basic business

NEWS

Published Weekly by the FEDERAL RESERVE BANK of CLEVELAND

June 23, 1959 to June 29, 1959

GOVERNMENT SEEKS STRIKE SETTLEMENT Steel labor and management negotiators can expect the Government to continue seeking settlement of their contract dispute. Top Administration officials made this plain as both sides accepted President Eisenhower's proposal for extension of present labor contracts, expiring at midnight June 30. Vice President Nixon and Labor Secretary Mitchell were disclosed as having been in frequent contact with David J. McDonald, Steelworkers' chief, and Roger M. Blough, U.S. Steel chairman. And this procedure "will continue" until an agreement is reached, Administration spokesmen emphasized. (Wall St. J., 6/29 p.1)

CONSTRUCTION AT 4% OVER MAY 1958 Continued construction gains in housing and in industrial and commercial structures increased the volume of building contracts throughout the country in May to $3,541,858,000. This was a rise of 4% over the volume for May 1958, according to the F.W. Dodge Corporation. The report says that so far in 1959 housing has been the chief source of strength in the construction industry. (N.Y. Times, 6/26 p.39)

MACHINE TOOL ORDERS DOWN; SHIPMENTS OFF New orders for machine tools last month slipped 10% from the April level, largely as a result of reduced bookings from overseas customers. New business in May nevertheless topped the like month of 1958 by 71%, the National Machine Tool Builders' Association reported. Shipments of completed machines also slipped last month. Generally it takes six months or more to construct this complicated and frequently custom-built equipment, so the current shipment pace still reflects the slow ordering activity of late last year. Shipments in May totaled $41,250,000, off 8% from April. But there are signs the shipment trend soon will be reversed. (Wall St. J., 6/24 p.5)

TREASURY TO BORROW $5 BILLION IN CASH

The Treasury announced plans (June 25)to borrow $5 billion of cash by selling two issues of short-term securities on an auction basis in early July. The borrowing will consist of $3 billion of March tax anticipation bills and $2 billion of one-year bills maturing July 15, 1960. Interest rates on both will be determined by the bidding of prospective investors. The decision to borrow $5 billion in July, instead of the $4 billion that had been indicated, was a matter of playing safe, officials said. It was not caused by any change in the budgetary outlook, they continued, but by a desire not to have to borrow again before August. (Mooney. N.Y. Times, 6/26 p.31)

SENATE APPROVES BILL TO INCREASE DEBT CEILING

The Senate passed and sent to the White House a bill to increase the Federal debt ceiling to $295 billion through June 30, 1960. It would raise the permanent ceiling from the present $283 billion, and increase the temporary ceiling to the $295 billion level for the coming fiscal year. Secretary Anderson told the Finance Committee he would accept the House bill even though its passage will mean that the Treasury shall be operating under a very narrow margin on June 30, 1960, unless there is a substantial budget surplus next year. (Wall St. J., 6/26 p.2)

AGENCIES HIKE INTEREST

While Congress hesitates to permit the Treasury to pay more than 4-1/4% on its long-term bonds, other Government agencies are announcing increases. Home Loan Banks across the nation have announced regional increases in interest rates for advances to member institutions ranging from highs of 4-3/4% in New York and San Francisco for long-term loans to 3-1/2% in Indianapolis. The Department of Agriculture also announced an increase in Commodity Credit Corporation certificates issued to banks participating in the financing of 1959 crop price support loans to 3-1/4%, effective July 1. The 1958 crop price support loan rate is 2-3/4%. There are, too, requests reaching the Federal Reserve Board urging that the present ceiling of 3% on savings be raised. Suggestions are from 3% to 3-1/4% and 3-1/2%. (Amer. Bkr., 6/25 p.1)

U.S. GOLD STOCK AT 19-YEAR LOW

The nation's gold stock fell below $20 billion in the week ended last Wednesday for the first time since June 26, 1940, the Federal Reserve Bank of New York has reported. Gold holdings dropped to $19.8 billion. Of the decline, $343,750,000 represented payment by the United States to fulfill its increased gold subscription to the International Monetary Fund. (N.Y. Times, 6/26 p.31)

WHEAT-TOBACCO MEASURES VETOED BY THE PRESIDENT President Eisenhower vetoed two Democratic farm bills aimed at easing the nation's difficulties with wheat and tobacco, asserting that neither measure solves the problem. The veto presumably kills chances of further Congressional action this session on wheat. The compromise measure was pulled through the legislative process with difficulty, and finally passed with the frank expectation among sponsors that it would be rejected by the White House. Supporters are not expected to have enough strength to override the veto of either bill, and it is possible they will not even try. (Wall St. J., 6/26 p.4)

