

# The First Half: Prosperity Pattern Continues

In many respects, the discussions of the nation's business activity that took place during the first half of 1956 remind one of any discussion in which two or more persons disagree and seek to settle their differences by asking another person's opinion, only to get the answer "It depends on which way you look at it and who is doing the looking." Some business analysts, for example, looked at the decline in automobile sales and production and the growth in business inventories and saw the beginning of an extended downturn in the nation's economic activity. Others concentrating their view upon the growth in new plant and equipment expenditures predicted continued expansion. In the Sixth District, similar pessimistic and optimistic views were expressed.

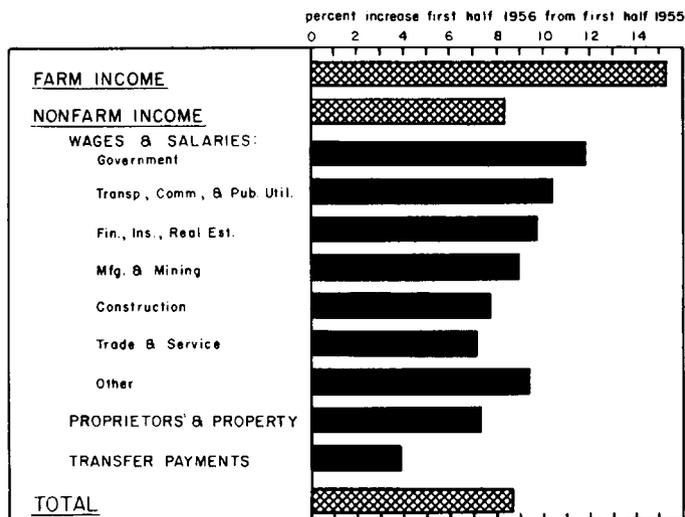
Now at mid-year, we can base our analysis on more comprehensive data such as estimates of personal income, rather than form judgments on the basis of individual indicators. The pattern emerging indicates that in the Sixth Federal Reserve District general prosperity prevailed. Economic growth showed up in each major sector and each state of the District. In many cases, the rate of growth in the District exceeded that in the nation.

## New Income Records Set

District residents received more dollars between January and June of this year than in any other six-month period in history. Preliminary estimates by this Bank indicate that personal income, seasonally adjusted, was 5 percent greater than the previous six-month record—the last half of 1955—and 9 percent more than the first half of 1955. With consumer prices fairly stable, the gains achieved were real. This is the tenth consecutive year in which District income has moved upward.

All District states shared in the growth over the first half of 1955. Florida, with a gain of a little less than 10 percent, led the District states into higher ground. Alabama, Georgia, Louisiana, Mississippi and Tennessee each outstripped the national gain of 7 percent.

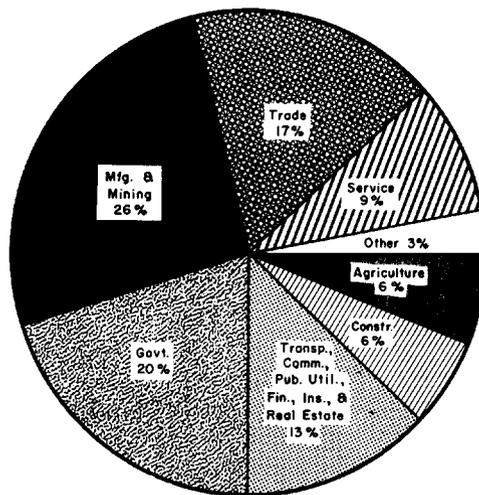
## Personal Income in District States



Depending upon income are the size and character of consumer spending and saving. Generally, as income rises, the standard of living becomes higher and the economic well-being of the community is improved. To those interested in the progress of the South, therefore, the record for the last six months should be especially pleasing.

Anyone visiting a retail store recently does not have to look at the sales statistics to conclude that consumers are spending their increased take-home pay. The crowded counters and jingling cash registers are proof that the average worker is both willing and able to buy. Near the end of June, the pace of retail sales quickened further.

Source of Wages and Salaries  
Sixth District States  
First Half, 1956



The purchasing power of District inhabitants was further augmented by a continued willingness to incur instalment debt. Consumer credit outstanding at District commercial banks, for example, grew about 30 million dollars during the first six months of this year, as extensions continued to run slightly ahead of repayments. That such growth was attained despite the slump in automobile sales is all the more remarkable. Apparently, a greater proportion of new cars is being sold on credit today than was true a year ago.

