

BUSINESS AND FINANCIAL OUTLOOK FOR 1945

THUMBNAIL OUTLOOK FOR 1945

Look for these developments: **Farmers' cash income** will approximate that of 1944, which was \$20 billions. Both **bituminous and anthracite mining** will run 5% below a year ago. **Petroleum output** will be upped 5%. **Iron and steel** will decline 10%. A similar drop is in prospect for **chemical manufactures**. **Lumber output** will increase 5%. The **paper and shoe industries** will run along on the same levels as during 1944. **Industrial employment** will be 7% less and **factory pay rolls** will decline 10%. **Greatest single expansion** will come in the **construction and building group**, which will show an increase of 25% from the low levels of 1944's first six months. Look for a sharp drop in **retail trade**, especially in luxury items. **Electric power output** will be reduced 5% as war contracts are cut back. For basically the same reason **railroad freight ton mileage** will fall 15%.



ROGER W. BABSON
Pioneer in the field of business and financial matters

By: Roger W. Babson GENERAL BUSINESS

1. A year ago the United States Babsonchart Index of the Physical Volume of Business registered 148.6; today it registers 138, justifying my forecast of a year ago. The Canadian Babsonchart Index of the Physical Volume of Business registered 206.9 a year ago; today it registers 197. 1945 will show a reduction of more than 10% both in United States and Canadian business. Furthermore, most of the following comments apply to both countries.
2. War production is already being cut back and this reduction will rapidly continue through 1945. Even those railroads and industries which expect to benefit from a long war with Japan will be disappointed.
3. The re-conversion of industry from war to peace business will increase during every month of 1945. Furthermore, time required for re-conversion will not be as great as most people believe.
4. Inventories quoted at their price values, rather than volumes, will continue, as a whole, during 1945 about as during 1944. Raw material piles will be larger, but manufactured goods will be smaller.

5. Population increases in the United States during 1945 will be about 700,000, but the birth of new babies will fall off somewhat.

RETAIL COMMODITY PRICES

6. Rationing will continue through the most of 1945. During the early part of the year, I expect to see further restrictions especially in connection with meats, canned goods, etc.
7. The retail prices of most necessities and some luxuries will be higher during 1945 than at present. The prices of some of the luxuries, such as furs, have already collapsed.
8. Steel prices of goods needed for peacetime manufacture should be a little higher, but prices of the heavy war goods will decline. This applies also to the heavy chemicals.
9. The wholesome prices of raw materials in general may decline during 1945, but most consumer goods will hold firm or sell at higher prices. For both gasoline and bituminous coal, there may be price concessions.
10. The great question mark of 1945 will be how, to whom and at what price the government will dispose of its billions of dollars

worth of unneeded supplies.

FARM OUTLOOK

11. The weather will be the greatest factor in farm production and prices during 1945. The weather has been exceptionally good on the whole for the past few years; but sooner or later we will have a severe drought or an early freeze.
12. Pending a weather upset, more bushels of corn and wheat and more bales of cotton will be raised in 1945 than ever before in our history. Although some prices may slide off, the total farm income for the first half of 1945 should hold up.
13. There should be a 15% decline in hog slaughter and a 5% increase in cattle slaughter.
14. Dairy products will continue to increase both in volume and in price. I am forecasting at least a 3% rise in volume.
15. Farmers will start in 1945 to work again for legislation on their parity program, due to fear of a collapse in all farm prices after the war.

TAXES

16. Taxes will not be increased during 1945 and some will be reduced; in fact, some nuisance

taxes will be eliminated altogether.

17. The Federal Debt will continue to increase during 1945.
18. Whatever is done about taxes, the cost of living will continue to rise during 1945.
19. Providing jobs for returning soldiers will be the big political football of 1945. I am not now prepared to forecast what will happen in this connection.
20. Through a coalition of Republicans and Conservative Democrats, we should have a "do nothing" Congress during 1945.

RETAIL SALES

21. The volume retail sales will show a decline during 1945. Prices of ladies' apparel and general luxuries will suffer, while grocery sales should be higher.
22. The total dollar retail sales should be about equal to 1944 with an increased demand for woolen and cotton textiles for civilian use.
23. The best cities for 1945 business should be: Altoona, Pa.; Davenport, Iowa; New York, N. Y.; San Jose, Calif.; Cleveland, Ohio; Wichita, Kansas.

for which we are absolutely dependent upon foreign countries.

30. No Central Bank will be organized nor will the stabilization of foreign currencies be attempted in 1945.

LABOR

31. The Little Steel Formula will be amended during 1945.
32. Industrial employment during 1945 will be off 7% in hours and off 10% in pay rolls.
33. The building of a few new autos and new houses will be resumed during 1945.
34. Many industries, now operating on a forty-eight-hour week, will return to a forty-hour week during 1945.
35. Wage rates will not decline, but "take-home" income will be less.

WAR OUTLOOK

36. The greater part of Germany's army will collapse before the German planting season opens in the spring of 1945. Before surrendering, Germany will try poison gas.
37. Japan will not hold out as long as most people think. Japan will collapse within six or twelve months after Germany collapses.
38. If Stalin's health continues, he will be the World's most powerful man in 1945 and may dictate the peace terms, especially for the Pacific.
39. Sometime after April, 1945 Russia will join (or threaten to) the Allies against Japan but only after the promise of territory privileges and a huge loan.
40. The markets may witness a "communist scare" during 1945; but they should soon recover thereafter.

STOCK MARKET

41. The rails will show the greatest decline during 1945, because the airplane and shipbuilding stocks are already pretty much deflated.
42. The heavy chemicals, steels and motors may hold their own during 1945; but consumer goods will do much better.
43. The safest stocks to buy—considering value, income and safety—will be the merchandizing stocks, especially the chain store stocks.
44. 1944 saw a large increase in the demand for peace stocks

(Continued on Page 3)

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