STEEL RESUMPTION TO BE DELAYED

Maintenance workers started trickling back to the steel mills at noon yesterday, but large-scale deliveries of metal to steel-starved industries were still a month to six weeks away. The task of restoring full production is so time-consuming and the shortages that have developed in the 116 days of strike so great, many customers may get no steel at all if the shutdown is resumed at the end of the eighty-day truce ordered by the Supreme Court. Marketing experts expressed doubt that the amount of steel shipped before the injunction expires on January 26 would cover current consumption requirements. This would mean a further depletion of inventories for many large users, rather than a rebuilding of stockpiles. In Detroit, spokesmen for major auto manufacturers estimated that they might have to lay off 55,000 more workers before the tide of fresh metal started pushing men back onto the assembly lines. (Raskin. N.Y. Times, 11/8 p.1)

STEEL'S ROLE IN INFLATION

Twenty-three per cent of the inflation in wholesale prices of finished goods which has taken place over the past 11 years can be traced—directly or indirectly—to the fact that steel prices rose far more than the prices of other things. This was a major conclusion of a special study of "Steel and Postwar Inflation" made for the Joint Congressional Economic Committee by Otto Eckstein and Gary Fromm. (Shanahan, J. of Comm., 11/5 p.1)

A Senate-House economic staff study declared that price increases for steel products in the postwar period were primarily due to an "extraordinary" rise in wages and exerted a "strongly inflationary" impact on the nation's economy. Management policies and Government pressures also were blamed for the advances in steel prices since the end of World War II. The study, prepared to help the economic committee write a report on a year-long study of inflation, does not deal with the current steel contract dispute or its possible effects.

Selection of these items does not imply this bank's guaranty of their accuracy, nor agreement with the views expressed.
on the economy. It reviews the trend in steel prices in the 1947-58 period. (Wall St. J., 11/5 p.3)

REYNOLDS CUTS ALUMINUM OUTPUT Domestic aluminum output was curbed further as Reynolds Metals Company announced it had trimmed its production rate to 80% from 91% of capacity, the rate prevailing since early this summer. The move followed close on the heels of similar action by Kaiser Aluminum & Chemical Corporation last week. The third major U.S. producer, Aluminum Company of America, is currently operating at 82% of capacity. A slackening of demand for aluminum that set in shortly after mid-year started inventories climbing and brought on the output curbs. Industry observers cited the adverse effect of the steel strike on the metalworking trades and an end to anticipatory buying that marked the first half of the year as factors behind the drop in sales. (Regan. J. of Comm., 11/3 p.1)

NEW CAR SALES October retail sales of new U.S.-built cars, apparently hurt in the final week of the month by dealers' shortages, fell just short of reaching the second highest monthly total of the year. Unofficial, but reliable estimates are that dealers retailed 527,000 cars in the month, an average of 19,500 a selling day. This was a rise of 80% from the daily average of 10,800 in October 1958. Although October figures were gratifying to most auto men, they did not quite measure up to the mark predicted a week or so ago. It had been widely expected that October sales might top 550,000 after an extremely strong showing for the first two thirds of the month. Apparently the latest period reflects the pinch on dealers by the steel strike. Stocks of new cars built chiefly with steel obtained before the strike have been dwindling rapidly. Inventories of unsold new cars in the hands of dealers are currently reported unofficially at "under 580,000." At current selling rates, this is barely more than a month's supply. In times of normal supply, this would not be considered a shortage. (Wall St. J., 11/6 p.3)

COPPER ADEQUATE UNTIL DECEMBER Domestic copper producers advanced their prices by 1-1/2¢ to 33¢ a pound as production losses continued to mount and strikes that began in August moved no nearer settlement. Tightening supplies have forced some consumers to pay as high as 40¢ a pound for small amounts of copper from broker-dealer sources. Most of the larger fabricators have indicated their stocks will carry them through to early December before production cutbacks are necessary. (Regan. J. of Comm., 11/6 p.1)
Construction contracts in 1960 will drop slightly from the record volume in prospect this year, F. W. Dodge Corporation predicted. This would be the first year-to-year decline since the end of World War II. The Dodge study said a 1960 decline in home building, due primarily to shortages of mortgage money, would offset gains in other types of construction. (Wall St. J., 11/9 p.1)