## Government Employees Make Gains

Every source of income for which tabulations were made showed a gain over last year. The greatest dollar gains were registered by government payrolls. During the last six months, both the number of government employees and their average earnings increased. Federal workers received a pay boost averaging 7½ percent in June 1955. This meant 34 million more income dollars to District residents during the first six months of 1956 than they would have had otherwise.

Attempts by state and local authorities to keep their

pay scales in line with wages paid by firms in their areas have also contributed to the expanded government payrolls. Since one out of every six non-agricultural employees in this District works for Federal, state, or local authorities, the impact of these increases was substantial. The manufacturing and mining sector, however, continues to make the largest dollar contribution to District income.

### **Manufacturing Payrolls Up**

The healthy 9-percent increase in manufacturing payrolls in the District obscures weakness in textiles and lumbering, two of the District's most important employers. Textile producers, apparently on the down-side of their two-year cycle, have not been able to maintain the pace of 1955. In the lumber industry, the District's second most important employer, a similar situation prevailed. The number of board feet of Southern pine cut at a selected sample of mills, for example, was 8 percent less than that for the first half of 1955.

On the other hand, metals producers and fabricators have had an especially good winter and spring. Steel production in the Birmingham area this year, until the recent strike at Tennessee Coal and Iron, was averaging 94.4 percent of capacity, compared with 83.7 percent a year earlier. Payrolls at chemical and paper plants also showed sizable increases. On balance, over-all increases recorded in number of workers employed and hourly earnings have offset declines in the average work week and the weakness in textiles and lumbering.

### **Construction a Weak Spot?**

Trends in construction were also mixed. Residential building in this District seemed to be faring better than in the nation during most of the first half of 1956. Some observers concluded that the actual number of dwelling units started did not increase as much as the dollar figures on residential contracts awarded indicated, however, since those figures reflected a rise in construction costs and the building of larger and more expensive units. Recently, signs of a slowing down in new houses started have been more definite: In June, the value of residential contracts awarded was below values recorded earlier.

Business construction, however, has undoubtedly reached new highs. Non-residential contract awards in the District during the first five months of 1956 were almost one-fifth greater than that period last year. Expenditures for new plant and equipment were at a peak during the first half of 1956 in both the District and the nation. Proposals for industrial plant and equipment expenditures announced during the last six months ran almost three times greater than those in the first half of 1955.

In the first quarter, the aluminum and chemical industries were responsible for the largest dollar share of expansion announcements; but since early spring, the aircraft, paper, and chemical producers have taken the lead. The multi-million-dollar Howard Hughes aircraft facilities in Florida and the Lockheed Atomic Installation in North Georgia were among the largest new projects announced. Although recent developments have clouded the residential

building picture, the boom in plant and equipment expenditures by business concerns seems to be keeping operations in the construction industry at capacity.

### **Agriculture Moves Ahead**

The income experience of District farmers was one of the outstanding features of the first half. Agricultural income is estimated to be 15 percent greater than in the same period last year, despite lower prices for hogs and broilers and a few other commodities. Apparently, increased marketings of these commodities took up the slack. Farmers taking their higher yields of milk, eggs, and fruit and vegetable crops to market were further cheered by higher prices. Cash receipts rose. Gains in Florida were especially noteworthy; citrus growers enjoyed a strong demand and higher prices for their products throughout the greater part of their marketing season.

It must be remembered, of course, that the first half typically accounts for between a quarter and a third of annual agricultural income. The true status of the agricultural producer in terms of income will not be evident until the marketing effort of the fall harvest is made. Although the improvements in farm income are heartening, some observers feel that the yields achieved last year will be hard to match and that prices will likely recede as the marketing season advances.

### **Adding Up**

Thus, as we look at the record made upon the District's economic chart by the first half of 1956, we are led to several conclusions. District wage earners increased in number, worked fewer hours, but received more per hour worked and brought home more dollars to their families. These dollars were spent readily. Farmers also fared fairly well.

If a composite indicator of the Sixth District economy similar to Gross National Product were available, it would undoubtedly show a continuation of growth in the value of goods and services produced and consumed. That this is true despite the weakness in automobile production and sales, the slide in textiles and lumbering, and the prolonged work stoppage in the steel industry of Birmingham bespeaks the strength of the growth we have experienced.

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### **Economic Study No. 5**

"The Southern Pine Industry in the Sixth District," a special study recently completed in the Research Department of this Bank, is available for distribution. The study includes an analysis of the industry's history, its resources, its production patterns, and its financial needs, as well as problems that it has solved and problems that still exist.

Similar studies published previously and also available are: Economic Study No. 1, Balance Sheet of Agriculture; No. 2, Tufted Textiles; No. 3, The Cypress Lumber Industry, and No. 4, The Horticultural Specialty Industry in the Sixth District.

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