

MONTHLY REVIEW



Personal income continued upward in the Fifth District last year.

FEDERAL RESERVE BANK OF RICHMOND

NOVEMBER 1961

RETAIN THIS STATEMENT

It is your personal record of earnings and deductions
for the period indicated

EARNINGS STATEMENT

HOW GOES PERSONAL INCOME IN THE FIFTH DISTRICT

EMPLOYEE NAME JAMES E. PULLEN						PERIOD ENDING DEC 31 1960	SALARY 733.00	OVERTIME	MISC. EARNINGS	WITHHELD TAX 20.46		
F.I.C.A. TAX	RETIREMENT	COMMUNITY FUND	HOSPITAL SERVICE	MAJOR MEDICAL	SAVINGS BONDS	XMAS CLUB	VACATION CLUB	LOANS	LUNCHES	MISC. DEDUCTIONS	NET PAY	AMOUNT DEPOSITED
6.75	2.75	2.81			2.00	2.00					182.23	

The personal income of Americans was up again in 1960. Total personal income in the country as a whole and in each of the states moved up and set new high records despite a slowing of economic activity in the latter part of the year. The increase for the whole country was 5%. The gains for individual states clustered around the national average, but ranged from 2% to 23% with five states showing gains of over 10%.

On a per capita basis the gains were less pronounced. Nationally the increase was 3%, while gains for most states ran between 2% and 5%. Three states—Idaho, Louisiana, and New Mexico—experienced small declines of 1% or less. At the other extreme two states had increases of over 10%.

In the Fifth District the story was much the same as in the nation, as can be seen in the details given below. (For the purposes of this discussion the Fifth District covers all of West Virginia, including six counties in the Fourth Federal Reserve District.) This is a quick survey of the major changes in total and per capita personal income in the District between 1959 and 1960, together with a few backward glances at some of the more significant changes in recent years.

TOTAL INCOME In the Fifth District total personal income reached a new high in 1960 of \$30.7 billion, 5% more than in 1959 and 73% more than in 1950. The 1960 gain was only slightly less than the rise recorded in 1959 and continued the string of annual increases since the 1930's which has been interrupted only by a very small decline in 1954. Total income for the District in 1960 was 7.7% of the United States total; in 1950 the proportion was 7.9%.

All of the states in the Fifth District shared in the 1960 increase, but in varying degrees. For the third year in a row, West Virginia's experience was significantly worse than that of other District states, but even so income there increased by 2%. The percentage gains in Virginia and the District of

Columbia were slightly under the Fifth District average of 5%, while Maryland's gain was just over this figure. The Carolinas led the growth parade for the third straight year, this time with gains of 6%. Everywhere except in the District of Columbia, however, the relative increase from 1959 to 1960 was slightly under the previous year's gain.

MORE INCOME PER PERSON Per capita income was affected by population changes as well as changes in total income. Thus in the District of Columbia and West Virginia, where population declined, gains in income per man, woman and child were greater, percentagewise, than the increase in total income. Per capita income in the District of Columbia recorded its best gain since 1956. This state (counting the District of Columbia as a state) became the first in the Fifth District ever to register an average income of better than \$3,000 per person. The actual rise of \$140 in 1960 was almost twice as great as the increase in any other Fifth District state. In relative terms, however, the gain of 5% was equaled in both Carolinas.

The average increase of 4% in District per capita income was a little better than that of the nation, continuing a pattern that has held since 1957. Between 1950 and 1960, average District income increased from 81% to 83% of the national per capita figure. The 1960 ratio surpassed the high of the last decade established in 1952 and fell only a hair short of the all-time peak of just over 83% set in 1942. The recent improvement resulted from a rate of population growth slightly below the national average.

PRICE RISE CUTS REAL GAIN In judging how much better off people are after receiving higher incomes, it is necessary to take account of changes in the prices of things they buy. The Consumer Price Index is a convenient measure to employ for this purpose. Its average value during 1960 was 1.5% higher than the 1959 average, and on this basis the 5% gain in

total income in the Fifth District was equivalent to a 3.3% gain in real purchasing power. As it happens, this increase was practically identical with the average annual rate of growth of real income during the past decade.

Per capita income also must be adjusted for the price rise. After that adjustment, real per capita income in the District showed a gain of 2.2% in 1960—a rise about equal to the average annual increase since the war. Since 1950 real per capita income has risen about 24%. In other words, the purchasing power of the average income in the District increased by almost one-fourth between 1950 and 1960.

WIDE DIFFERENCES AMONG STATES Per capita incomes differ enormously among the states in the District, ranging in 1960 from the second highest in the United States to the third lowest. They decline rapidly as one moves from north to south. The \$3,008 in the District of Columbia was 135% of the national average of \$2,223 while Maryland's \$2,394 was 108%. At the other extreme, South Carolina's income was only 63% of the national average.

