Sizing Up Textiles

by Brian D. Dittenhafer

The present recovery in the national economy is putting some starch back into the textile industry. With consumer spending increasing, demand for all textiles has been growing. However, the dampening effect of import competition and long-term decline in cotton textile production may prevent any real boom in the near future.

Long-Term Trends

The importance of textiles relative to the entire U. S. economy has been diminishing. The technology of textile production can be relatively simple, and this labor-intensive industry is one of the first that developing countries attempt. Textile employment in the United States has declined since 1950, as workers have turned to better paying ways of earning a living. Between 1950 and 1970, textile jobs fell from 1,260,000 to 986,000. However, during this period Sixth District states enlarged their share of the industry from 16 percent in 1950 to 21 percent in 1970 by simply maintaining earlier employment levels. Of course, some states suffered declines while others gained. For example, Louisiana, which had 2,000 workers in 1950, retained only 400 by 1970. Meanwhile, Georgia was adding 7,000 workers to textile payrolls.

Textiles' importance to each state's economy varies widely. Jobs range from 7.2 percent of Georgia's nonfarm total to virtually none in Louisiana and Florida. However, only a small portion of this employment is in large cities, and a particular mill's importance to a small town is hard to overestimate.

Employment Trends

Southeastern trends in textile employment are merely the reflection of trends in the total economy. Nationally, production of woven cottons has been on the decline while synthetics, carpets, and knits have been on the increase. Textiles have been influenced by import competition, increased popularity of synthetics and knit fabrics, and changes in demand caused by the recession of 1970.

Industry employment in the Southeast seems to have bottomed out during 1971, reaching a low point in the late summer and early fall. Since that time, a gradual recovery in employment and production has been under way. An additional 5,000 workers were added to payrolls in the

---

Monthly Review, Vol. LVII, No. 12. Free subscription and additional copies available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

twelve months ending in September. However, jobs still have not returned to the high level reached in 1969. In September 1972, employment was still some 6,000 below the 1969 average. Textile recovery has been uneven in the District depending upon which segment of the industry predominates in each state. For example, the decline in cotton textiles in Georgia was only partially offset by growth in other segments; the result was a net decline of 5,000 textile workers between 1969 and the third quarter of 1972. On the other hand, Alabama increased textile employment because it maintained cotton weaving while expanding the yarn and thread and the knitting portions of the industry.

Georgia accounts for more than one-half of textile employment in the Sixth District, and examining major sectors of the industry in that state may help explain the changing pattern of textiles in the Southeast. Georgia's employment in the industry is presently 4 percent below the 1969 average, although it has leveled off from a sharp drop in 1970. The 4-percent decline represents a loss of 5,000 workers and average weekly payrolls of more than half a million dollars.

Within that framework, significant changes have been occurring in the composition of the industry in Georgia. Between 1970 and August 1972, the number of persons employed in producing woven cotton goods, Georgia's largest segment of the industry, declined by 9 percent, or 3,500 workers. Offsetting this loss, jobs in carpet mills grew by more than 12 percent, or 3,200 workers. The third largest segment of Georgia's textiles, yarn and thread mills, maintained employment at about 21,000 during the same period. These three segments accounted for more than three quarters of Georgia's total textile jobs.

But, measured by the Industrial Production Index, textiles have recovered from 1970's woes more quickly in the Southeast than in the rest of the nation. This Bank's regional index jumped 7.5 percent during the latest twelve months and nationally the increase over the same period was only 5.1 percent. The slight increase in District textile employment over the year has apparently been accompanied by a longer average workweek and expanded use of capital equipment.

TABLE 1

Textile Employment

(Thousands)

Average for Year	Alabama	Georgia	Mississippi	Tennessee
1969	43.6	119.8	7.1	36.4
1970	44.7	115.9	6.4	36.0
1971	44.0	112.8	5.7	34.0
1972*	45.1	113.8	6.4	34.2

*NOTE: 1972 figures represent 10 months of seasonally adjusted data.

