

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS

WASHINGTON, D.C. 20230

OFFICE OF
BUSINESS
ECONOMICS

FOR IMMEDIATE RELEASE TUESDAY, JULY 14, 1970

Dorothea Jones: 967-4050

OBE 70-37

MANUFACTURING AND TRADE
INVENTORIES AND SALES - MAY 1970

Manufacturing and trade firms reduced their stocks \$275 million in May -- one of the largest cuts in 9 years -- while sales increased sharply, the Commerce Department's Office of Business Economics announced today. Revised data for April show an inventory increase of \$925 million.

The May inventory reduction is the second largest recorded since the \$530-million cutback in March 1961. There was a reduction of \$290 million in January 1970.

The May liquidation occurred in trade stocks -- \$200 million by retailers and \$80 million by wholesalers. Manufacturers' stocks were virtually unchanged from April.

The reduction in inventories was accompanied by a 1-1/2 percent rise in business sales. As a result, the inventory/sales ratio fell to 1.58 in May. Stocks equaled 1.60 months of sales a month ago and 1.54 a year ago.

All figures in the text of this report are adjusted for seasonal variation but not for changes in prices.

[More]

Trade stocks

Widespread inventory cuts were reported in May by trade firms. The \$80 million cut in wholesale stocks was evenly divided between durable and nondurable goods firms.

Durable goods retailers' stocks were reduced \$80 million in May, following reductions in April and in the first quarter as a whole. An increase of \$75 million in automotive dealers' holdings was outweighed by sizable reductions for other durable goods lines.

Nondurable goods retailers reported a decrease of \$125 million in May, cuts were reported by all major kinds of businesses except food stores. Stocks of nondurable goods firms had risen in the previous 3 months.

Manufacturers' stocks

Manufacturers' inventories, which had been rising appreciably earlier this year, showed little change in May. Durable goods producers cut their holdings for the first time in more than 2 years; the decline of \$60 million almost offset a \$70-million rise for nondurable goods firms.

Small increases by nonelectrical machinery and primary metals firms were outweighed by cutbacks by producers of electrical machinery, transportation equipment, and other durables.

Durable goods manufacturers cut their stocks of materials and supplies by \$60 million in May, about half the April reduction; work-in-process and finished goods stocks were little changed, in sharp contrast to substantial increases in April.

The ratio of durable goods stocks to sales fell to 2.12 months in May from the April high of 2.19; the ratio was 2.04 in May 1969.

Nondurable goods manufacturers added \$70 million to their inventories in May; this followed a record increase of \$435 million in April. They cut working stocks slightly in May, offsetting in part an accumulation of \$135 million in finished goods. Finished goods also accounted for most of the April increase. Nondurable goods stocks were equal to 1.31 months of sales in May, compared with 1.34 in April and 1.32 a year earlier.

[More]

Sales movements

After 2 months of decline, combined business sales rebounded 1-1/2 percent in May; at \$106.5 billion, sales were close to the peak reached last October. Increases of 2-1/2 percent were reported by both manufacturers and wholesalers, following March and April declines. Retail sales, however, fell nearly 1 percent from the record April rate.

Manufacturing and trade sales in May were 3 percent higher than a year earlier, with year-to-year increases ranging from 2 percent for wholesalers and 3 percent for retailers to 3-1/2 percent for manufacturers. Over the same timespan, wholesale prices of industrial commodities rose nearly 4 percent and consumer commodity prices more than 5 percent.

Trade sales

Wholesalers of durable goods boosted their receipts 3 percent from April to May, and wholesalers of nondurable goods, 2 percent.

The retail sales pattern during the last half year has been highly volatile. May declines of 1 percent in durable goods and one-half of 1 percent in nondurable goods sales contrast with increases of 2-1/2 percent for both in April. For the first quarter as a whole, sales had edged up 1 percent as increases in January and February were partly offset by a decline in March.

Retail automotive dealers' sales fell nearly 3 percent in May after a sizable increase in April. Furniture and appliance dealers' sales also slipped -- by 2-1/2 percent. These declines were partly offset by increases at lumber, building and hardware outlets and other types of durable goods stores.

Sales declines in May were noted for nearly all kinds of nondurable goods businesses, except eating and drinking places and gasoline service stations. The largest declines were reported by apparel and department stores, reversing strong upward movements in April.

Manufacturers' sales and orders

Manufacturers' sales rose 2-1/2 percent in May, bringing the total for the month to \$55.7 billion. Both durable and nondurable goods producers shared in the upturn, with respective increases of 3 percent and 2 percent.

More

All of the major durable goods industries except aircraft and parts shared in the May sales advance. The most marked increase -- 9 percent -- was reported by primary metals firms.