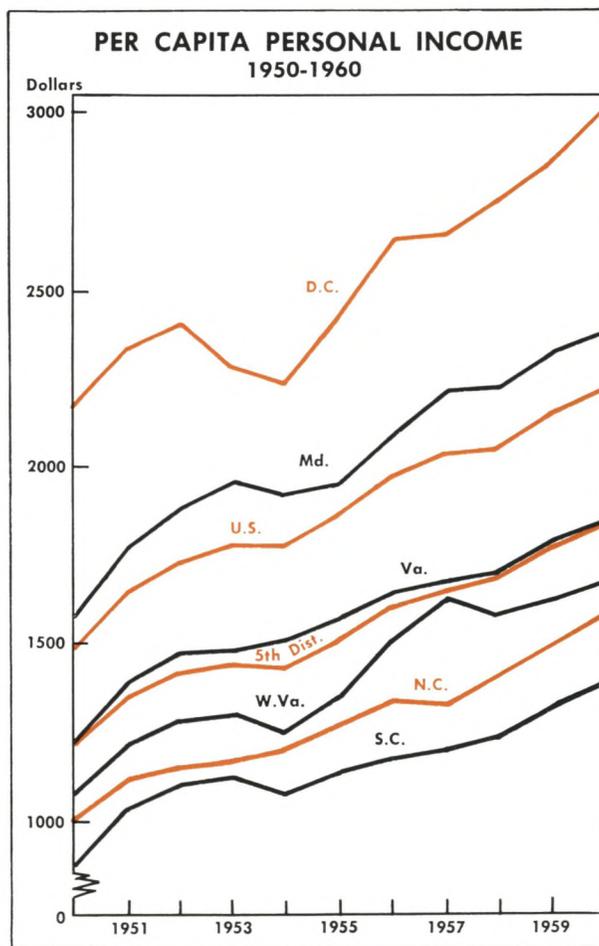
These differences, great as they are, do not approach those which prevailed only a short time ago. In 1929, for instance, South Carolina's per capita income stood at 38% of the nation's, while Maryland was at 111% and the District of Columbia at 181%. By 1932 the range was from 39% in South Carolina to 262% in the District of Columbia. In succeeding years, and particularly during World War II, the gap closed as income in the Carolinas moved up while in the District of Columbia it dropped in relation to the national average. At the end of the war, per capita incomes in District states exhibited a relationship to each other and to the nation that was similar to that shown in 1960. In the past ten years there have been many ups and downs, but each state has made limited progress in raising its per capita income in relation to the national average.

INCOME BY SOURCE What are the reasons for the income changes noted in 1960 and previous years? An indication of the answers is found in the data showing distribution of total income according to five major types—wages and salaries, other labor income, property income, proprietors' income, and transfer payments such as Social Security and unemployment compensation. In addition, wages and salaries are broken down into 24 source groups such as railroads and trade, and proprietors' income is divided into farm and nonfarm sources. These data permit study of changes in the structure of the economy and help to explain variations in the economic welfare of groups of persons who earn their living in different ways.

With this information on a state basis, the analysis of aggregate economic activity can be brought close to home.

The table on page four shows the distribution of personal income by major sources for the United States and the District in 1950 and 1960. While the general pattern remained about the same over this period, two changes are worthy of note. First, the pattern for the District became more like that of the United States. Second, the proportion of income represented by wages and salaries increased in both areas, while proprietors' income declined by about the same amount. Within the wage and salary sector, a sharp drop in mining and a smaller decline in transportation were more than offset by a large increase in government payments and smaller increases in all other groups. The result was the significant increase in the proportion represented by wages and salaries noted above.

MANUFACTURING Taking first things first compels a look at manufacturing. Wages and salaries of \$5.8 billion in this field account for 19.0% of total



MAJOR SOURCES OF PERSONAL INCOME AS PER CENT OF TOTAL INCOME

UNITED STATES AND FIFTH DISTRICT, 1950 AND 1960

Source	1950		1960	
	United States	Fifth District	United States	Fifth District
PERSONAL INCOME	100.0	100.0	100.0	100.0
WAGES AND SALARIES	64.4	67.2	67.2	69.7
Manufacturing	21.9	18.4	21.9	19.0
Government	9.2	16.9	11.4	18.9
Trade	12.1	10.4	12.3	10.9
Services	6.1	5.9	7.0	6.8
Contract construction	3.5	3.5	3.9	3.7
Transportation	4.4	4.1	3.6	3.6
Finance	2.6	2.1	3.1	2.7
Mining	1.4	2.8	1.0	1.3
Other	3.2	3.1	3.0	2.8
OTHER LABOR INCOME	1.7	1.6	2.7	2.4
PROPRIETORS' INCOME	16.0	15.2	12.1	11.9
Farm	5.9	6.3	3.0	3.5
Nonfarm	10.1	8.9	9.1	8.4
PROPERTY INCOME	12.6	10.7	13.0	11.3
NET TRANSFER PAYMENTS	5.4	5.3	5.0	4.7

income in the Fifth District, compared with \$3.3 billion and 18.4% in 1950. The national proportion was approximately 22% in both years. Even more significantly, this huge total exhibits considerable cyclical variation. At its 1960 level it was up 4.5% over 1959 in the District, 3% in the nation. These changes go far to explain why total income showed a moderate gain, just as past changes have been an intrinsic part of recovery and recession. In both 1955 and 1959, Fifth District wages and salaries from manufacturing jumped 10% over the previous year, whereas they decreased in 1949, 1954, and 1958.

