in fall pig out-
put is not expected to cause a price collapse next spring, it may pave
the way for a break in hog prices later. (Wall St. J., 6/22 p.18)

CHICK OUTPUT May chick production in commercial hatcheries shows
CUT IN MAY that a sharp cutback in farmers' egg production plans
 has begun in earnest, Department of Agriculture offi-
cials said. Ultra-low farm prices for eggs have encouraged a re-
trenchment in the number of chicks produced for flock replacement in
months ahead. Commercial hatcheries produced only 87.9 million egg-
type chicks during May, down 20% from the year before. This should
be reflected in lower egg production six months hence, when the new
chicks reach laying age. (Wall St. J., 6/18 p.20)

IRON ORE SHIPMENTS Iron ore shipments in May on the Great Lakes
TRIPLED YEAR-AGO RATE more than tripled shipments in May 1958, as
 steel mills raced to build ore stocks before
the steel strike deadline of June 30. Lake boats hauled 12,765,446
gross tons of iron ore in May, sharply above the 4,060,611 gross tons
carried in the year-earlier month. Last year, many ore boats were
idled by the recession and the accompanying decline in steel produc-
tion, the Lake Carriers' Association reported. (Wall St. J., 6/19
p.14)

NEW CAR SALES Auto dealers' new car sales in the first third of
AT 3-YEAR HIGH June averaged 20,220 a day--the highest rate for the
 initial period of any month since April 1956. These
retail deliveries were nearly 3% ahead of the first third of May and
46% above the like 1958 period. Trade sources said volume in the
latest interval may cause upward revision of the general industry
prediction of total 1959 sales of 5.5 million U.S.-built cars. (Wall
St. J., 6/17 p.1)