The May increase in nondurable goods shipments followed a drop of the same size in April, bringing the total close to the first quarter monthly average. Most of the changes for the component industries were small, with the exception of 5 percent increases for the chemical and "other nondurable goods" industries.

Manufacturers' new orders rose 2-1/2 percent in May, erasing most of the February-April decline. Orders for nondurable goods rose 2 percent from April, and orders for durable goods advance 3-1/2 percent. At \$29.6 billion, durable goods new orders were still well below last September's peak of \$32.1 billion.

Aircraft and parts manufacturers accounted for the largest part of the May increase. Fabricated metals producers also reported a very substantial advance.

The backlog of unfilled orders on manufacturers' books has fallen substantially each month so far in 1970. In May, the reduction amounted to \$880 million, all in the durable goods industries. With the exception of the fabricated metals group, all of the major industries reported declines. Over half of the total reduction in May was reported by the transportation equipment industries as backlogs for aircraft and parts, motor vehicles and parts, and shipbuilding and railroad equipment slipped from \$100 to \$200 million each.

With backlogs declining and shipments rising substantially, the unfilled orders-shipments ratio for durable goods manufacturers fell from 3.20 months in April to 2.97 in May, the lowest in more than 5 years.

Details of sales and inventories are given in the accompanying table.

Additional data appear in the statistical pages of the Survey of Current Business, monthly publication of the Office of Business Economics.

The Survey is available from Field Offices of the Department of Commerce, or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at an annual subscription price of \$9, including weekly supplements; single copy, \$1.

[More]

TABLE 1.--TOTAL MANUFACTURING AND TRADE
(Billions of dollars)

	Unadjusted			Seasonally adjusted			First months	
	1969	1970		1970			1969	1970
	May	Apr. ^r	May ^p	Mar.	Apr. ^r	May ^p		
<u>SALES</u>								
TOTAL.....	105.37	105.63	107.67	105.22	104.82	106.53	508.49	527.67
Manufacturing.....	54.41	55.64	56.44	54.95	54.27	55.69	266.22	275.60
Durable.....	30.39	30.50	31.36	29.71	29.54	30.48	147.98	150.17
Nondurable.....	24.02	25.15	25.08	25.24	24.74	25.21	118.24	125.44
Retail.....	30.81	29.65	31.14	29.80	30.54	30.32	145.89	150.21
Durable.....	10.26	9.54	9.76	9.13	9.34	9.25	47.48	45.75
Nondurable.....	20.55	20.12	21.38	20.67	21.20	21.08	98.41	104.46
Merchant wholesalers..	20.15	20.33	20.08	20.46	20.01	20.52	96.38	101.85
Durable.....	9.42	9.37	9.23	9.30	9.03	9.32	45.00	46.20
Nondurable.....	10.73	10.96	10.86	11.16	10.93	11.20	51.38	55.65
<u>INVENTORIES</u>								
TOTAL.....	160.10	170.15	169.30	167.28	168.21	167.94		
Manufacturing.....	92.81	98.59	98.48	96.92	97.78	97.79		
Durable.....	60.80	65.28	65.24	64.27	64.69	64.63		
Nondurable.....	32.00	33.30	33.24	32.65	33.08	33.16		
Retail.....	43.95	46.55	46.01	45.52	45.49	45.29		
Durable.....	20.13	21.01	20.80	20.02	19.96	19.88		
Nondurable.....	23.82	25.54	25.21	25.50	25.53	25.41		
Merchant wholesalers..	23.35	25.01	24.81	24.84	24.94	24.86		
Durable.....	14.06	14.97	14.89	14.78	14.77	14.73		
Nondurable.....	9.29	10.04	9.92	10.06	10.17	10.13		

TABLE 2.--RETAIL INVENTORIES
(Billions of dollars)

<u>KIND OF BUSINESS</u>							
TOTAL.....	43.95	46.55	46.01	45.52	45.49	45.29	
Durable.....	20.13	21.01	20.80	20.02	19.96	19.88	
Automotive.....	9.64	10.33	10.34	9.43	9.45	9.52	
Furniture-appliance.	3.08	3.16	3.09	3.16	3.13	3.07	
Lumber-hardware.....	3.01	2.83	2.77	2.76	2.72	2.71	
Nondurable.....	23.82	25.54	25.21	25.50	25.53	25.41	
Apparel.....	4.90	5.14	5.06	5.19	5.16	5.15	
Food.....	4.63	4.86	4.86	4.82	4.86	4.87	
General merchandise.	10.14	10.92	10.76	10.99	10.94	10.88	
Department stores.	5.78	6.13	6.04	6.24	6.13	6.12	

r Revised.

p Preliminary.