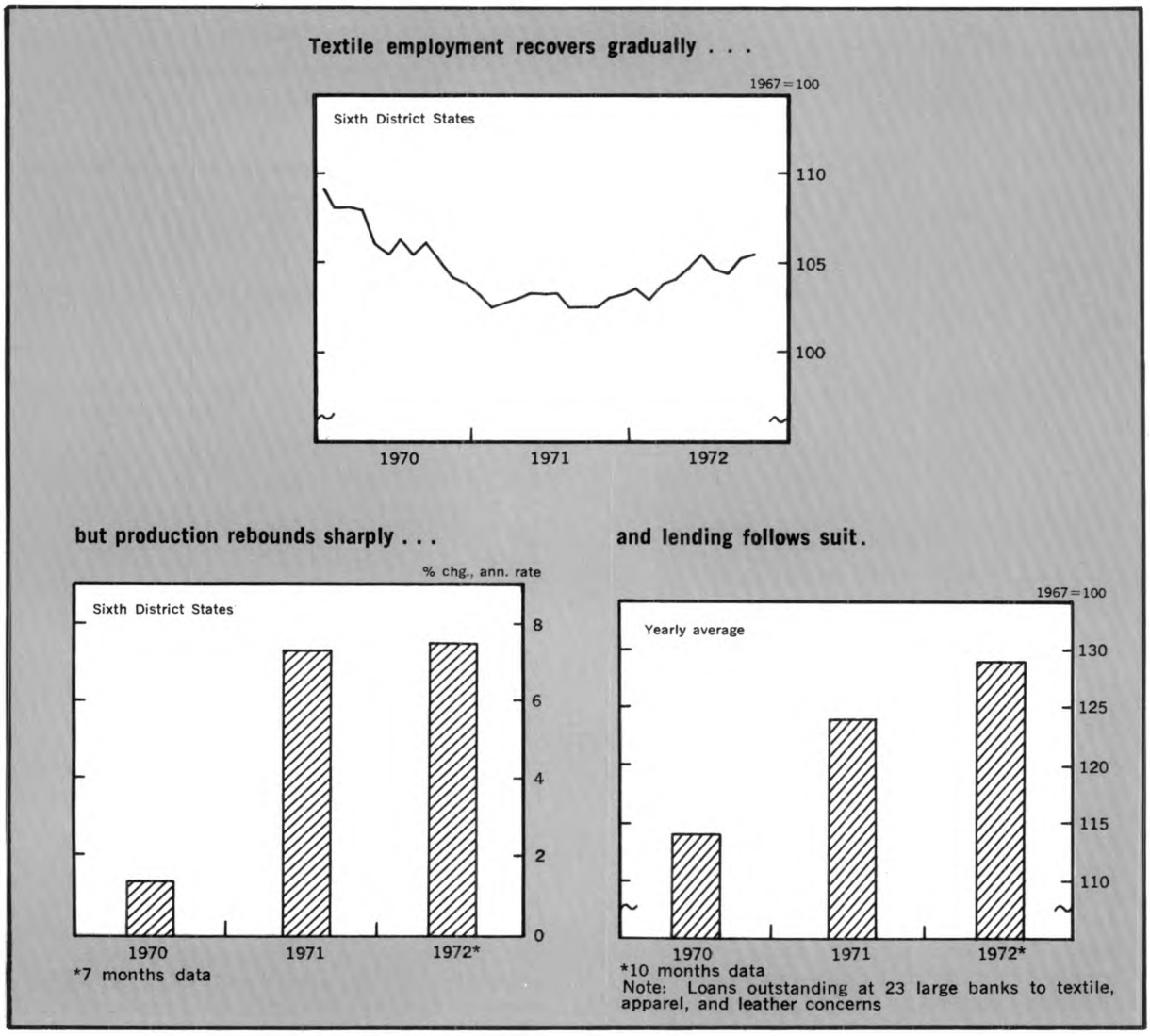
Carpets

Though textiles are not a growth sector in the Southeastern economy, carpet manufacturing is growing, particularly in Georgia. During 1971, of 27,000 persons in the Southeast producing woven and tufted floor coverings, all but 2,000 were in Georgia which claims more than half the carpet workers in the U. S. The center for Georgia's carpet industry is Dalton, home of many producers of tufted carpets. This type of carpeting has taken over all but the highest priced segment of the U. S. carpet market. Starting from nothing at the end of World War II, makers of tufted carpets have captured 96 percent of the 1971 market, based upon value of shipments.

After increasing at an average rate of more than 8 percent during the Sixties, the value of carpet shipments grew only 3.2 percent during 1970. This slowdown was caused by a combination of price weakness in the industry and the national recession affecting quantity demanded. During 1971, however, expansion of the national economy has caused an 11-percent increase in quantity and a 9-percent gain in value of shipments. In the first half of 1972, both quantity and value of carpet shipments have grown by nearly 20 percent when compared to the same period last year. Moreover, prospects for the carpet industry are quite good. A widely-predicted strong economy in 1973, coupled with sustained record levels of housing starts, provide a very bright short-run outlook for carpet demand.

