between 1949 and the end of 1956. Cash outlays are defined as the amount consumers paid for automobiles in cash, in down payments, and in repayment of old instalment debts. In certain model years 1950, 1953, and 1955, new credit extensions rose significantly. In the years between these spurts, cash outlays and new purchases were closer together partly because consumers paid off previously acquired debts.

Some observers have viewed this cyclical pattern as evidence that increases in sales based upon liberal credit cannot be sustained and tend to borrow sales in a sense from the next year or so. Others view the pattern as indicating consumers as a group discipline themselves and are reluctant to make new instalment purchases until payments on old debts are brought down to lower proportions of family budgets. Still others claim the cycle is tied more closely to new car styles than to credit.

1957 Market Still Uncertain

At present, uncertainties cloud the automobile market. Production of new units continues to exceed 1956 output, but new car inventories are mounting. Model acceptance by consumers has been favorable for cars of two of the major manufacturers, but some producers are experiencing difficulty gaining acceptance for the 1957 editions. The substantially higher prices being asked for the 1957 models met little consumer resistance through February, but the real test is yet to come. Trade reports indicate that dealers are anticipating a strong spring selling season beginning in April, but memories of 1956 remind them that such an upturn may not materialize.

To some other observers, it appears that the automobile market may be reaching a stage where an upturn in sales is in prospect. Several facts support this hypothesis: A substantial number of car buyers will make the final payment this year on the automobile contracts they acquired during the peak buying months of 1955. The level of durable purchases is much closer to cash outlays today than it has been for some time. The percentage of new cars purchased on credit in December and January was several points below the level of early 1956. Personal income remains high. Consumers are optimistic about the future and plan to purchase new cars at about the same rate as during the past few years, according to the recently released Survey of Consumer Finances.

Sales in the next two months will determine whether the anticipated seasonal upturn materializes and will set the pattern for the 1957 automobile market. During the years 1951 through 1955, approximately 37 percent of new car sales in the nation were made between April and July. Although the rise is not nearly as strong in the spring months in this District as in the nation, some seasonal rise does take place during May, June, and July.

Indications seem firm that if the 1957 styles are accepted, District bankers will be ready to provide the credit necessary for purchases. The terms upon which this money is extended to consumers, however, will probably be watched more closely than they were during early 1955 or 1956. In any event, District bankers should continue to find approximately one out of every eight dollars they lend tied to automobile sales.

LEON T. KENDALL

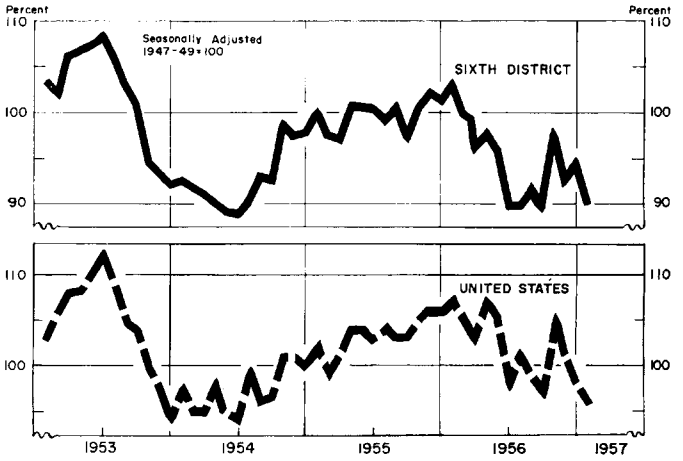
Softness in Cotton Textiles

Unfortunately, things have not been going as well in the District's textile industry as had been expected late last year. From a relatively high point near the end of 1955, activity declined in the first half of 1956. The industry optimistically looked for recovery from the low mark reached last summer, but despite some promise of revival in the last quarter of 1956, the recovery faltered.

This picture is shown by the data on cotton consumption, the most frequently used index of activity in the cotton textile industry. Cotton consumption also declined outside the Sixth District, bringing textile activity for the country down almost to the recessionary low of 1954. An upturn would be especially important in Georgia, Alabama, and Tennessee, where the District's textile industry is concentrated.

Cotton Consumption

Sixth District States and United States, 1953-57



The cutback in textile activity brought a slight reduction in seasonally adjusted mill employment as well as a shorter average work week. Recent price behavior also reflects the general weakness of textiles. Prices increased last October, but with production declining since then and mills anxious for additional business, the increases were erased by a subsequent steady downtrend. By late February, the price of print cloth had dropped below the price existing before the October increases. Mill margins decreased, meanwhile, largely as a result of declining prices of cotton products, but also because slightly higher cotton prices increased the cost of raw materials.

In spite of the currently disappointing picture, observers see the possibility of a spring revival because there have been reported increases in mill inquiries, steady deliveries of sales yarns, and substantial bookings by hosiery mills. In addition, automobile production though down from earlier in the year is expected to remain well above the sharply reduced levels of last spring, and apparel sales have remained high. These encouraging factors, however, have to be weighed against high inventories of textile mill products and reported declines in order backlogs.

PHILIP M. WEBSTER