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Lawrence Bridge: (202) 967-3274

MANUFACTURING AND TRADE
INVENTORIES AND SALES - DECEMBER 1970

Inventories of manufacturing and trade firms increased \$300 million in December and their sales rose 1-1/2 percent, the Commerce Department's Office of Business Economics announced today. The sales increase was the first since July. The inventory increase was smaller than the \$500-million addition in November.

Retailers added \$400 million to their holdings in December, with about three-fifths of the rise reflecting rebuilding of the strike-depleted stocks of automotive dealers. Wholesalers added \$225 million to stocks in December -- a little less than November's \$330 million. Manufacturers, on the other hand, cut their inventories for the first time since last May, decreasing their holdings by \$325 million in comparison with an increase of nearly \$600 million in November.

Since the December stock increase for manufacturing and trade firms was less than the sales gain, the ratio of stocks to sales fell to 1.61 in December, from 1.63 in November. It was still higher than the December 1969 ratio of 1.57.

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

In all of 1970, business firms added \$6.3 billion to their inventories, only about half the 1969 advance of \$12.2 billion. The decrease in the rate of inventory building was fairly evenly divided between manufacturers -- down \$3.6 billion, and retailers -- down \$2.7 billion; wholesalers' stocks rose slightly more in 1970 than in 1969.

Trade stocks

Retailers of durable goods added nearly \$500 million to their inventories in December, reversing the downward trend of the preceding two months. Almost half of the increase was reported by auto dealers. All other major lines of durable goods also showed substantial increases.

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Stock cutting prevailed among nondurable goods dealers, on the other hand, affecting most major kinds of business. December's \$90 million cut followed a \$370 million increase in November.

The December increase in merchant wholesalers' stocks was evenly divided between durable and nondurable goods outlets.

Manufacturers' stocks

Both durable and nondurable goods manufacturers contributed to the December inventory decline; stocks were reduced \$200 million and \$125 million, respectively.

A record drop of \$420 million in work-in-process stocks was responsible for the overall decline. Small increases were reported in stocks of materials and supplies and stocks of finished goods.

Manufacturing stocks at the end of the year equaled 1.80 months of sales, considerably lower than November's 1.85 ratio but still well above the December 1969 ratio of 1.72.

Durable goods manufacturers added to their stocks in 9 months of 1970 -- the exceptions were May, June and December -- but the total accumulation of \$2.2 billion was only about one-third the \$6.1 billion reported for 1969.

In contrast, nondurable goods manufacturers added to their stocks at a more rapid rate last year than in 1969 -- \$1.6 billion compared with \$1.2 billion in 1969.

Sales movements

Combined business sales rose 1-1/2 percent from November to December, buoyed by increases of 2-1/2 percent for manufacturers and 1 percent for retailers. These were due largely to increases in sales of motor vehicles and parts after the end of the strike in this industry. Merchant wholesalers' shipments slipped fractionally as a result of a 1-1/2 percent drop in durable goods sales; sales of nondurables were virtually unchanged.

For the whole year 1970, manufacturing and trade sales rose to a record of \$1,277 billion, up 2-1/2 percent from 1969. This increase was considerably smaller than 1969's 7-percent gain. Wholesalers' receipts in 1970 were up 4 percent and retailers' 3-1/2 percent, while manufacturers' shipments rose only 1-1/2 percent from 1969.

Retail sales

Sales by retailers of durable goods rose 2-1/2 percent from November to December, with an increase of 5-1/2 percent in automotive dealers' sales accounting for the whole amount. Small gains at lumber, building, hardware dealers and at "other durable goods" stores were more than offset by a 4-percent decline in furniture and appliance sales.

In contrast, sales at nondurable goods stores were unchanged from November.

Retail sales of nondurables rose 6-1/2 percent from 1969 to a record \$254.8 billion in 1970. Sales of durables, on the other hand, fell to \$109.6 billion -- 2-1/2 percent below 1969 -- largely as a result of a poor showing in the final quarter of 1970.

Manufacturers' sales and orders

With the resumption of high scale activity in the automotive industry in December, durable goods sales and orders rose over 3 percent from their November rates.

The increase in durable goods sales, the first in 5 months, was due entirely to the rise in automotive producers' shipments; other durable goods' shipments declined slightly on balance. The strike-stunted automotive sales in the fourth quarter were largely instrumental in lowering total durable goods sales in 1970 to \$361.2 billion, 1 percent below 1969's record \$365.0 billion.

Sales of nondurable goods rose 1-1/2 percent from November to December, with increases reported for all major industries except rubber. For the year as a whole, nondurable goods sales totaled a record \$305.0 billion, up 4-1/2 percent from \$291.7 billion in 1969.

