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MANUFACTURERS' INVENTORY AND SALES EXPECTATIONS
FOURTH QUARTER 1971 AND FIRST QUARTER 1972

Manufacturers expect little change in fourth quarter sales but project a 3 percent rise in the first quarter of next year, according to the survey conducted in November by the Office of Business Economics of the U.S. Department of Commerce. Actual sales fell 1/2 percent in the third quarter.

Manufacturers also expect inventories to rise -- \$1.3 billion in the fourth quarter and an additional \$0.6 billion in the first quarter of 1972. The fourth quarter projection, if realized, would be the first sizable 1971 addition -- inventories rose about \$30 million per quarter in the first half and fell \$270 million in the third quarter.

Manufacturers have been reporting little change in the assessment of their inventory condition through the first three quarters of 1971. As of September 30, producers holding about one-fifth of total manufacturers' inventories continued to evaluate their stocks as "high"; about four-fifths of the inventories were considered "about right"; the "low" ratio was only 1 percent.

In each of the first three quarters of 1971 inventories have been about \$2 billion in excess of needs (after netting excesses and deficiencies) -- equivalent to 2 percent of total manufacturers' inventories. In 1970, the excess ranged from \$2-1/3 to \$2-1/2 billion, or 2.3-2.5 percent of inventories.

All sales and inventory data in the text are adjusted for seasonal variation but not for price changes.

Sales expectations

Durable goods producers now expect a 0.3 percent sales dip this quarter and a 4 percent rise in the first 3 months of 1972. Both steel and automotive producers project strong first quarter sales.

Nondurable goods producers expect sales to rise less than 1 percent this quarter and 2-1/2 percent the next.

Both durable and nondurable goods producers' sales fell fractionally in the third quarter -- 0.7 percent and 0.3 percent, respectively.

Inventory additions

Durable goods producers reduced inventories \$600 million in the first three quarters of 1971. They are planning a \$600 million addition in the fourth quarter of 1971 and a further \$400 million addition in the first quarter of 1972. Steel and automotive producers plan major increases in their holdings in the first quarter.

Nondurable goods producers added \$400 million to inventories in the first half of 1971 and maintained their holdings at midyear levels during the third quarter. They plan additions of \$700 million this quarter and \$200 million the next.

The stock-sales ratios of both durable and nondurable goods producers fell sharply in the first half of 1971, rose slightly in the third quarter, and are expected to rise further at yearend. A substantial decline in the ratios is projected for the first quarter of 1972. Durable goods producers' stocks are projected at 2.00 months of sales as of March 31, 1972, compared with 2.11 on the same 1971 date, and 2.06 expected on December 31, 1971. Nondurable goods producers' stocks are projected at 1.35 months of sales on March 31, 1972, compared with 1.36 at the end of the first quarter of 1971. By yearend 1971, stocks are expected to equal 1.37 months of sales.

Inventory condition, September 30

On September 30, durable goods producers holding 23 percent of durable goods stocks judged their inventories "high" -- down 1 percentage point from June 30 but unchanged from March 30, 1971. The "about right" ratio was 76 percent.

Nondurable goods stocks in the "high" category amounted to 14 percent on September 30. That was 1 percentage point lower than on June 30 but unchanged from March 31. The "about right" ratio was 84 percent.

Inventory imbalance, September 30

Net excess inventories held by durable goods producers amounted to \$1.63 billion on September 30, 1971, or about 2 percent of stocks, little changed from midyear. Inventory excess had peaked in mid-1970 at \$1.90 billion, or 3 percent of durable inventories.

Net excess inventories of nondurable goods were \$400 million on September 30, unchanged from June 30. The nondurable goods inventory excess peaked at \$600 million on March 31, 1970.

Additional details 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, including weekly supplements; single copy, \$1.

(For details, see attached statistical tables.)

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Table 1.--Manufacturers' Inventories and Sales: Actual and Expected^{1/}
(Billions of dollars)

