United Business Service, The Situation at a Glance, 1956 March 19th

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UNITED BUSINESS SERVICE

March 19, 1956
(Pages 112 to 121)

The Situation at a Glance

FAVORABLE FACTORS

Steel—Output is being maintained at record levels, and is about 9% higher than a year ago.

Commercial Construction—Continues to boom. February outlays were 26% larger than in like 1955 period.

Mail Order Sales—February sales of Sears Roebuck and Montgomery Ward showed a 15% gain over a year ago.

UNFAVORABLE FACTORS

Wage Demands—New 1956 round is gathering headway, and increases are running larger than a year ago.

Farm Machinery—Slow demand and mounting inventories of unsold equipment are forcing production cutbacks.

Copper Scarcities—Supply situation remains tight. Many users are paying sizable premiums to obtain metal.

SUMMARY AND FORECAST

Business activity is edging upward, and the spring outlook is becoming increasingly reassuring. A moderate pickup in auto sales is inducing car makers to expand output a bit — though production is still below a year ago. Steel mills report that orders are being stimulated by prospects of higher prices and the possibility of a midyear strike. In home building, new contract awards are running about 6% above a year ago — pointing to a more favorable trend in actual starts this spring. Retail sales are holding above year-earlier levels — and the stock market gives convincing evidence of general business-investment confidence.

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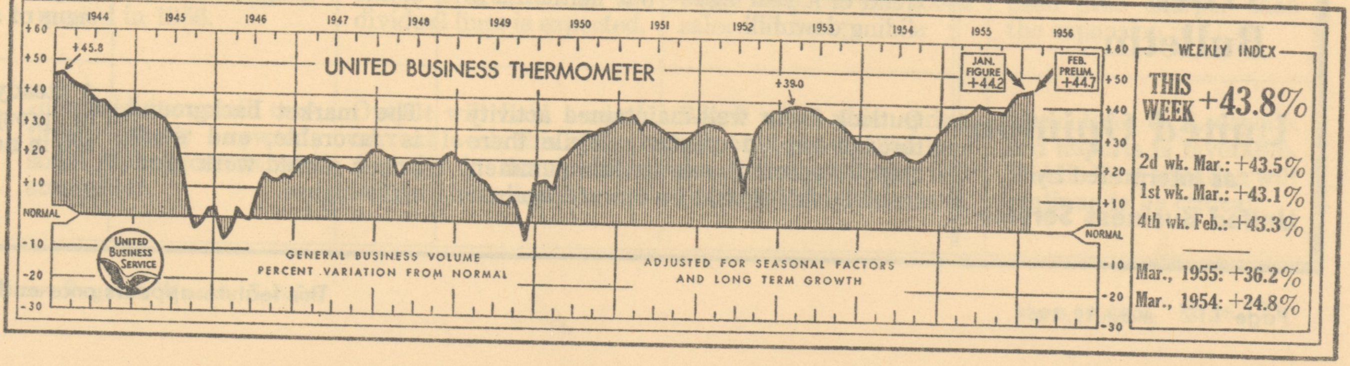

CURRENT VIEWS OF ECONOMIC AUTHORITIES BRIEFLY INTERPRETED

This summary presents the broad opinions of various authorities on matters that are of general interest. It does not include direct advices or other strictly confidential information from the sources mentioned.

