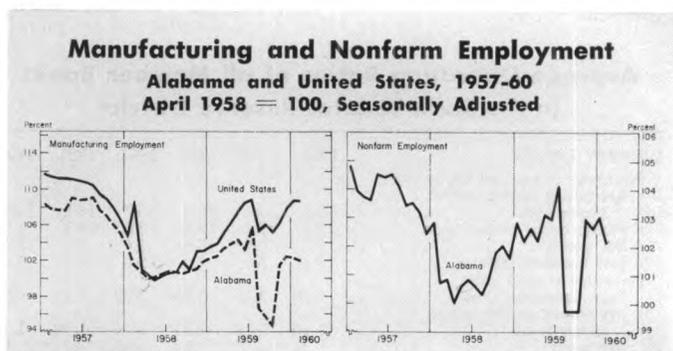


# Springtime in Alabama

Springtime in Alabama means the azaleas are blooming again. This year the season has other significance: It marks the two-year point in the economic recovery from the April 1958 recession trough. So, perhaps this is a good time to look at Alabama's economy as well as its multicolored azaleas. Since latest economic data available are for February, the comparisons and percent changes that follow are based on April 1958 and February 1960 figures, unless otherwise indicated.

Alabama's economic recovery from the recession trough two springs ago has been moderate. Nonfarm employment has risen 2 percent, but is still 2 percent below its pre-recession peak of July 1957. Both manufacturing and nonmanufacturing employment have blossomed, but not as spectacularly as the state's azaleas. Nonmanufacturing employment is roughly 2.3 percent above the April 1958 trough. Manufacturing employment is up 1.9 percent, but has not recovered as rapidly as it has in the nation and is still 6.6 percent below the August 1957 peak.



Not only are more Alabamians employed, but they are earning more. In 1959, personal income rose about 5 percent from 1958; the gain includes increased earnings in factories and farms. Although the number of Alabama manufacturing workers has not increased phenomenally, factory employees are working more hours per week and receiving higher hourly earnings. Thus, manufacturing payrolls are 15 percent above the April 1958 recession trough.

Alabama's total cash receipts from farm marketings also mounted in 1959 as King Cotton bountifully blessed the "Heart of Dixie" state's cotton farmers with a bumper crop. Since this white gold accounts for over a third of the state's cash farm receipts, the recent crop was more than good enough to offset a slightly poorer year for the state's livestock farmers, lifting Alabama's cash farm receipts 5 percent above the total for the preceding year.

Reflecting increased income, spending headed skyward in Alabama during the last two years. Bank debits, indicating check spending by individuals, businesses, and governments, as well as financial transactions, have increased 23 percent from the recession trough two springs back. Retail sales gained 24 percent from April 1958 to January 1960.

Financial activity stepped up moderately in Alabama; bank deposits are 9 percent higher than April 1958. Increased business investment and consumer durables spending are among the Alabama economic developments reflected by a 25-percent bank loan gain over the last two years.

Developments in a given industry or city are often of more interest than the broad measures just discussed, so let us examine trends in Alabama's more important industries and in the larger cities. Since employment data portray most vividly developments in specific industries, they should give us a fairly clear picture of what is happening in the state's economy.

## Manufacturing

During the recent recession, manufacturing employment declined less in Alabama than in the nation and rose less in Alabama during the current recovery. Structural differences between Alabama's economy and that of the nation explain much of this divergence. The nation's five most important manufacturing industries in terms of employment (transportation equipment, nonelectrical machinery, food and kindred products, electrical machinery, and primary metals) suffered a greater employment decline during the recession than Alabama's five most important manufacturing industries (primary metals, textiles, lumber and furniture, apparel, and transportation equipment). Furthermore, employment in the nation's "big five" increased by a greater percentage in the current recovery. This pattern has prevailed in all three business cycles since World War II, suggesting that Alabama's industrial structure is less subject to the impact of the business cycle than the national industrial complex.

