Babson's Financial And Business Forecast For 1970

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2. Industrial Production - As indicated in the introductory part of this section of the forecast, we currently expect the downturn in industrial production which began last September to persist through at least the next six months, with a possibility that it might extend through the summer. Industrial production is generally measured on a physical-volume basis and does not reflect price changes.

At this point, the Babson's Reports staff does not foresee a deep recession. Instead, the expectation is that factory output will trace a gradual downward path in the first half, and a leveling off or the start of a revival in the third quarter, at a seasonally adjusted rate. In the final 1970 quarter, industrial activity should show definite upside progress. Overall, the Babson's Reports staff projects a possible slippage of about 5% to the low point of factory operations, with the subsequent revival narrowing the net decline for full year 1970 versus 1969 to around 3%.

3. Building and Construction - The building and construction field will not show much vigor until the monetary authorities shift to a less restrictive credit policy. Thereafter, this sector of the economy should pick up momentum and end the year on a strong note. Activity in the home-building field is expected to pace the smart resurgence of new construction outlays. But unless the ease in credit occurs early in 1970, new housing starts for the full year will do well to equal the number of units started in 1969.

4. Business Profits - To the extent that businesses are unable to lift prices and cut costs sufficiently to offset increases in labor and other operating costs, corporate profits after taxes in 1970 may slip below the rate of earnings for 1969 as a whole. Barring an industry-wide tie-up of auto producers by the UAW, or a protracted series of strikes against each of the "Big Three" auto manufactureres in the fall of 1970, the anticipated upturn in business sometime after mid-year, plus the probable expiration of the surtax, should help to stem the erosion of corporate profits in the last six months.

5. Employment - It now appears that the downslide in business is not likely to be of sufficient magnitude and duration to create sharp cut-backs in employment during 1970. Management is particularly aware of the difficulty of acquiring skilled, competent, and conscientious help and hence the tendency will be to keep existing crews intact wherever possible. But the average length of work weeks will be trimmed further during the winter and spring weeks of 1970, which will automatically curtail additionally the amount of overtime.

6. Unemployment - The ranks of the jobseekers, nevertheless, will show a definite increase in 1970 over that of 1969. Slowing business will take the greatest toll upon unskilled and marginal workers. The jobless rate may rise to 5% of the civilian labor force before business can "turn the corner" in 1970.

CONSUMERS TO THE RESCUE

Prospects for consumer spending in 1970 seem none too promising, particularly for durable goods. The Babson's Reports staff projects a slight downward bias in physical volume of retail trade until industrial activity perks up. Total dollar volume of retail sales, however, again will be bolstered by higher prices.

However, the growth and structure of the nation's population, demographic changes, and wage hikes, will augment consumer buying power--the corrosive effects of inflation upon the purchasing power of the dollar notwithstanding. Thus, having already trimmed their sails in 1969, consumers may evidence buying interest sooner than seems justified right now.

MONEY RATES

There is little doubt that the most onerous phase of the rise in interest rates which has plagued us for the past five years has reached a crest. Although corporate bond offerings in the closing weeks of 1969 still carried generous coupons and yeilds, the outlook favors some easing in money rates in 1970. Perhaps the most significant reduction will occur in the cost of short-term loans. The cost of longterm money should also ease some, but not to any significant degree. There simply is far too much demand for long-term capital for projects which have been postponed by the excruciating credit squeeze, and for upcoming social programs.

1. Mortgage Rates - Mortgage borrowings are in the long-term category. Therefore, while modest reductions in mortgage money rates are very likely to occur in 1970, pent-up demand for housing (both single family units and apartments) pretty well assures brisk demand for mortgage money once interest rates start to slip.

2. Business Loans - Because of the anticipated further slowdown in industrial activity, demand for business loans for the greater proportion of 1970 should moderate relative to 1969. Inventory accumulation will naturally be considerably diminished, if not actually temporarily replaced by inventory liquidation programs. For these reasons, short-term money rates--including the prime rate, yields on Treasury bills, commercial paper, and other short-term dett instruments--will decline until business perks up again.

BONDS AND PREFERRED STOCKS

As we enter 1970, prices of bonds and preferred stocks are well depressed, and yeilds are the most generous in over a century. Therefore, these two types of securities provide very attractive investments for those who are in need of a high current income, but the prospect of an upward adjustment in market prices for bonds and preferred stocks as money rates decline clearly indicates that there is also the opportunity for capital appreciation.

1. Maximum Income - Where the highest possible yield is necessary (in the case of investors who are entirely dependent upon investment income) and for certain institutional accounts, there are many high-quality bonds and preferred stocks which can be purchased to tie down the generous yields now available.

2. Income Plus Appreciation - Many investors are not completely dependent upon current income. For those investors, bonds or preferreds which carry a relatively low coupon rate or dividend rate can provide both generous current yield plus capital appreciation potential.

