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MANUFACTURERS' INVENTORY AND SALES EXPECTATIONS:
FOURTH QUARTER 1968 AND FIRST QUARTER 1969

Manufacturers expect to add \$2 billion to stocks this quarter and an equal amount the next, according to the survey conducted in November by the U.S. Commerce Department's Office of Business Economics.

Manufacturers are also projecting sales gains of 2 percent this quarter and 1-1/2 percent in the next; these compare with actual increases of 2 percent in the third quarter of 1968 and 3 percent each in the first and second. Virtually all major industries are looking forward to improved sales this quarter, and most are expecting further advances in the opening quarter of 1969.

The sales and inventory projections imply that the stock-sales ratios for December 31, 1968 and March 31, 1969 would hold at the 1.7 figure reported on both June 30 and September 30, 1968.

Manufacturers judged their inventory condition on September 30 improved from that of March 31 and June 30 of this year. Companies holding 23 percent of total manufacturers' stocks viewed their September 30 inventories as "high" -- a decline of 2 percentage points from June 30. Three-fourths of stocks on September 30 were judged "about right" and 3 percent, "low."

All sales and inventory figures in the text of this report are seasonally adjusted.

Sales rise larger for durables

Durable goods manufacturers expect larger sales advances this quarter and next than they experienced in the third quarter. In contrast, nondurable goods producers foresee a slowing in the rate of gain over this period.

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Durable goods producers are projecting increases of 2-1/2 percent in the fourth quarter and almost 2 percent in the first three months of the coming year, as compared with an actual sales gain of 1.2 percent for the third quarter of 1968. Nondurable goods producers expect sales to rise close to 2 percent this quarter and 1 percent the next, following a 3 percent increase in the third quarter.

Durables project sizable inventory additions

Durable goods producers expect to step up their rate of inventory additions to about \$1-1/2 billion per quarter from last September to next March. They added about \$1 billion to stocks in the second and again in the third quarter of 1968.

Nondurable goods producers are projecting inventory additions of \$600 million this quarter and \$400 million the next, slightly under the average rate of accumulation that prevailed in the preceding six months.

Durable goods firms estimate that their inventory holdings on March 31, 1969 will total \$59.4 billion -- equivalent to 2.06 months of sales. Inventories of nondurable goods firms are expected to reach \$31.7 billion next March, or 1.32 months of sales. The March 1969 ratios for both durable and nondurable goods industries would be about unchanged from last September.

Inventory condition, September 1968

Companies accounting for 28 percent of inventories in durable goods manufacturing judged their September 30 inventories as "high"; 70 percent of stocks were "about right" and 2 percent were "low." The "high" ratio had held at 31 percent in the three earlier quarters. Metal producers and metal users accounted for most of the decline in the "high" proportion from June to September.

For nondurable goods producers, the "high" proportion has been holding close to 15 percent since September 30, 1967. On September 30, 1968, companies with 80 percent of nondurable goods stocks categorized their holdings "about right", while 5 percent were considered "low."

Details of inventories, sales, and inventory condition are shown in the following tables.

Additional discussion of the subject will appear in the December issue 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 \$9.00, including weekly supplements; single copy, \$1.00.

TABLE 1--MANUFACTURERS' INVENTORIES AND SALES: ACTUAL AND ANTICIPATED^{1/}
(Billions of dollars)

