basic business

NEWS

Published Weekly by the FEDERAL RESERVE BANK of CLEVELAND

August 11, 1959 to August 17, 1959

INDUSTRIAL INDEX DOWN 1% IN JULY

The steel strike reversed a fourteen-month rise in the country's industrial output last month, the Federal Reserve Board reported. But the impact of the stoppage, which began in mid-July, had not begun to hit other segments of the economy appreciably by the end of the month. Rises in other production held the over-all drop to 1% below the June level. "Activity in most other durable goods industries increased further and output of nondurable goods rose to a new peak," the Board noted. Copper production, also hit by a strike, was an exception. The Board's seasonally adjusted index of industrial production stood at 153 in July, compared with 155 in June. The index is based on the average industrial output of 1947-49, represented as 100. (Morris. N.Y. Times, 8/15 p.7)

EMPLOYMENT SETS RECORD IN JULY

More Americans were at work last month than at any time in the nation's history. The Department of Labor reported that in mid-July employment stood at 67,594,000, an increase of 252,000 over June when the previous record was set, and 2,415,000 more than a year ago. Unemployment, meanwhile, dropped by 238,000 between June and July to 3,744,000. This was 1,550,000 less than in July 1958. The report showed that the rate of unemployment, seasonally adjusted, rose from 4.9% to 5.1% in July. The rate in July last year was 7.3%. (Shuster. N.Y. Times, 8/12 p.1)

RETAIL SALES CONTINUE STRONG

Total sales of retail stores in July were $18.2 billion, the Department of Commerce announced. This advance figure, after adjustment for seasonal factors and trading day differences, was virtually unchanged from June and about 9% above July 1958. Sales of both the durable and nondurable trades in July remained close to the high May and June figures. Sales advances for apparel, general merchandise, lumber, building, hardware, and drug stores were offset in large part by declines in the other major groups. (J. of Comm., 8/11 p.4)

HOUSING STARTS FELL SLIGHTLY — Housing starts fell slightly last month but still made their biggest July showing since 1950, the Department of Commerce reported. The actual number of July starts was estimated at 126,000 compared with 136,000 a month earlier. The drop in the adjusted annual rate was not so great because there normally is a moderate decline in starts between June and July. (N.Y. Times, 8/15 p.5)

NO STEEL SHORTAGE YET — The end of the first month of the national steel strike finds critical shortages of metal still more than a month away for most steel users. But hardships are piling up for employers and workers in other industries and the pinch of payless paydays is beginning to send strikers to public relief agencies for help. These were the principal findings of a survey made by correspondents of The New York Times in fifteen major production centers. The survey disclosed that 100,000 workers in railroads, coal mining, and allied fields had joined the 500,000 strikers on the idle list. About 25,000 others are likely to be laid off in the next four weeks if there is no settlement. (Raskin. N.Y. Times, 8/14 p.1)

LABOR CONTRACT NEGOTIATIONS — Labor contract negotiation deadlocks were no better and in some areas trouble threatened to spread. Anaconda was threatened with a strike next week at two of its producing facilities. As regards the steel strike, the President made it emphatic that the Government would await something approaching the emergency type situation defined by law before it would interfere with the free bargaining system. The resistance of industry to wage contracts that involve wage and price spiraling and the subsidizing of built-in inefficiencies persists and spreads. Another indication of this was a virtual rejection by the New York shipping industry of new demands by longshoremen, who are accused of "reaching for the moon." (J. of Comm., 8/13 p.1)

HOUSE APPROVES STRICT LABOR BILL — A labor reform (Landrum-Griffin) bill backed by President Eisenhower and desperately fought by union leaders was approved by the House of Representatives. Before any reform bill can become law, the House and the Senate must reconcile the differences in the bills they have passed. The House's toughening amendments raised the possibility of a deadlock and no labor bill at this session. If the House bill should become law in its present form, the effect would be this: Virtually all forms of the secondary boycott and many picket lines for organizing would be outlawed. State courts and labor agencies could move into the area of disputes over union representation and unfair practices. (Loftus. N.Y. Times, 8/14 p.1)