	1968				1969				1970				1971				1972
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV ^{2/}	I ^{2/}
Inventories, end of quarter																	
<u>Unadjusted</u>																	
All manufacturing.....	86.2	87.8	88.5	90.5	92.8	94.1	94.7	96.4	98.4	99.0	98.7	100.1	101.0	100.7	99.4	101.3	102.7
Durables.....	56.0	57.3	57.7	58.7	60.5	61.5	61.9	62.8	64.2	64.4	64.5	64.8	65.4	65.0	64.1	64.9	66.0
Nondurables.....	30.2	30.5	30.8	31.8	32.4	32.5	32.8	33.6	34.1	34.5	34.2	35.4	35.5	35.7	35.3	36.4	36.7
<u>Seasonally adjusted</u>																	
All manufacturing.....	85.7	87.6	89.3	90.7	92.3	93.9	95.5	96.7	97.9	98.7	99.6	100.5	100.5	100.5	100.3	101.6	102.2
Durables.....	55.7	57.0	58.1	59.0	60.2	61.3	62.3	63.2	63.9	64.2	65.0	65.2	65.1	64.8	64.6	65.2	65.6
Nondurables.....	30.0	30.6	31.2	31.8	32.2	32.6	33.2	33.5	34.0	34.5	34.6	35.3	35.4	35.7	35.7	36.4	36.6
Sales, total for quarter																	
<u>Unadjusted</u>																	
All manufacturing.....	144.6	153.5	148.2	157.2	156.4	163.4	158.8	165.0	161.8	168.1	162.1	161.1	168.7	179.2	170.1	175.5	178.0
Durables.....	80.6	86.1	79.1	86.5	87.0	90.9	85.6	91.0	87.8	92.5	86.3	85.6	92.2	99.5	90.8	95.6	97.9
Nondurables.....	64.0	67.3	69.0	70.7	69.4	72.5	73.2	74.0	74.0	75.6	75.8	75.5	76.6	79.7	79.3	79.9	80.1
<u>Seasonally adjusted</u>																	
All manufacturing.....	145.3	149.5	151.8	156.0	157.6	159.4	163.0	163.7	163.4	164.1	166.1	160.3	170.5	175.0	174.1	174.4	180.0
Durables.....	80.6	82.7	83.0	85.4	87.2	87.5	90.1	90.0	88.2	89.1	90.6	85.0	92.6	95.8	95.1	94.9	98.5
Nondurables.....	64.7	66.8	68.8	70.6	70.4	72.0	72.9	73.7	75.2	75.0	75.5	75.2	77.9	79.2	79.0	79.5	81.5

1. All actual data have been adjusted to conform with the recent revision by the Bureau of the Census (Report M3-1.3).

2. Expectations reported by manufacturers in November 1971. Inventory expectations have been corrected for systematic biases.

Sources: U.S. Department of Commerce. Expectations, 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
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....	24	73	3	28	70	2	16	79	5
December 31, 1968.....	18	80	2	19	79	2	16	82	2
March 31, 1969.....	20	78	2	21	77	2	17	82	1
June 30, 1969.....	21	77	2	22	76	2	18	80	2
September 30, 1969....	23	76	1	26	73	1	17	82	1
December 31, 1969.....	23	76	1	25	73	2	18	81	1
March 31, 1970.....	24	75	1	27	72	1	19	80	1
June 30, 1970.....	24	75	1	28	71	1	17	81	2
September 30, 1970....	22	77	1	25	74	1	16	82	2
December 31, 1970.....	21	78	1	23	76	1	16	83	1
March 31, 1971.....	20	79	1	23	75	2	14	85	1
June 30, 1971.....	21r	78r	1	24r	75r	1	15r	83r	2
September 30, 1971....	20	79	1	23	76	1	14	84	2

r. Revised.

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.

NOTE: Due to change in survey questionnaire, data starting December 31, 1968 are not strictly comparable to prior data.

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

Table 3.--Inventory Imbalance

	<u>Inventory excess</u>	<u>Inventory deficiency</u>	<u>Net excess</u>	
			<u>Amount</u>	<u>Percent of total inven- tories</u>
(Billions of dollars)				
All manufacturers:				
December 31, 1968.....	1.73	0.25	1.48	1.7
March 31, 1969.....	1.87	.16	1.71	1.9
June 30, 1969.....	1.96	.24	1.72	1.9
September 30, 1969.....	2.36	.15	2.21	2.4
December 31, 1969.....	2.50	.16	2.34	2.5
March 31, 1970.....	2.58	.10	2.48	2.5
June 30, 1970.....	2.62	.15	2.47	2.5
September 30, 1970.....	2.48	.11	2.37	2.4
December 31, 1970.....	2.44	.13	2.31	2.3
March 31, 1971.....	2.31	.14	2.17	2.2
June 30, 1971.....	2.37r	.37r	2.00r	2.0
September 30, 1971.....	2.36	.33	2.03	2.0
Durable goods:				
December 31, 1968.....	1.19	.20	.99	1.7
March 31, 1969.....	1.31	.12	1.19	2.0
June 30, 1969.....	1.35	.18	1.17	1.9
September 30, 1969.....	1.75	.11	1.64	2.7
December 31, 1969.....	1.91	.13	1.78	2.8
March 31, 1970.....	1.97	.09	1.88	2.9
June 30, 1970.....	2.00	.10	1.90	2.9
September 30, 1970.....	1.94	.07	1.87	2.9
December 31, 1970.....	1.88	.07	1.81	2.8
March 31, 1971.....	1.81	.07	1.74	2.7
June 30, 1971.....	1.81r	.21r	1.60r	2.5r
September 30, 1971.....	1.85	.22	1.63	2.6
Nondurable goods:				
December 31, 1968.....	.54	.05	.49	1.6
March 31, 1969.....	.56	.04	.52	1.6
June 30, 1969.....	.61	.06	.55	1.7
September 30, 1969.....	.61	.04	.57	1.8
December 31, 1969.....	.59	.03	.56	1.7
March 31, 1970.....	.61	.01	.60	1.8
June 30, 1970.....	.62	.05	.57	1.7
September 30, 1970.....	.54	.04	.50	1.5
December 31, 1970.....	.56	.06	.50	1.5
March 31, 1971.....	.50	.07	.43	1.2
June 30, 1971.....	.56r	.16r	.40r	1.1r
September 30, 1971.....	.51	.11	.40	1.1

r. Revised.

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