	1966				1967				1968				1969
	Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.	Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.	Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec. ^{2/}	Jan.- Mar. ^{2/}
Inventories, end of quarter													
<u>Unadjusted</u>													
All manufacturing.....	70.5	72.8	74.9	77.9	80.7	81.3	81.0	82.6	84.3	85.8	86.4	88.8	91.6
Durables.....	43.7	45.5	47.4	49.5	51.6	52.3	52.3	53.2	54.6	55.8	56.1	57.5	59.7
Nondurables.....	26.8	27.3	27.5	28.4	29.0	29.0	28.8	29.3	29.7	30.0	30.3	31.3	31.9
<u>Seasonally adjusted</u>													
All manufacturing.....	70.0	72.7	75.5	78.1	80.1	81.1	81.7	82.8	83.8	85.6	87.1	89.2	91.1
Durables.....	43.4	45.3	47.7	49.8	51.3	52.0	52.6	53.5	54.3	55.4	56.5	57.9	59.4
Nondurables.....	26.5	27.4	27.8	28.3	28.8	29.1	29.1	29.3	29.5	30.1	30.7	31.3	31.7
Sales, total for quarter													
<u>Unadjusted</u>													
All manufacturing.....	131.1	138.1	132.0	137.3	134.8	139.7	133.6	140.4	144.9	153.8	148.3	155.9	158.0
Durables.....	72.0	77.0	70.6	76.0	73.7	77.3	71.6	77.1	80.5	85.7	78.7	85.4	86.7
Nondurables.....	59.1	61.1	61.4	61.2	61.1	62.4	62.0	63.4	64.4	68.1	69.6	70.5	71.3
<u>Seasonally adjusted</u>													
All manufacturing.....	131.2	134.0	135.3	137.5	135.0	135.6	137.4	140.7	145.2	149.5	152.7	156.0	158.4
Durables.....	71.7	73.5	74.0	76.0	73.6	73.8	75.3	77.0	80.5	82.0	83.0	85.1	86.7
Nondurables.....	59.5	60.6	61.4	61.5	61.4	61.8	62.0	63.7	64.8	67.5	69.7	70.9	71.7

1. All actual data have been adjusted to conform with the recent revision by the Bureau of the Census (Report M3-1.1).

2. Anticipations reported by manufacturers in November 1968. Inventories have been corrected for systematic tendencies in anticipatory data.

Sources: U.S. Department of Commerce. Anticipations, Office of Business Economics; actuals, Bureau of the Census.

TABLE 2.--MANUFACTURERS' EVALUATION OF THE CONDITION OF THEIR INVENTORIES^{1/}

(Percentage distribution)

	Total			Durables			Nondurables		
	High	About right	Low	High	About right	Low	High	About right	Low
March 31, 1962.....	14	84	2	19	80	1	8	89	3
June 30, 1962.....	14	84	2	17	82	1	9	89	2
September 30, 1962.....	15	83	2	18	81	1	11	86	3
December 31, 1962.....	14	84	2	17	82	1	11	86	3
March 31, 1963.....	15	82	3	17	81	2	12	85	3
June 30, 1963.....	15	83	2	18	80	2	10	88	2
September 30, 1963.....	17	81	2	19	80	1	14	83	3
December 31, 1963.....	13	85	2	14	84	2	10	87	3
March 31, 1964.....	16	82	2	17	81	2	14	84	2
June 30, 1964.....	13	84	3	16	81	3	9	88	3
September 30, 1964.....	14	82	4	15	81	4	11	84	5
December 31, 1964.....	13	84	3	15	82	3	9	87	4
March 31, 1965.....	16	81	3	20	77	3	9	87	4
June 30, 1965.....	16	80	4	20	77	3	10	85	5
September 30, 1965.....	16	81	3	22	76	2	8	88	4
December 31, 1965.....	15	82	3	19	78	3	8	88	4
March 31, 1966.....	15	81	4	18	79	3	10	85	5
June 30, 1966.....	18	78	4	21	75	4	13	83	4
September 30, 1966.....	22	75	3	27	70	3	14	83	3
December 31, 1966.....	28	70	2	33	65	2	18	79	3
March 31, 1967.....	31	68	1	37	62	1	20	78	2
June 30, 1967.....	31	67	2	36	63	1	20	76	4
September 30, 1967.....	27	69	4	34	63	3	15	81	4
December 31, 1967.....	25	72	3	31	67	2	15	81	4
March 31, 1968.....	25	72	3	31	66	3	15	82	3
June 30, 1968.....	25	72	3	31	67	2	16	80	4
September 30, 1968.....	23	74	3	28	70	2	15	80	5

1. Condition of actual inventories relative to sales and unfilled orders position as viewed by reporting companies. Percent distribution of inventory book values according to companies' classifications of their inventory condition.

Source: U.S. Department of Commerce, Office of Business Economics.