The same structural differences also help explain employment deviations within a particular industry. Differences in employment trends, however, may arise from other factors such as a faster rate of plant consolidation in one area than another. Although Alabama-national differences occur within an industry, developments in Alabama are closely related to those in the nation because Alabama's major manufacturing industries all have national ties.

Alabama's five most important manufacturing industries employ about 65 percent of the state's manufacturing workers. Changes in their employment trends thus tell us much about changes in Alabama's total manufacturing employment.

**Primary Metals** A massive steel mill is the first image that comes to many minds thinking about Alabama manufacturing. These giant factories employ nine-tenths of Alabama's primary metals industry workers, and primary metals account for 19 percent of the state's manufacturing employment, compared with 7 percent nationally.

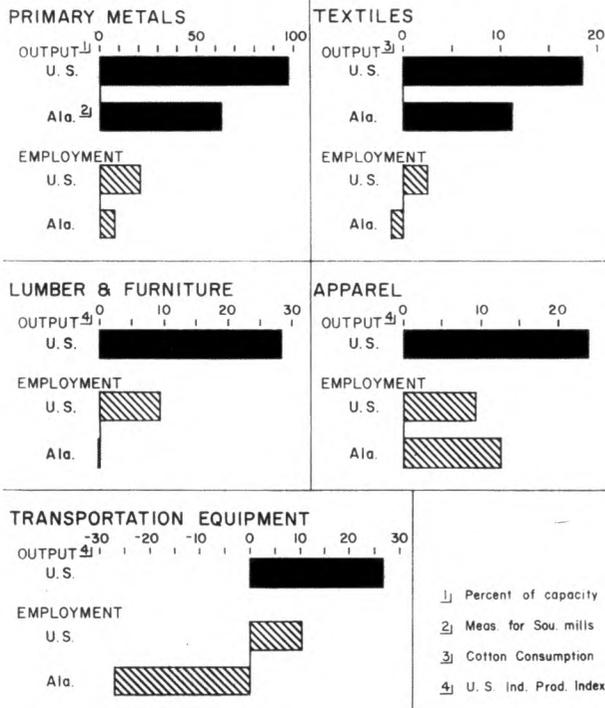
Iron and steel is by far the most important primary metals industry, and steel output (measured as a percent of plant capacity) outgained employment in both Alabama and the nation. Furthermore, national gains were greater in both output and employment than Alabama gains.

Alabama's steel recovery lagged behind the nation's for at least two main reasons. First, product mix. Alabama mills have a proportionately greater capacity devoted to producing wire, rails, and pipe than national mills. Recent demand for these steel products has not been as strong as that for plate and sheet steel used in automobiles. Dixie's mills, however, do not have proportionately as much capacity to produce plates and sheets as national mills. Second, foreign steel competition may have had a stronger effect on mills in the South than nationally, as suggested by (a) greater southern-than-national accessibility to ports and (b) relative cheapness of foreign wire, and wire accounts for more of total output in southern mills than in U. S. mills.

**Textiles** Textile mills run a close second to primary metals factories in manufacturing employment. Eighteen percent of Alabama's manufacturing employees work for textile mill companies as opposed to 5 percent of the nation's. Textile employment in Alabama decreased from the recession trough although output (measured by cotton consumption) increased; both employment and output increased nationally. Textile plant consolidations have been more prevalent in Alabama

## Manufacturing Employment and Output\*

Alabama and United States  
Percent Change, February 1960 from April 1958



\*Output seasonally adjusted except primary metals; employment unadjusted.

than in the nation during the last two years. As a result, some uneconomic marginal mills in the state were closed with a consequent slight reduction in textile employment and intensified production effort at those mills still operating. This is one reason why textile output per employee increased more in Alabama than in the nation. A substantially greater increase in the workweek in Alabama's textile mills (7.1 percent) than nationally (4.7 percent) reflects the increased output per man.