Attrition 15%  Eighty-five per cent of the publicly held Treasury notes and certificates maturing this month and 81% of a note issue maturing later have been exchanged for new issues, the Treasury announced today. Treasury officials said they were pleased with the results. The 15% attrition on the November 15 notes and certificates was "not high in this day and age," one said. Treasury officials already have said that they plan to borrow $2 billion to $3 billion in cash late this month or early in December. (N.Y. Times, 11/7 p.29)

Savings Bonds Reflect Higher Rate Sales of Series E- and H-savings bonds in October were the best in six months, but still were $137 million behind cash-ins, the Treasury reported. The total climbed to $358 million from the seven-year low of $299 million in September. It was the highest since March, when sales totaled $413 million. Officials believe the increase in October sales reflected the higher interest rates put on E- and H-bonds late in September. Interest on the bonds was boosted to 3-3/4% from 3-1/4%. The cash value of E- and H-bonds outstanding on October 31 was about $42.5 billion. (Wall St. J., 11/9 p.2)

Tire Sales Headed for New Record Passenger car tire sales, sparked by record replacement demand, will roll up a new high record next year, in the opinion of tire industry leaders. Replacement tires of which an estimated 66 million will be sold this year are expected to reach a sales total of 67 or 68 million. As a sidelight, it was noted that in 1957 the 14-inch wheel was introduced. The 14-inch tire is said to wear out faster than the 15-inch tire because it revolves more times. (Waldeyer. J. of Comm., 11/6 p.1)

Gold Stocks Show Small Gain The International Monetary Fund increased the U.S. gold stock by selling $100 million of the metal to the Treasury. Treasury officials announced the IMF was the source of an increase in U.S. gold holdings that appeared in the Treasury daily statement for last Thursday. The rise in the gold stock was the first significant increase in the nation's
gold supply since the stock began to shrink more than a year ago. Actually, IMF has sold $300 million of gold to the Treasury recently. However, because other gold buyers—presumably foreign nations—were purchasing at the same time the Fund was selling, the other transactions did not show up. The official reason given for the sale was that the IMF wanted to get more income from its resources by trading gold—which earns nothing—into dollars to be invested in interest-bearing short-term Treasury securities. (Wall St. J., 11/6 p.9)

REVIVAL IN COMMON STOCK FINANCING A sharp increase in new offerings of common stocks has been a feature of the financial markets this year. In the first half of 1959, public issues of common stocks exceeded $1.1 billion, according to the Securities and Exchange Commission. This was more than double the $500 million of such offerings in the first half of 1958, when the recession caused a severe contraction of equity financing. This year’s flood of new stock issues is unusual in that relatively few of the offerings are those of large companies that resort to equity financing to raise part of the capital they require for expansion. The fact is that the increased cash flow from depreciation and retained profits has substantially reduced external financing by the large, seasoned corporations. (J. of Comm., 11/3 p.1)

TRADE BARRIERS Knocking down trade barriers seemed to have become the latest international fad last week, possibly presaging a new era of good feeling. The demolitions that attracted the most attention were those by Britain and France. Both announced imminent removal of many of their remaining quantitative import controls instituted during wartime and dollar-shortage years. The reason: For both countries dollar shortages are but a memory dimmed by present prosperity and ample reserves of gold and foreign exchange. The latest liberalization action was not itself as unusual as it might have seemed. Since last December, when a dozen West European countries adopted freer currency convertibility they have been progressively reducing import quota restrictions. Last week’s action, however, went far toward completing the job, although some curbs were retained. (Jones. N.Y. Times, 11/8 III p.1)

IMPORTS SPURT AGAIN U.S. imports skyrocketed to a record-breaking $1,391,800,000 during September, the Department of Commerce reported. The overseas purchases by Americans were some 17% greater than August’s and about 30% higher than a year earlier. This national buying spree abroad has worried some economists by making it more difficult for the country to balance its earnings abroad with its outgo. (Wall St. J., 11/6 p.6)