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Central File

THE PRESIDENT HAS SEEN *J.C.*

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

August 29, 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Manufacturers Shipments, Orders, and Inventories in July

New orders received by durable goods manufacturers rose 2.1 percent in July and those for nondurables by 3.6 percent. These sharp upswings do not represent real increases since the wholesale price indexes for durable and nondurable manufactured goods rose in July by 2.3 percent and 4.0 percent, respectively. New orders for nondefense capital goods were up 6.3 percent over June, the largest increase this year.

July shipments were up 3.9 percent for durables and 3.7 percent for nondurables. The durables rise reflected increases of 6.2 percent in primary metals and 15.6 percent in transportation equipment, the latter due to greater auto and parts shipments. These were offset somewhat by July declines in machinery and in a combination of instrument makers and cement, clay, and glass manufacturing.

Unfilled orders increased 2.7 percent for all durable manufacturing and 4.3 percent for nondefense capital goods. The latter increase raises the ratio of unfilled capital goods orders to capital goods shipments, indicating continued strength in this area that is consistent with our near-term outlook.

The book value of manufacturers' inventories increased a substantial \$2.9 billion, following May and June increases that were each about \$2.5 billion. In combination with a sluggish economy and recent Commerce GNP revisions indicating some overstocking of inventories already, these large increases could presage a sharp weakening in this area. However, it is difficult to separate out of this monthly data the effects of sharp price increases on book values from changes in the real level of stocks.

These figures are for release August 30, at 2:00 p.m.

Herbert Stein

Herbert Stein

JMR7