Considerable manufacturing is found in each Fifth District state except the District of Columbia. Proportionally, it is most important in the Carolinas, where manufacturing wage and salary payments account for one-fourth of total income, and least important in Virginia, where the same ratio stands at 16%. Heavy representation of the cyclically sensitive metals and chemicals industries in Maryland and West Virginia has caused manufacturing income in these states to show more variation than in other Fifth District states. These states had the smallest increases in 1960 but still gained more than the national average. As a whole, District manufacturing continued its tendency to perform somewhat better than the national total during periods of business slowdown.

GOVERNMENT LOOMS LARGE If any single factor distinguishes the Fifth District economy from that of other areas it is the mass of Government jobs in and near the nation's capital. Of the national totals, 21% of Federal civilian and 18% of Federal military wages and salaries were paid to persons in the Fifth District. The combined total was \$4 billion, with payments to civilians being about double those to the armed forces.

Although Federal disbursements were concentrated in the District of Columbia and its adjacent states, the Carolinas also shared, particularly in the military salaries. In West Virginia, however, only 2% of personal income came from this source, compared with 5% in the nation and 13% in the Fifth District.

Federal wage and salary payments to civilians in the District in 1960 were 7% greater than in 1959. They have increased in every year since 1954, and the 1960 gain was about average for this period. Income payments to members of the armed forces dropped by 5%, the biggest year-to-year decrease since 1947. Since the end of the Korean War military build-up in 1952, this income has decreased a little in each year except 1959. The Carolinas did not participate in the 1960 drop.

MINING INCOME CONTINUES DECLINE West Virginia has little Federal employment and only a moderate amount of manufacturing. Coal mining is the

difference—but the figures indicate that it is a poor substitute, from an economic standpoint, for the steadily rising Federal salaries. The postwar pattern of total wages paid by coal mines has been one of great cyclical variation superimposed on a downward trend. In each of the recession years, 1949, 1954, and 1958, wages dropped by more than 20%. Recovery from the first two declines almost reached the previous peaks, but the 1959 experience was a shocker—a drop of 3% on top of the 26% decrease in 1958. No relief came in 1960; instead, another decline of 7%. By any measure, the experience has been disastrous to large sections of West Virginia. In 1948, wages from coal mining reached a peak of \$489 million; in 1960 they were down to \$285 million. In 1948 they provided 22% of total personal income in the state; in 1960, only 9%. Some day soon the combination of automation and the decline in coal demand will have run its course, but it seems safe to say that mining will never regain its former prominence in West Virginia's economy.

CYCLICAL ACTIVITIES Three more major business activities—contract construction, transportation, and trade—also quickly reflect cyclical fluctuations that occur in manufacturing and thus make significant contributions of their own to variations in District personal income. Wage and salary payments in each of these fields increased in 1960, but by less than the gain of 1959. Trade showed the most strength with an increase of 6%. Within the transportation sector there occurred a development unusual in the postwar period. Wage payments made by railroads were stable following a small decline in 1959, while payments by highway shippers registered the smallest of the yearly gains of the postwar period and appeared to confirm the long-run slowdown in the rate of growth of income from this source.

FARM INCOME VARIES WIDELY Outside the area of wages and salaries, the income of farm operators is of special interest in the Fifth District. While this item was up 17% in 1960, it has varied widely over the past decade from almost \$1.5 billion in 1951 to less than \$0.9 billion in 1957. The general trend has been downward in absolute amounts and down very sharply as a percentage of the total, falling from 6.3% in 1950 to 3.5% in 1960. Because of the vagaries of the weather, livestock price cycles, and changes in demand and support prices for crops, year-to-year changes have ranged from an increase of 31% to a decline of 25%. Within the individual states, variations have been even greater.

The proportion of total income received by farm proprietors is fairly large in North and South Caro-

lina, the 1960 figures amounting to, respectively, 8% and 5% of the total in those states. Mainly because of an improved tobacco crop, farm income rose 19% in North Carolina and 9% in South Carolina.

STEADY GROWERS The Fifth District's remaining activities have shown steady growth. Wages and salaries from finance, insurance and real estate, communications, public utilities, services, and State and local governments have never exhibited a year-to-year decline during the postwar period. Percentage gains in 1960 were a little below recent averages in all of these lines except services, which recorded a somewhat stronger than average gain. The latter sector is becoming a more important part of the District economy primarily on the strength of steady gains in professional and social services and spectacular growth in business and repair services.

INCOME BY TYPE About 70% of the District's personal income consists of wages and salaries, 12% is proprietors' income, 11% is income from property, 5% is net transfer payments, and the rest is made up of other labor income. This is a far cry from the distribution in 1929, when wages and salaries comprised only 59% of the total, proprietors' and property incomes were 20% and 18%, respectively, and transfer payments were less than 2%. In the past ten years, however, changes in the proportions, while mostly in the same direction, have been much more moderate than they were in the turbulent days of the Great Depression and World War II. The proportion represented by wages and salaries seems to have stabilized in recent years at about 70%, while property income has shown a slight tendency to increase as a proportion of the total.