Investment

As is expected in a market economy, the pattern of capital expenditures in the textile industry followed the pattern of consumer demand. On the average, capital expenditures in textiles increased at an 11.3-percent annual rate from 1958 to 1970, but the rate for cotton weaving, largest segment of the industry in the Sixth District, was only 3.7 percent. Capital expenditures in knit fabric mills jumped at a 23-percent rate during the same period. Producers of tufted carpets enlarged their capital at an annual rate averaging just under 20 percent during the Sixties. Thus, those segments showing a strong demand growth have been making the necessary capital expenditures; those segments showing declines in value of shipments have been reluctant to invest. Recent Department of



Commerce data (September 1972) show investments in textile manufacturing occurring at an annual rate of $770 million, 26 percent above the depressed level of 1971, but still below the 1966 record. Although no information on which segments are investing these funds is yet available, in all probability, money is flowing to those portions experiencing the strongest demand—carpets, knits, and synthetics. Private estimates of investments indicate a slight decline in planned capital expenditures for 1973 as compared to 1972.

Profits

Textile profits have improved substantially from the extremely low levels of 1970, but are still well under those for manufacturing as a whole and for the industry itself in the late Sixties. After-tax profits averaged only 5.1 percent of stockholders' equity in 1970, reflecting that year's national economic problems. In 1971, profits crept back up to a 6.6-percent rate and in the first half of 1972 averaged 6.9 percent. However, for the five-year period ending in 1969, after-tax profits averaged 9.0 percent of stockholders' equity; therefore, profit rates are still far from matching those expansion years.

Textiles generally are considered a low-profit manufacturing field, and recent trends confirm this. During the first half of 1972, the profit rate for all industries averaged 10.4 percent, compared with the 6.9-percent textile rate. The lending of Sixth District banks to textile and apparel firms over the last few years seems to conform to the

relatively low profit pattern of textiles. These firms have increased their borrowing from leading District banks only moderately since 1967. Such borrowing did pick up somewhat in 1971 and 1972 as textile profits increased.

Imports

The long-term decline of cotton textile production in the United States can be partly explained by growth in imports. Countries attempting to expand manufacturing find textile production easily introduced to a newly industrialized work force. Consequently, for many years American manufacturers have been troubled by low-priced import competition. As measured by volume, imports of all textile products increased by 7 percent during the first half of 1972. Imports of man-made fibers and textile products made from such fibers declined by 5 percent, reflecting trade agreements signed last year with South Korea, Japan, Hong Kong, and Taiwan. These countries, largest exporters of man-made fiber products to the U. S., agreed to limit exports of these goods to the U. S. market, and during the first half of 1972, imports of these products from those four countries did decline by 10 percent. In contrast, cotton yarn, fabric, and apparel imports increased during the first seven months of the year at an annual rate of 46 percent. Cotton textile imports will certainly be higher in 1972 than in the previous peak year of 1966, and this fact is of major concern to Southeastern producers of cotton yarns and fabrics. The rise in import competition and a waning national market have combined to force a drop in employment in this portion of the industry in the last few years.

The Outlook

The overall outlook for textiles seems to be for continued moderate expansion in shipments. The Department of Commerce shows shipments of all textile products at a $27.6-billion annual rate for the first six months of this year, nearly 13 percent above 1971. Strong expansion of personal income during 1972 and its expected continuation in 1973 should create more demand for textile products. In particular, the rate of new housing starts for most of 1972 has been significantly above two million, creating a strong demand for textile-related household furnishings such as carpets, drapes, and upholstery.

Long-term demand for textile products grows at about the same rate as disposable personal income, so long-term annual growth of about 4 percent is to be expected in production. However, value added per production worker increased at an annual rate of about 5 percent during the decade of the Sixties, so the chances of overall growth in employment are not too encouraging.

In summary, a continued moderate expansion in textile output seems probable, but significant gains in textile employment do not■

Bank Announcements

October 27, 1972
WEST DADE BANK
Miami, Florida

Opened for business as a par-remitting nonmember. Officers: Fred B. Dykstra, president; Calvin L. Clearly, vice president and cashier. Capital, $600,000; surplus and other capital funds, $400,200.

November 1, 1972
EXECUTIVE BANK OF FORT LAUDERDALE
Fort Lauderdale, Florida

Opened for business as a par-remitting nonmember. Officers: Willard S. Bowman, president; Harold F. Beyer, vice president. Capital, $700,000; surplus and other capital funds, $300,000.

November 8, 1972
CITIZENS NATIONAL BANK OF FORT LAUDERDALE
Fort Lauderdale, Florida

Opened for business. Officers: Henry D. Perry, Jr., chairman; Charles W. Lantz, president and chief executive officer; C. Edward Hogg, vice president and manager; J. Robert Breen, vice president; Mrs. Loretta S. Pennell, vice president and cashier. Capital, $666,670; surplus and other capital funds, $333,335.

November 10, 1972
FIRST NATIONAL BANK OF SEMINOLE
Seminole, Florida

Opened for business. Officers: Robert G. Wagner, chairman and president; E. James Coulter, Jr., vice president and cashier; Julian B. Mathews, vice

(Continued on p. 213)