HOUSE UNIT VOTES GAS TAX INCREASE Congress and the Administration took a long step toward settling their dispute over the financial crisis facing the interstate highway program. The House Ways and Means Committee approved a temporary 1¢ increase in the Federal gasoline tax, now 3¢ a gallon, as part of a compromise plan. The compromise would provide sufficient revenues to keep construction of the 41,000-mile system of limited-access roads almost on schedule over the next few years. The 1¢ tax increase would take effect September 1 and expire June 30, 1961. It would yield about $960 million over the twenty-two-month period. (Morris. N.Y. Times, 8/14 p.1)

CONGRESS PUSHES ACTION ON "MUST" MEASURES Congress faces a series of urgent decisions in its drive for adjournment early in September. These include action on labor reform, housing, highway, interest rate, and civil rights bills. With the exception of the Administration's proposal to lift interest rates on new Government bonds, all these bills have been labeled "must" by the Democratic Congressional leadership. A long House-Senate conference is predicted to achieve a compromise on the relatively stringent House-passed labor bill and the milder one passed by the Senate. In housing, Democrats hope for quick Congressional passage of a substitute for the catch-all measure vetoed by President Eisenhower. A compromise solution is expected on the problem of financing interstate highway construction. (Wall St. J., 8/17 p.1)

MARKET SETBACK PARTLY MADE UP After the stock market lost $7 billion last Monday in the sharpest selling since November 24, 1958, it recovered well over half the loss Tuesday and spent the balance of the week in indecisive, cautious ambling. Volume fell in the latter two sessions to 15-month lows. Much of the blame for the selling and later caution was placed in the coming Eisenhower-Khrushchev visits. The reasoning was that these visits might herald an easing of international tensions and hence a cutback in defense spending. Some market analysts pointed out, however, that the exchange visits merely served as an excuse for unloading stocks that had been bid up to historic highs earlier in the month. They dubbed the setback a "technical correction." (Farnsworth. N.Y. Herald Trib., 8/16 II p.5)

COMMODITY MARKETS REMAIN STEADY The commodity markets remained significantly unaffected by what went on in the share market. Usually they are unusually sensitive to changes in the international situation. World sugar advanced, as did copper and wool; copper was affected by strike news to a moderate degree, but consumers did not rush to buy. There were no moves out of the ordinary in grains; vegetable oils were higher while cotton eased on the first 1959 cotton production estimate which indicated a crop 29% higher than last year's. (J. of Comm., 8/11 p.1)

SAVINGS BOND CASH-INS AGAIN TOP PURCHASES

Treasury figures for July show that owners of $507 million of outstanding bonds elected to turn them in for cash, rather than continue to hold them. Only $351 million of new bonds were sold. The $156 million difference between redemptions and sales is the largest gap so far this year. The last time sales topped cash-ins was in July 1958. The continuing slide in savings bond sales and the rise of cash-ins is causing increasing worry among top Administration officials. Some aides say privately the savings bond program is "in danger of a real collapse" unless Congress removes the present 3.26% interest rate ceiling on the bonds. The Treasury has announced that if the ceiling is removed, it will boost the interest rate to 3-3/4% on all savings bonds sold on or after June 1, and improve the interest earnings on outstanding savings bonds. (Wall St. J., 8/17 p.7)

CAR EXPORTS HIGHER

For the first time in eight months, June factory sales of cars for export surpassed the total for the corresponding month a year earlier, statistics compiled by the Automobile Manufacturers Association show. Last June, sales of automobiles for export to countries other than Canada aggregated 7,594, for a rise of 837 over the same month in 1958. This gain over a year earlier was only the third and by far the largest to be scored since the latter part of 1957. June's business brought the six-month total, excluding Canada, to 50,785 compared to 65,253 of last year. (J. of Comm., 8/11 p.13)

LARGER COTTON CROP IN '59

The highest per-acre cotton yield on record will give U.S. farmers this season their biggest crop in six years, the Department of Agriculture predicted. But officials said prospects for heavier consumption could keep the new harvest from fattening the cotton surplus. The Agency, in its first estimate of the 1959 crop, placed production at 14,815,000 bales, up 29% from last year and 5% above the 1948-57 average. The forecast was based on August 1 crop conditions. A crop of the predicted size would be the greatest since 1953, when production totaled 16,465,000 bales. (Wall St. J., 8/11 p.5)