SUMMARY Personal income in the Fifth District continues to rise, but more slowly than in recent years, and the fluctuations are smaller. The latter is due principally to three factors. First, the national economy has shown smaller fluctuations. Second, manufacturing in the District is heavily concentrated in the more stable field of nondurable goods. Third, the two most volatile elements of District income, mining wages and farm income, have declined substantially in relative importance.

Per capita income in the District continues to move slowly toward the national average. In Virginia and the two Carolinas incomes have inched steadily upward toward that figure. In West Virginia progress has been interrupted in the past few years. In Maryland and the District of Columbia, with above-average incomes, there have been fluctuations with little apparent trend.

Ten-Year Trends In District

DURABLE GOODS

PRIMARY METALS

76,800 workers in 1960, up 22% since 1950 and equal to 6.5% of U. S. total



FABRICATED METALS

41,700 workers in 1960, up 19% since 1950 and equal to 3.9% of U. S. total



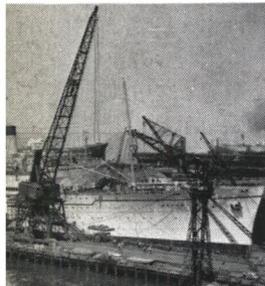
MACHINERY

90,800 workers in 1960, equal to 3.1% of U. S. total (1950 data not comparable)



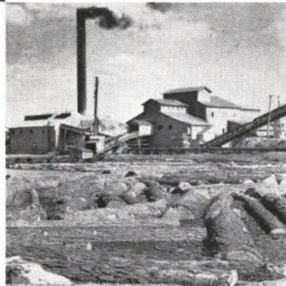
TRANSPORTATION EQUIPMENT

57,300 workers in 1960, equal to 3.5% of U. S. total (1950 data not comparable)



LUMBER

88,300 workers in 1960, down 25% since 1950 and equal to 14% of the U. S. total



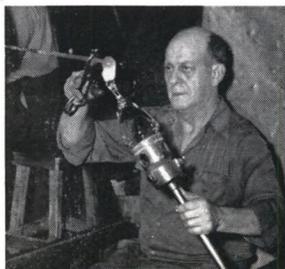
FURNITURE

70,300 workers in 1960, up 30% since 1950 and equal to 18% of U. S. total



STONE, CLAY, AND GLASS

57,100 workers in 1960, up 9.6% since 1950 and equal to 10% of U. S. total



Growth in manufacturing employment during the decade of the Fifties was more rapid in the Fifth District than in the nation. This was true despite relatively smaller population gains. District population grew 14% between 1950 and 1960 (rising from 14.6 million to 16.6 million), but the ratio to the national total declined from 9.7% to 9.3%. In the same ten-year period, however, the District's share of national manufacturing employment increased from 8.2% to 8.7%. The actual change was from 1.2 million in 1950 to 1.4 million in 1960—a 16% rise in the number

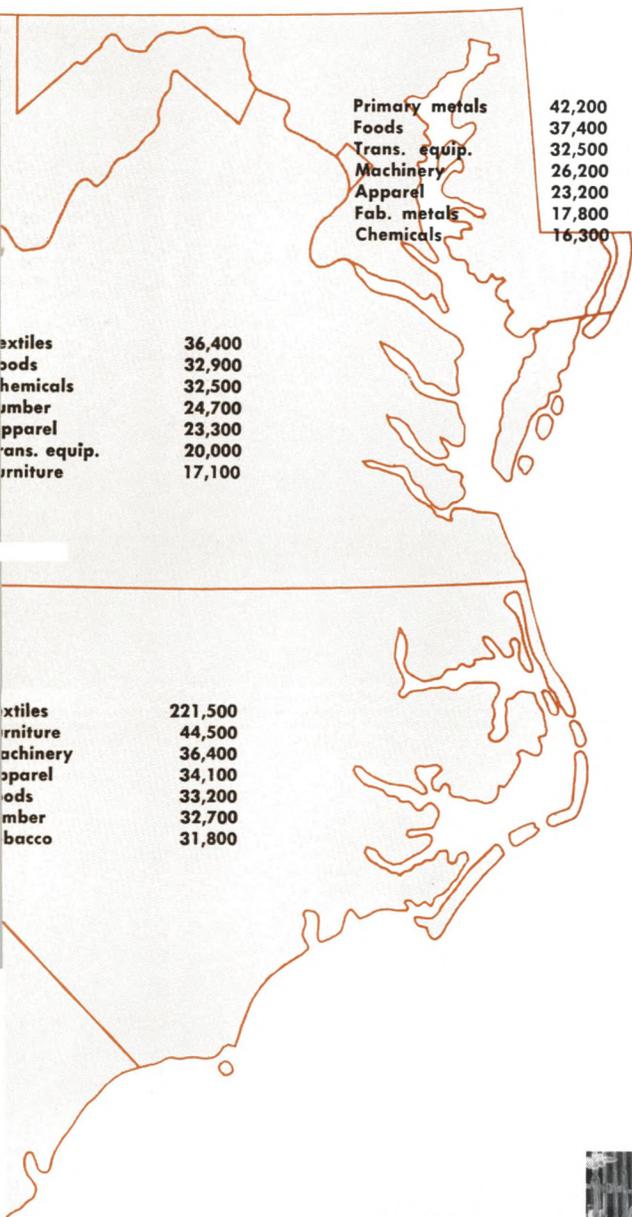
Chemicals	27,600
Primary metals	25,200
Stone, clay, glass	22,300
Foods	9,100
Machinery	8,400
Lumber	8,200
Fab. metals	7,100