**Lumber and Furniture** Alabama's aromatic pine forests are a thrilling tourist attraction. They also form the basis for much of the state's third most important industrial group in terms of employment: The lumber and furniture group accounts for 11 percent of Alabama's manufacturing employment, compared with 6 percent of the nation's.

Lumber and furniture employment has changed little in Alabama since the April 1958 recession trough; it has risen 9 percent nationally. Output in the nation increased 28 percent. A look behind the latter gain reveals a possible reason why Alabama's lumber and furniture employment recovery lagged behind the nation's. The 28-percent lumber and furniture output gain came more from furniture's 34-percent leap than lumber's mild 7-percent rise in output through January. Thus, Alabama, with three-fifths of its lumber and furniture workers in sawmills and planing mills, benefited less from the industry's output gain than the nation, for only one-fourth of the national industry's workers are in the lumber-mill end of the business.

**Apparel** The apparel industry gives bright color to Alabama's manufacturing employment fabric. Apparel employment not only increased more than employment in any other major Alabama manufacturing industry, but it increased more than national apparel employment. This industry accounts for 9 percent of Alabama's manufacturing employment and 7 percent of the nation's.

As in steel and in lumber and furniture, differences in product mix between Alabama and national apparel output explain much of the difference between Alabama and national employment gains; of Alabama's apparel workers, 62 percent produce men's wear, in contrast to 36 percent nationally. Thus, an increase in men's wear output three times the increase in women's wear furnishes a major reason Alabama apparel employment outgained the nation's.

**Transportation Equipment** This industry covers aircraft, automobiles, railroad equipment, and shipbuilding and repair. It accounts for 7 percent of Alabama's manufacturing employment and 10 percent of the nation's.

Why has employment in Alabama's transportation equipment industry declined since April 1958, while it increased nationally? Product mix again furnishes a partial explanation. Motor vehicles registered the largest transportation equipment employment gain since the recession trough; though an important employer nationally, motor vehicles is insignificant in Alabama. That state's important transportation equipment employers are aircraft, shipbuilding and repair, and railroad equipment, and these industries have not been as strong as motor vehicles. Curtailed defense contracts for Alabama aircraft are partly responsible for the reduction in Alabama transportation equipment employment.

Shipbuilding and repair employment also declined nearly 30 percent from April 1958. This decline occurred even though ship arrivals at Alabama's Port of Mobile rose to a record 2,044 in 1959; thus, the employment decline was not caused by reduced port activity. Instead, the shipbuilding and repair employment decline probably reflects three factors: First, some shipowners may be postponing foreseeable repairs until the vessel reaches a foreign port, where the repairs may be made at a lower cost. Second, curtailed building of offshore oil-drilling rigs as a result of sharply sliced well-drilling off the Gulf Coast. Third, the lack of any special shipbuilding projects, such as the conversion of general cargo vessels to tankers and back again as a result of the Suez Crisis, which boosted Mobile's shipbuilding employment over the 7,000 mark in late 1957, whereas it is now around 2,200.

### Nonmanufacturing

Nonmanufacturing employment is now 2.3 percent above its recession trough two springs back. Alabama's three largest nonmanufacturing industries account for much of this increase, as each registered greater percentage gains than total nonmanufacturing. These industries are government (accounting for 31 percent of Alabama's nonmanufacturing employment), wholesale and retail trade (accounting for 29 percent), and service (14 percent).

### Activity in Major Cities

The different behavior of the broad measures of economic activity in Alabama's five most populous cities in general can be explained by their different economic structures. Bank debits increased as much in 1959 over 1958 as the state average in Mobile, more than the state in Anniston and Montgomery, and less in Birmingham and Gadsden. Bank deposits in Montgomery and Birmingham have been running above the state average year-to-year change, but below in Gadsden, Mobile, and Anniston. Retail sales increased twice as much from 1958 to 1959 as the state average in Montgomery County, and slightly more than average in Etowah County (Gadsden), while Calhoun (Anniston), Jefferson (Birmingham) and Mobile County increases trailed the state average.

WINFIELD HUTTON