Investors who are interested in a reasonable investment income plus some capital appreciation beyond the immediate future (the latter factor representing an inflation hedge) should not overlook good convertible bonds and preferreds. The stock market decline has pulled most convertible securities down to the point where their current yields are quite attractive. Those issues trading close to, or right at, their conversion value stand the best chance of moving upward in price when their respective common shares stage a rebound.

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Professional Directory

Physicians and Surgeons

K. E. KERBY, M. D.
K. A. DANFORD, M. D.
Physicians and Surgeons
Dial 327-2241
HOURS: 9 to 12 noon & 2 to 5 P.M. - Monday through Friday. 10 to 12 Saturday.

MAULDING CLINIC
L. A. Maulding, M. D.
Physician and Surgeon
Dial 372-2216
HOURS: 9 to 12 noon and 2 to 5 P.M., - Monday, Tuesday, Thursday and Friday. 9 to 12 noon, Saturday. Weight labs. "By appointment only" - Wednesday.

DAVID W. SARAZIN, M.D.
Physician and Surgeon
213 Main Street. Phone: 372-3365.

Optometrist

DR. JOHN EASLY
387 S. W. 4th Avenue
Ontario, Oregon
– Phone –
Ontario.........889-9673

Veterinarians

TREASURE VALLEY ANIMAL HOSPITAL
Phone 372-2251
DR. B. E. ROSS
Nyssa 372-3552

DR. JAMES REILLY
Parma 722-5848

APPLE VALLEY ITEMS

BY FRANCES SMALLEY

APPLE VALLEY--Mrs. Ione Callahan and daughters of Salem, Ore., are visiting this week with her brother, Harvey Pitman and other relatives in Boise.

Mrs. Jed Gooing has been very sick ths past week but is improving now.

Lester Rookstool and family and Mr. and Mrs. Rod Blackman and baby of Klamath Falls, Ore., Mr. and Mrs. Willis Hansen and family, Mr. and Mrs. Dean Haile of Nyssa, Mr. and Mrs. Terry Haile and Jim Gooing were Christmas day dinner guests in the Jed Gooing home.

Mr. and Mrs. Don Hunt and family of Baker, Ore., were Dec. 28 dinner guests of her parents, Mr. and Mrs. Jed Gooing.

Mrs. Glen Vance of Payette visited with Hannah Robinson Dec. 26-28.

Mr. and Mrs. Robert Thompson and family of Payette were Dec. 28 dinner guests of Mr. and Mrs. Lawerence Thompson.

Mr. and Mrs. Rex Freeman of Payette visited Mr. and Mrs. Lawerence Thompson on Dec. 23.

Mrs. Emma Moran, Susie and Tom left Dec. 23 and visited with Mr. and Mrs. John Moran and family at Kaysville, Utah until Dec. 27.

Mr. and Mrs. Harvey Pitman and sons of Boise and Mrs. Ione Callahan and daughters of Salem, Ore., were Christmas day dinner guests of Mr. and Mrs. Charles Pitman.

Mrs. Jennie Seward entertained with a Christmas Eve dinner and gift exchange for members of her family, Mr. and Mrs. Leroy Seward and family, Don Seward, Mr. and Mrs. Gordon Seward, Mr. and Mrs. Donnie Seward and family, Mr. and Mrs. Paul Ketterling and family, Mr. and Mrs. Virgil Seward, Dr. and Mrs. R.A. Kellogg, Ruth and Anita of Nampa, Mr. and Mrs. Dwight Seward, Gary and Shirley and Mr. and Mrs. Hugh Pierce and family of Boise.

Christmas vacation week guests on various days in the Dwight Seward home were Mr. and Mrs. Hugh Pierce and family, Boise; Mr. and Mrs. Robert Jackson and Marcy, Bend, Ore., Mr. and Mrs. Lester Robinson and family, Connell, Wash.; Mr. and Mrs. Roy Wild and Ethel Wild, Shirley Seward, and Burton Smith, Ontario; Mike Fitzsimmons and Mabel Fox.

Mr. and Mrs. Henry Dibble and family of Boise were Dec. 28 dinner guests of Mr. and Mrs. Lloyd Dibble and attended the Baptist Church in Nyssa afterward.

Mr. and Mrs. John Boston entertained for Christmas dinner, Mr. and Mrs. Cecil Pearson and Debbie Cole and baby of Payette, Eldon Pearson and girls of Bend, Ore., and Mr. and Mrs. Earl Boston.

Mr. and Mrs. Earl Boston were Dec. 26 guests of Mr. and Mrs. Robert Shippy on Dec. 22.

Mr. and Mrs. Earl Boston were Dec. 27 guests in the Coleman home at Ontario helping little Tony Boston celebrate his 3 birthday anniversary.

Mr. and Mrs. Robert Jackson and Marcy of Bend, Ore., visited Mrs. Jennie Seward Dec. 28.

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The Old Timer

"Other people's troubles are not as bad as yours, but their children are a lot worse."