Textiles	130,700
Apparel	31,100
Lumber	17,500
Chemicals	12,600
Foods	11,700
Paper	8,100
Stone, clay, glass	6,800

Manufacturing Employment

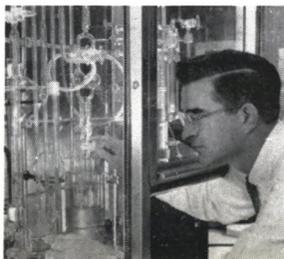
of jobs available at District factories as compared to a 9.2% gain for the nation.

The District's share of durable goods manufacturing employment increased only slightly in the decade—from 5.1% to 5.4%. Workers in nondurable goods factories, however, 11.6% of the nation's total in 1950, increased to 13.0% in 1960. The principal classes of Fifth District industry are pictured here, each with a brief statistical summary. The seven industries that provided the most jobs in each state in 1960 are listed on the map.



CHEMICALS

102,700 workers in 1960, up 23% since 1950 and equal to 12% of U. S. total

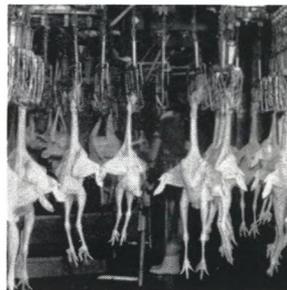


PRINTING

40,600 workers in 1960, up 38% since 1950 and equal to 4.5% of U. S. total



NONDURABLE GOODS

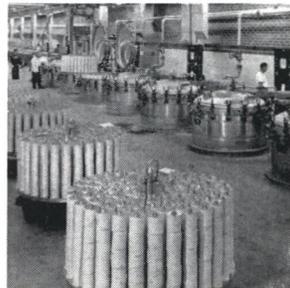


FOODS

124,300 workers in 1960, up 38% since 1950 and equal to 8.4% of U. S. total

TOBACCO MANUFACTURES

45,800 workers in 1960, up 6.8% since 1950 and equal to 52% of the U. S. total



TEXTILES

393,300 workers in 1960, down 6.3% since 1950 and equal to 42% of the U. S. total

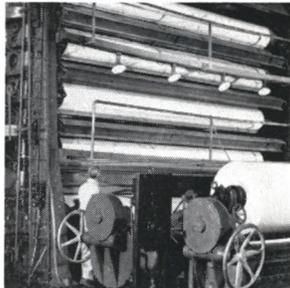
APPAREL

115,600 workers in 1960, up 64% since 1950 and equal to 9.5% of U. S. total



PAPER

41,800 workers in 1960, up 45% since 1950 and equal to 7.4% of U. S. total



North Carolina Trade Fair



Columbus Day 1961 marked the beginning of a unique and impressive event, the North Carolina Trade Fair. For ten days the Tarheel State held "open house" for potential buyers from all sections of the nation and many parts of the world. The Fair was unique because it was the first such event—planned along the lines of European trade marts—to be sponsored by a state. It was impressive for several reasons.

The physical facilities were first to catch the eye. The Charlotte Coliseum is a modern, circular structure 300 feet in diameter. Its sheer, 50-foot outer wall of concrete and glass is topped by an aluminum dome rising another 50 feet. Its 70,000 square feet of floor space provided room enough for 254 display units of 80 or more square feet each.

A walkway bordered with flags of many nations linked the six-year-old Coliseum with the brand-new Merchandise Mart, symbol of the city's expanding role as a trade center. The Mart's first and second floors, each with an area of 80,000 square feet, provided more than enough additional space.

Some exhibitors who needed extra room combined

several display units. Others found outdoor exhibits more practical for showing large pieces of equipment. A third building, Ovens Auditorium, was available nearby for opening ceremonies in case of rain, but excellent weather prevailed and these formalities were conducted outside on the auditorium steps. The three buildings—modern, functional, and well-spaced in an open and attractive location—provided a near-perfect setting for the Fair.

STATE-WIDE VENTURE Credit justly due the citizens of Charlotte for providing excellent facilities does not obscure the important fact that the fair was truly a state-wide project. Its success was due to the efforts of hundreds of business and civic leaders and thousands of workers. The array of participating organizations and the crowds of visitors confirmed this. Events leading up to opening day proved it.

The idea was conceived last January as a means of furthering North Carolina's already outstanding record of accomplishment in the field of industrial development. Several specific aims were adopted early in the planning process. Briefly, these were:

(1) to sell North Carolina and North Carolina products to the nation and the free world; (2) to encourage establishment of new industry and expansion of existing plants; (3) to acquaint North Carolinians with the scope of their own accomplishments, using what has been done to inspire new concepts of what can be done; and (4) to give recognition to the workers of North Carolina by assembling a display of their goods and services and making it the center of a great effort to reach new markets.