U.S. CAPITAL FLOWS TO EUROPE American companies are shifting their new overseas investments toward Europe and, in particular, the common market area of France, Germany, Italy, Holland, Belgium and Luxembourg. The trend was reported in a survey by the Department of Commerce of U.S. payments with foreign countries in the first quarter of the year. "Direct investments"--a category consisting largely of funds put into factories abroad--amounted to $240 million in the first three months of the year, up $90 million from the same period of 1958. The Agency also reported a sharp increase in Americans' investments in the stock of European companies. (J. of Comm., 6/24 p.1)

U.S. MAINTAINS DEBTOR STATUS The deficit in this country's international balance of payments remained large in the first quarter of this year, the Department of Commerce reported. Rising interest rates in this country had the classic effect. They attracted funds, thus tending to reduce the payments' deficit. But the excess of exports over imports narrowed. The net result was a payments deficit of about the same size as in the final quarter of last year. Payments out of the United States exceeded payments into the United States by $864 million, which was equivalent to a rate of $3.7 billion a year. Last year's deficit was $3.4 billion, of which about $2.3 billion was paid in gold--the much publicized outflow. (Mooney. N.Y. Times, 6/24 p.39)

SOCIAL SECURITY FUND TO SHOW DEFICIT The Administration told Congress the Social Security fund will run $87 million in the red --its third deficit in a row--in the fiscal year starting July 1. But that deficit, the smallest of the three, will be the last one in the foreseeable future. The 19-year-old fund ran its first deficit--$216 million--in fiscal 1958, which ended last June 30. In the fiscal year ending June 30, 1959, the fund is expected to run $1,242,000,000 in the red. (Wall St. J., 6/23 p.8)

PETROLEUM PRICES OFF DESPITE HIGH DEMAND Petroleum product prices are declining on the eve of what should be the high demand period for the year. Midcontinent refiners trimmed as much as one-half cent a gallon off bulk prices on gasoline for northern shipment. And, on the gulf coast, petroleum processors lopped three-eighths of a cent a gallon off their cargo quotations for kerosene, home heating oils and diesel fuel. In several cases, products are being sold at prices under the depressed postings of a year ago. Marketers say the downtrend--unusual for this time of year as the industry heads into the peak motoring season--stems from continued high refinery runs and a glut of products. (Tanner. Wall St. J., 6/23 p.5)

COPPER PRICE CUT 1/2 CENT American custom smelters cut their refined copper price another half cent a pound to 30-1/2 cents, the second such cut in as many days and the third decrease of that amount in a week and a half. The smelter price is thus a full cent below the 31-1/2-cent-a-pound quotation of large U.S. mine producers, whose price since Wednesday has been the highest in the world. Smelters continued to cite slack demand for their metal as the reason for the reduction. (Wall St. J., 6/26 p.5)

ASPHALT ROOFING PRICES REDUCED Asphalt roofing makers across the nation cut their prices by 6% to 15%. The move came at a time when demand from home builders, the biggest market for the roofing, is the highest in several years. Many manufacturers blamed the price reductions on competitive pressures, saying there are "too many producers in the business." (Wall St. J., 6/25 p.1)

SHOE PRODUCTION AT RECORD PACE The shoe industry continues to pour out footwear at the fastest pace in its history. Production figures are topping the highest trade estimates and, barring unforeseen developments, industry leaders say it is no longer a question of reaching the 600 million-pair level for the first time in 1959, but how much in excess of this figure output will run. Supporting the high rate of production has been surprisingly good retail sales. Instead of building up inventories, as many in the trade had expected, the flow of shoes into consumers' hands has kept inventories at normal, or perhaps even subnormal levels. The New England shoe industry this year is accounting for 35% of the total output. (Wall St. J., 6/29 p.26)

SEAWAY PRODUCES 50% RISE IN CARGO Cargo carried through the St. Lawrence Seaway in the first full month of operation totaled 2,243,450 tons. The increase in cargo was 741,360 tons, representing a gain of 49.3% over May traffic last year when the 14-foot canal system was still in operation. The sharpest rate of increase was in upbound traffic, which totaled 785,200 tons compared with 457,593 tons. (N.Y. Times, 6/23 p.54)