



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

November 26, 1975

CONFIDENTIAL (FR)
CLASS II-FOMC

To: Federal Open Market Committee

From: Murray Altmann

Attached for your information is a memorandum to Chairman Burns from members of the Board's staff, dated November 24, 1975, and entitled "Sales and inventory-situation of eight retail store chains."

This memorandum was prepared pursuant to questions that arose at the last FOMC meeting.

Attachment

BOARD OF GOVERNORS
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Office Correspondence

Date November 24, 1975

To Chairman Burns

Subject: Sales and inventory-situations

From Joseph Zeisel and Cortland Peret

of eight retail store chains

A telephone survey was made of economists of eight retail store chains between November 18 and 21 in regard to their current and expected sales and inventory position. The response was that (1) sales generally have been in line with, or have exceeded, expectations, and inventories have been ample for those sales and (2) Christmas sales and those in early 1976 are expected to be "good" with store inventories and supplier stocks expected to be adequate for these sales. More detailed comments follow.

-- Sales currently and in recent months generally are considered to be "good" in the sense that they are in line with, or slightly better than, expectations (sales budgets). Some sluggishness recently was reported by three or four companies, with the unseasonably warm weather around the country cited as the reason. But sales of one company (upper mid-west) have been running below a year earlier. "Good" (and considerably better than last year) Christmas sales are expected by all of the companies surveyed, and several firms indicated they expected the "good" trend continuing into next year.

-- Inventories of these retailers, on hand and on order together, are considered to be ample for current sales and those anticipated over the next few months. Generally, a "conservative"

Chairman Burns

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inventory policy is being followed so as to avoid a repeat of the costly buildup of stocks of a year ago, which has been corrected only recently. Reports generally had dollar book value of stocks at about year-earlier levels; two stores reported stocks in real terms to be below a year earlier. If Christmas sales do exceed expectations, some shortages of goods may result in lost sales; however, this is a risk knowingly taken to avoid an undesired buildup of stocks.

-- Suppliers stocks seem adequate, according to the reports from the companies surveyed; in general these retailers have had no difficulty in obtaining new merchandise. Nor, according to the survey, are there indications that suppliers stocks are, or will be, short so that these retailers will experience delays in replenishing their inventories. Several of the companies reported that delivery times have lengthened a little, but that, it was stated, is normal for this time of the year [and it probably also is a function of cyclical developments]. The economists of two firms reported that they were experiencing supplier shortages of textiles and apparel, reflecting the earlier sharp cutback in suppliers' output. A particular case is this year's very popular corduroy fabrics, which have been selling beyond all expectations; textile mills' output has not been able to keep pace with consumer demands.

The firms surveyed are the following: Allied Stores, Inc.; Dayton-Hudson, Corp.; Federated Department Stores; Gamble-Skogmo, Inc.; May Department Stores Co.; Montgomery Ward; J.C. Penney Co.; Sears, Roebuck and Co.