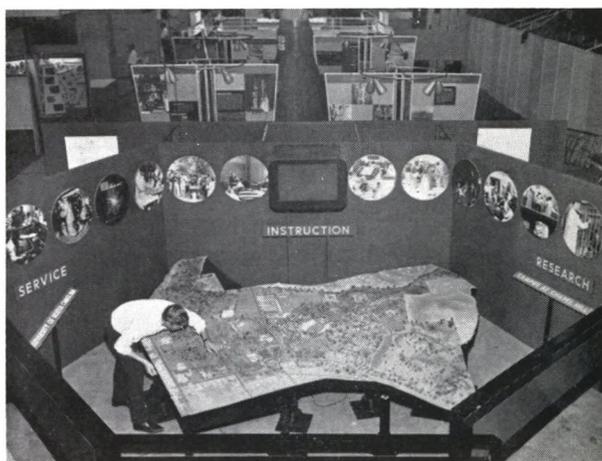
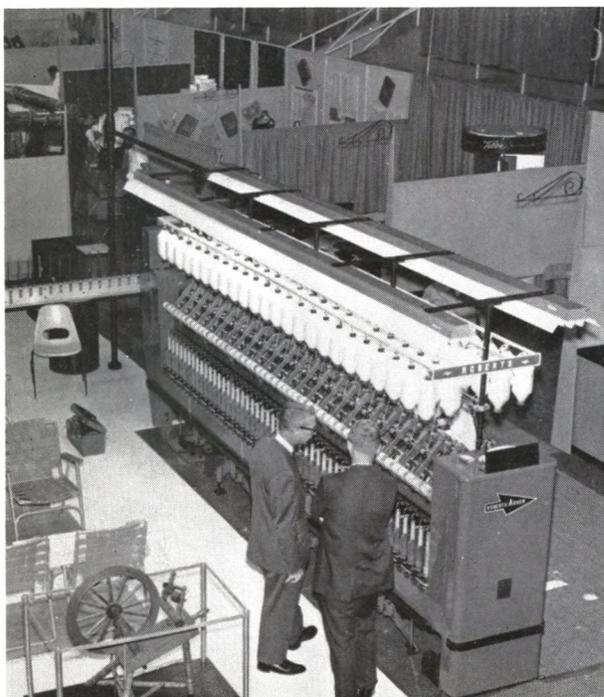
SIX MONTHS TO DO A YEAR'S WORK Without a high degree of enthusiasm and spirit of dedication among a very large number of people, there could be little hope of success on such short notice. By the time a site had been selected and work begun in earnest, only six months remained in which to accomplish a task estimated by experts to require double or triple that amount of time.

In those six months work on the Merchandise Mart was stepped up so that the first two floors would be ready two months ahead of the original schedule. Exhibits were designed and prepared for quick installation by 350 business firms, trade associations, educational institutions, and other groups. A list of more than 50,000 buyers received direct mail invitations, many of which were followed up with personal contacts made by businessmen and bankers touring this country, Canada, Latin America, Europe, and the Far East at their own expense. An estimated \$500,000 worth of newspaper space, radio

and television time, and use of billboards was donated to the cause.

STATE LEADERSHIP Responsibility for coordinating these far-flung activities fell to the Chief of the Division of Commerce and Industry in the North Carolina Department of Conservation and Development. Other state officials worked with him. A full-time staff of only ten people handled the mail, set up and kept the records, and attended to countless details such as credentials, badges, and complimentary tickets for exhibitors and buyers. The relatively modest amount of public funds initially provided to meet expenses was recovered through space and service fees paid by exhibitors and admission fees collected from the public. A considerable amount from private donations gave additional assurance of success.

Of all that was done to make the Fair so successful, the amount of voluntary service is perhaps the most distinctive feature. Services donated by private citizens included making vital personal contacts throughout the free world, listing and reserving accommodations for visiting buyers, serving as interpreters for foreign visitors who lacked adequate knowledge of English, acting as hostesses and guides, and many others. It is unlikely that any estimate can be made of the "market value" of time and talent voluntarily contributed. But the people of North Carolina couldn't care less. Their eyes are on the future—on their state's progress measured by more and better job opportunities and richer lives for all.



Many exhibits, such as this model of the University of North Carolina campus, described educational, governmental, and other service facilities; thus the Fair revealed a cross section of the state.

Left: In addition to North Carolina's better known products such as textiles, furniture, and tobacco, a wide variety of modern machines attracted the attention of buyers at the Trade Fair.

THE FIFTH DISTRICT



Recent comments on national economic conditions have described business as good but not booming, improving on balance but with a number of divergent elements, and "moving sideways" in some important areas. These generalizations also describe recent developments in the Fifth District.

Retail sales have been moving sideways almost continuously during the recovery period even though business in general and personal income in particular have risen steadily. Sales in certain lines—apparel and specialties for school, appliances, tools, and furniture—have displayed encouraging seasonal strength. Automobiles also have gained quite steadily, tending to confirm the industry's expectation that the 1962 model year will be one of the best. Other classes of merchandise have moved relatively slowly, however, so that total retail sales continue to lag.