Manufacturers' new orders rose 2-1/2 percent in December, rebounding close to the prestrike levels of August and September. Orders for nondurable goods rose 2 percent, reversing a November decline, while orders for durable goods advanced 3-1/2 percent. Virtually all of the increase in durable goods orders was attributable to a large rise in automotive orders after the end of the strike (in this industry, orders are equivalent to sales). However, sizable increases were also reported by primary metals and electrical machinery producers, which partially offset substantial declines in orders for non-electrical machinery, aircraft, and other transportation equipment.

At \$659.4 billion, new orders in 1970 were almost unchanged from the 1969 total, with a 4-1/2 percent increase for nondurable goods balancing a 3-1/2 percent decline for durable goods.

New orders exceeded sales by \$400 million in December. This increase brought unfilled orders on manufacturers' books to \$82.4 billion at the end of the year.

During most of 1970, however, substantial cutbacks in backlogs had been reported, resulting in a cumulative loss of \$6.8 billion for the year. This contrasts with a \$2.5 billion rise in 1969.

Although a drop of \$4.0 billion in unfilled orders for aircraft and parts in 1970 accounted for 60 percent of the overall orders decline, decreases were also noted for all other major durable goods industries except fabricated metals. Orders for nondurable goods rose slightly during 1970.

The ratio of unfilled orders to sales fell fairly steadily throughout the year from 2.59 in December 1969 to a low of 2.34 in September. The ratio moved upward in the last three months, reaching 2.43 at the end of December 1970.

Additional data appear in the statistical pages of the Survey of Current Business, the monthly magazine 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.

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

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

	Unadjusted			Seasonally adjusted			Annual	
	1969	1970		1970			1969	1970 ^P
	Dec.	Nov. ^r	Dec. ^p	Oct.	Nov. ^r	Dec. ^p		
<u>SALES</u>								
TOTAL.....	110.66	104.92	112.50	106.22	104.92	106.33	1245.06	1277.19
Manufacturing.....	54.00	54.00	53.70	54.94	54.07	55.37	656.72	666.19
Durable.....	30.15	28.67	29.14	29.37	28.82	29.70	364.98	361.18
Nondurable.....	23.85	25.33	24.56	25.57	25.25	25.67	291.73	305.01
Retail.....	35.96	30.22	37.50	30.53	30.21	30.44	351.63	364.45
Durable.....	9.80	8.23	9.23	8.93	8.38	8.61	112.78	109.62
Nondurable.....	26.16	21.98	28.27	21.61	21.83	21.83	238.85	254.83
Merchant wholesalers..	20.70	20.70	21.31	20.75	20.64	20.52	236.71	246.55
Durable.....	9.04	9.12	9.06	9.41	9.27	9.13	109.58	111.75
Nondurable.....	11.66	11.58	12.24	11.34	11.37	11.40	127.13	134.80
<u>INVENTORIES</u>								
TOTAL.....	163.38	172.10	169.40	170.35	170.87	171.18		
Manufacturing.....	95.48	99.25	99.21	99.47	100.03	99.70		
Durable.....	63.11	65.36	65.24	65.63	65.92	65.71		
Nondurable.....	32.37	33.90	33.96	33.84	34.11	33.98		
Retail.....	43.54	46.22	43.54	44.88	44.51	44.92		
Durable.....	19.53	18.12	18.35	19.29	18.54	19.04		
Nondurable.....	24.01	28.09	25.19	25.59	25.96	25.88		
Merchant wholesalers..	24.36	26.63	26.65	26.00	26.33	26.56		
Durable.....	14.38	15.32	15.35	15.37	15.45	15.56		
Nondurable.....	9.99	11.30	11.30	10.63	10.88	11.00		

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

<u>KIND OF BUSINESS</u>							
TOTAL.....	43.54	46.22	43.54	44.88	44.51	44.92	
Durable.....	19.53	18.12	18.35	19.29	18.54	19.04	
Automotive.....	9.42	7.70	8.20	9.11	8.32	8.56	
Furniture-appliance.	3.12	3.13	2.94	3.02	2.98	3.02	
Lumber-hardware.....	2.55	2.54	2.59	2.56	2.55	2.67	
Nondurable.....	24.01	28.09	25.19	25.59	25.96	25.88	
Apparel.....	4.43	5.15	4.47	4.58	4.72	4.66	
Food.....	4.69	5.06	4.89	4.75	4.88	4.87	
General merchandise.	9.19	11.84	9.86	10.39	10.54	10.51	
Department stores.	5.35	6.92	5.65	5.99	6.06	6.01	

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