	General Business	Stock Market	Money — Bonds	Commodity Prices	Production	Domestic Trade — Sales	Foreign Affairs
Alexander Hamilton	A continued high level of activity is indicated through the first half at least, but signs of a cyclical downturn may become evident late in 1956.	Any market setback, though it might be sharp, would probably be of short duration.	High grade bonds, though firmer, will probably not show any sustained uptrend over near term.	Basic pressure on wholesale commodity price indexes is slightly upward and is likely to remain so.	No appreciable decline in industrial production is in prospect before late 1956 — if then.	Prospects continue good that full year retail sales will equal and perhaps exceed the 1955 volume.	Inflation due to boom conditions is becoming a threat in West Germany as well as in Britain.
Babson's Reports	Business is expected to decline moderately and run 5%–7% under a year ago in second and third quarters. An upturn is likely by September.	Rise on Eisenhower candidacy may carry further, but caution is still advised at current levels.	Money rates will not change much in next six months. Some easing is more likely than rise.	Industrial prices, on the average, should ease a bit. Farm items will be relatively firm.	Moderate dip in total production between now and midsummer should be reversed in the fall.	Retail sales (excluding autos) over the next six months will about equal a year ago.	President's decision to run again will aid foreign relations — ease overseas fears of policy changes.
Brookmire Service	Despite certain soft spots, the outlook is for relative stability of over-all business. Optimism has been bolstered by the President's decision.	Selective strength is likely rather than a sustained advance, within pattern of a trading market.	Present "neutral" monetary policy implies little nearby change in money rates and bond prices.	Average wholesale prices are likely to continue their sidewise course, despite some divergencies.	Production has flattened out, but there is little chance of a downturn in coming months.	Consumer spending shows no sign of faltering, pointing to continued high-level retail trade.	Foreign trade prospects remain encouraging, but international frictions show no signs of easing.
Prentice-Hall "Information" Service	Business prospects remain favorable. Administration will make some stimulating moves before elections. Total 1956 profits and dividends will top 1955.	Bullish sentiment appears to have upper hand. Price-earnings ratios are below earlier major tops.	FRB money policy, now neutral, is expected to shift gradually toward somewhat easier credit.	With sizable wage boosts ahead, an uptrend in industrial prices is likely through the rest of 1956.	Low point for production is likely around midyear —with a renewed uptrend in the fourth quarter.	New wage advances and willingness of the public to spend foreshadow well-maintained trade.	New Soviet economic warfare will bring some step-up in U. S. military and foreign aid spending.
Standard & Poor's	A high, relatively stable level of business activity is indicated through spring, a mild dip this summer, and a renewed rise in fall.	A continued firm market is likely under stimulus of large investment funds seeking employment.	Firm to slightly higher bond prices are expected, though no marked easing of credit is imminent.	Wage advances will force up some prices, but the outlook over-all is for relative stability.	New highs in total output are expected in the fall. Full year output will exceed 1955.	Spring trade will set new records. First half sales should be about 5% above a year ago.	Little, if any, easing of international tensions is in prospect over the near term.
American Inst. For Economic Research	A number of indicators suggest business may be nearing a cyclical downturn. However, they are not yet conclusive — may signal only a hesitation.	Favorable aspects of the President's decision appear to have been fairly well discounted.	Further credit tightening moves seem unlikely. Bond prices should be relatively steady.	No great change in the average level of wholesale prices is likely in the months just ahead.	Total industrial production will probably hover around current levels over the near term.	Retail dollar sales this spring should continue to run moderately above year-earlier levels.	Inflation abroad, and large foreign claims on U. S. gold supplies, have unfavorable implications.
National Securities & Research	A continuation of the present high level of activity is expected for the foreseeable future. A seasonal pickup is indicated this spring.	Market should continue strong as a result of confidence from Eisenhower's decision to run.	Money rates will hold about steady over near term, with some easing expected later.	Some slight firming tendency in average wholesale prices is expected over the near term.	FRB production index is expected to remain at high levels for the next several months.	A favorable outlook is indicated for domestic trade during the next few months.	Middle East problems may lead to shooting, but large-scale involvement of the U. S. is improbable.
Cleveland Trust Bulletin	Business outlook is still reassuring. Activity is not showing the vigorous uptrend of a year ago — but neither is it sliding downhill.	(No comment)	Tight rein will be kept on money market unless business shows definite signs of a downturn.	Underlying trends of both wholesale prices and living costs will be slightly upward in 1956.	Though total production will continue high, considerable irregularity in individual lines is expected.	Sales of durable goods this year will do well to equal 1955, but soft goods sales will be up.	Production gains abroad in the past 2–3 years have been even sharper than the expansion in U. S.
United Opinion as interpreted by **United Business Service**	**Outlook is for well-maintained activity through second quarter. While there may be some slowdown this summer, trend by fall should be upward again.**	**The market background is favorable, and stock prices should work gradually higher.**	**A steady bond market is in prospect; best buys are in new offerings.**	**Industrial items will continue mostly upward; some farm products will strengthen.**	**Output will hold around current levels this spring. Any dip in the summer will be short-lived.**	**Retail sales this spring will hold above 1955 levels. New wage boosts will swell spendable incomes.**	**Outlook for U. S. exports and imports is favorable. Middle East situation will continue to be critical.**

This feature appears once each month as a part of our Regular Weekly Service

THE BACK YARD

On the lighter side -- here is a *Philosophy of Life* which has its points. It comes from a client in the Middle West.

Did it ever occur to you that a man's life is full of crosses and temptations. He comes into the world without his consent and goes out of it against his will -- and the trip between is exceedingly rocky.

When he is little, the big girls kiss him -- when he is big, the little girls kiss him. If he is poor, he is a bad manager -- if he is rich, he is dishonest. If he needs credit, he can't get it -- if he is prosperous, everyone wants to do him a favor.

If he is in politics, it is for graft -- if he is out of politics, he is no good to his country. If he doesn't give to charity, he is a stingy cuss -- if he does, it is for show. If he is actively religious, he is a hypocrite -- if he takes no interest in religion, he is a hardened sinner. If he gives affection, he is a soft specimen -- if he cares for no one, he is cold-blooded. If he dies young, there was a great future before him -- if he lives to an old age, he missed his calling.

So I guess the best thing to do is just push along from week to week "doing what comes naturally" and enjoying life in the process. Or is it?

Paul Talbot.

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