MAN-HOURS MIXED Diverse movements have remained distinctive features of the manufacturing sector. Seasonally adjusted factory man-hours decreased 0.2% between August and September, the net result of a 1.1% rise in durable goods and a 0.9% fall in the more extensive nondurable goods group. There were nonconformists in both. Transportation equipment and lumber lost momentum in contrast to the generally faster pace in durables, whereas woven goods, yarn and thread, and tobacco manufactures other than cigarettes registered gains contrary to the behavior of most nondurables. The strongest gains were made in machinery, furniture, and yarn and thread. The sharpest declines occurred in food products, apparel, chemicals, and transportation equipment.

EMPLOYMENT SHOWS STRENGTH Job statistics provide broadly based evidence to support the contention that business is good but not booming. District seasonally adjusted nonfarm employment increased 0.4% between August and September. Even manufacturing employment rose, indicating that the net loss in man-hours stemmed from reductions of working time in certain industries rather than fewer jobs. Work forces decreased more than seasonally in contract construction, rose less than the usual seasonal amount in trade, and remained unchanged in

transportation, communication, and public utilities. In all other nonmanufacturing enterprises employment increased with mining, services, and government contributing the strongest gains.

Variations among industries were also reflected in geographic differences. September employment reached new highs in Maryland, the District of Columbia, and Virginia. West Virginia and the Carolinas, however, have not yet returned to their respective employment highs which occurred just before the onset of the 1960 recession. In West Virginia, the responsibility rests mainly on last year's sharp decline in mining activity. In the Carolinas, textiles, apparel, lumber, and furniture all share the blame.

GRADUAL DECLINES IN UNEMPLOYMENT Monthly estimates of total unemployment without seasonal adjustment are provided by Maryland, Virginia, West Virginia, and South Carolina. Back in February, according to the figures for these four states, unemployment as a per cent of the civilian labor force ranged from 15.0% in West Virginia to 6.2% in Virginia. The average was 8.3% compared with 8.1% for the nation. By August, the latest month for which these data were available for inclusion here, the range of District rates had moved to a considerably lower level—from 11.6% in West Virginia to 4.0% in Virginia. The four-state average was down to 5.8% compared with a 6.2% national rate.

Evidence that District rates generally have declined further since August is found in recent revisions of local unemployment estimates. The District embraces about 80 "labor market areas." Labor conditions in one-fourth of these have been reviewed in the last two months. Among the unemployment rates that were changed, decreases outnumbered increases five to one.

Insured unemployment declined more than seasonally in every month from March through August, and the latest weekly figures suggest a resumption of this encouraging trend following some less favorable reports early in September. Recent rates of insured unemployment ranged from 5.2% in West Virginia (the only District rate higher than the national average) to 1.5% in Virginia and the District

of Columbia. The District average was 2.9%, which compared favorably with the national rate of 3.6%.

FURNITURE MARKET ONE OF BEST The number of furniture showings has increased in recent years to cover virtually every season in all parts of the country. Sales executives in firms selling a variety of lines nationwide hardly have time to unpack between trips. Since recent markets in other regions posted only moderately successful records, no one expected anything unusual at the regular fall shows in District furniture centers.

Furthermore, the statistical evidence until quite recently was definitely gloomy. Retail furniture sales started the year at a low ebb and showed only spasmodic improvement through June. Factory man-hours also looked bad compared with 1959 and 1960 figures. But the industry began to take heart when national furniture sales strengthened in July and August. District sales persisted at a fair level through the late summer, then increased sharply in September. Production in the District also increased in the latter month, as factory man-hours rose to a par with average levels of the past two years.

Reports from the Southern Furniture Market, in progress October 20-27, were optimistic from the beginning. It was said of most previous markets that evaluations would have to wait until salesmen could visit customers after the show and judge the extent of the show's impact on dealers' willingness to buy. This time the customers were buying on the spot for several apparent reasons. Their inventories had dwindled to unusually low levels—too low for the fall and winter seasons with business on the upgrade. New styles, some introduced at this market and some unveiled earlier in the year, were a stimulus to sales. Finally, manufacturers had prepared, more carefully than ever before, a variety of special services for dealers. Recognizing consumer resistance as a barrier to general market improvement and wishing to help dealers present products most advantageously to their customers, some manufacturers offered retailers a wide variety of selling aids ranging from suggested showroom arrangements to actual training programs for salesmen. Such interest in dealers' problems gained an added measure of good will for a number of producers and contributed to the over-all success of the markets.

STANDOFF IN TEXTILES Textile manufacturers continue to chart a cautious course through a circumstantial maze to which something new is added every

