

Babson Says

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Part gross income will strengthen along seasonal lines during the first four or five months of 1953. If we avoid drought, I look for a lower farm income during the second half of the year.

The trend of wholesale commodity prices will remain in a basic long-term downswing. Look for temporary price recoveries in many groups during the early part of 1953, but do not let them fool you.

Unless more international troubles or drought strike hard, living costs should average some lower in 1953 than in 1952. Here again, the tapering-off will occur late, at early in the year.

RETAIL TRADE

Over-all trade in 1953 will be close to 1952 levels as far as physical volume is concerned, with a moderate decline in dollar totals. The most attractive merchandising investments should be: (1) Supermarket groceries; (2) Variety stores; (3) Mail order stores; and (4) Department stores, excepting a few in the largest and most congested cities.

Demand for capital goods will

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hold strong during most of 1953. A definite slowing, however, will take place at some time. 1953 sales of consumer durables should about equal 1952's total sales, which were restricted by the steel strike.

Movement of soft goods during 1953 should be about the same as during 1952. Some freshening of demand in the early months may be offset later by a renewed lull.

REAL ESTATE

Barring World War III, rent controls will be a thing of the past in most areas by the end of 1953. Home building will be less in 1953. Prices may weaken during the latter part of the year. Building costs should edge lower. Only small new houses will be in demand.

In my opinion, the cost of mortgage money will tend somewhat higher during 1953.

Construction of municipal and public works should rise moderately in 1953 as compared with 1952. This may be stepped up sharply late in the year if business falters. There may be a surplus of tax-free bonds.

A moderate slide-off in the sale of commercial farm properties can be expected. No bad break, however, seems likely in 1953. Fear of World War III, moreover, should help farm prices.

Population trend is away from the big cities. Fear of possible bombing and automobile overcrowding will continue as a drag on city realty values. Continued migration from the urban centers will help suburban properties.

For those who plan buying new homes in 1953, I strongly urge the purchase of acreage in suitable suburban areas. Surely, the H-bomb experiments should quicken the trend toward substance farms.

As public housing programs are far behind schedule, the new Congress will not promote such in 1953 unless the need for pump-priming becomes much greater.

SLIGHT TAX EASING

Tax relief will come mostly from expiration of present laws rather than from a new enlightened tax program. Barring further international problems, the present corporate excess-profits tax will be permitted to expire at the end of June, 1953.

If the need for new taxes continues high, after expiration of the excess-profits tax, the new Congress may consider additional excise or manufacturers' sales taxes. They may also serve to discourage consumer spending, if the war danger becomes acute.

State and local taxes may be in-

creased moderately here and there during the year 1953. However, I do not look for total advances in such to be so great in 1953 as they were in 1952.

There will be no increase in capital-gains taxes during 1953; but read paragraph 46 below. Income taxes may be reduced.

FOREIGN TRADE OUTLOOK

Exports will fall again in 1953. The drop in imports will be much less than in exports. The new Administration will be urged to promote foreign trade instead of foreign aid. Only by buying our neighbors' goods can we get them off the relief rolls. To save ourselves, I predict, we will buy more abroad, although this will be hard on some United States manufacturers.

I look for no change in the official United States buying price for gold. We won't "monkey with" the mint price of gold until the nation gets really "hard up."

CONCLUSION

For the year as whole I look for business profits to be slightly lower than in 1952. Earnings will be better during the early months, with a decline occurring later in the year. Profit margins will be cut by stiffer competition from both domestic and foreign sources.

Recently upped wages, plus some additional 1953 boosts, will also put heavier cost pressure on profits.

Some companies that have been hard hit by excess-profits taxes may show improved earnings when the excess-profits tax expires June 30.

There will be a cushion under falling profits provided by the current very high tax rates. If profits slide, Uncle Sam will share

the heavier loss. This very fact, however, will make it difficult for Congress to reduce the rate of taxation.

Stocks are high historically. We are approaching the end of a long period of prosperity, much of which is based upon artificial measures. Therefore, sometime during 1953 I forecast lower stock prices than exist today.

Yet, do not forget that the stock market was at about the same price point when President Hoover won by a landslide in 1928. With business prospects good for early 1953, confidence might again cause a temporary boom. If an "Eisenhower bull market" develops, I strongly urge readers to take profits and build up reserves. Within 12 months after Hoover entered the White House the Industrial Averages fell 100 points.

New Administration will not favor "soft money" policy. Therefore, some further rise in interest

rates seems probable. For this reason, I favor high-grade, short-term bonds, rather than long-term.

Finally: Wise investors are taking no action unless prepared to follow a carefully planned and supervised investment program. The keystone of this program will, in 1953 as in 1952, prove to be a policy of diversification and selectivity. Among those groups which offer safety and good yield are certain fire insurance stocks, bank stocks, variety chain store stocks, food processing companies, and telephone companies. EVEN THESE MAY FAIL US UNLESS OUR NATION HAS A REAL SPIRITUAL AWAKENING. THIS MUST INCLUDE BOTH YOU AND ME.

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