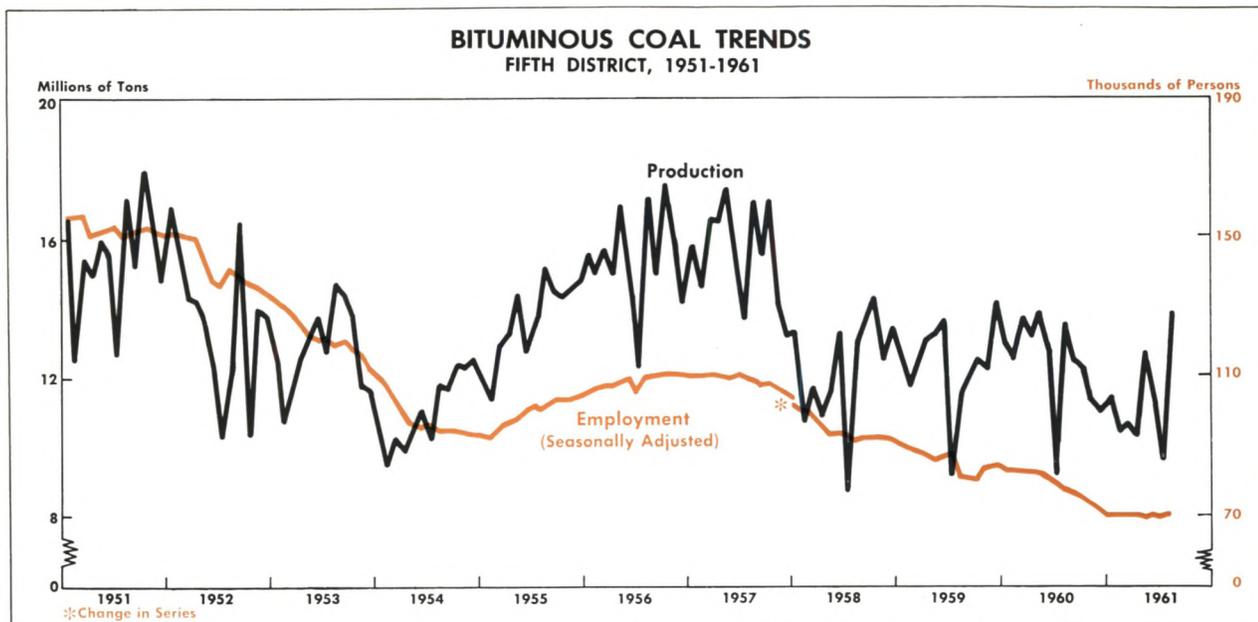
week or two. The tone of the markets has changed little in recent months. Increases in new orders and rising backlogs have clearly shown a stronger trend in demand. Producers have tried to use this as a fulcrum to jack up prices. Such an effort is understandable with costs considerably higher and prices significantly lower than they were two years ago during the industry's most recent period of general prosperity. The large inventories and phenomenal productive capacity that are part and parcel of the textile business exert so much downward pressure on the price structure, however, that substantial price increases remain unlikely unless stronger demands develop.

Manufacturers' modest success in raising prices can be readily documented. The average level of the index of wholesale prices for cotton products during 1960 was 94.2 (1947-49=100). Prices declined in the second half of 1960, and the index dropped from 93.4 in September of that year to a low of 89.5 last June. The influence of improving demand then raised the index a point and a half in three months to a September level of 91.0. Price gains have been strongest in heavy industrial fabrics and man-made fiber goods.

DEPRECIATION SCHEDULES REVISED Mill operators welcomed the October 11 announcement of more liberal depreciation allowances for textile machinery. A "useful life" of 15 years was recommended for preparatory equipment (previously 30 years), cards (previously 40 years), and other machines used to process materials through the spinning and weaving operations (most of which were formerly written off over a 25-year period). These were the first such revisions since 1942. The new schedules were favorably received as much more realistic than the old ones in view of more rapid rates of innovation and



Better retail sales, low dealer stocks, new styles, and new services made this year's fall furniture market one of the best.



obsolescence in the design of textile machines and as an aid in, but not a solution to, the problem of foreign competition. The original announcement made it clear that the new schedules applied only to new acquisitions. Regulations which will set forth changes, if any, in the handling of machines not fully depreciated under the old schedules are said to be in preparation.

BITUMINOUS COAL Coal producers have experienced more stable levels of production and sales long enough to think that they may last for a while. As the chart shows, average levels of production have been fairly stable since 1958. Employment, however, continued to decline until this year. At 71,500 in September, seasonally adjusted mining employment reached the high for the year and was just about even with last December. The last such period of stable employment spanned the second half of 1956 and the first half of 1957. The number of District miners dropped about 10% in each of the three intervening years.

Several reasons for optimism are listed by the coal experts. Costs of production have been reduced to competitive levels. Within the present economic framework coal has apparently struck a balance with other fuels and power sources and will tend to hold its own domestically. Meanwhile, markets in Europe, Latin America, and the Far East are expanding and should take increasing quantities. Finally, special research units in the Department of the Interior, at West Virginia University, and elsewhere

are looking into new ways of using coal. These investigations will study coal as a source of special purpose fuels and of chemicals for uses other than as fuel. The coal industry believes that these studies will eventually yield significant results in opening new markets for its product.

AGRICULTURE Prospects continue to be generally favorable for Fifth District farmers. Production of fire-cured and sun-cured tobacco, wheat, grapes, and pecans will probably be at least 15% greater than last year. Output of burley tobacco, soybeans, oats, and peaches will also be significantly larger while corn, sorghum grain, and sweet potato crops are expected to be considerably smaller this year than last. By mid-October District farmers had sold over 1 billion pounds of flue-cured tobacco for \$650 million, a 1% increase in poundage and a 7% increase in dollars over 1960. Both total value of sales and average prices set new records for the Border Belt where the marketing season ended September 28.

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