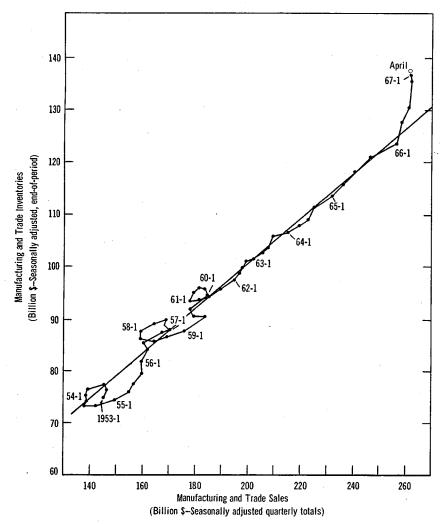
Just how large is the inventory overhang? There are a number of possible approaches by which it can be estimated. I have used a linear relation between the end-of-quarter business inventories (book value for manufacturing and trade firms) and sales during the quarter. Chart 5 indicates this type of relation.

(Chart 5 follows:)

Manufacturing and Trade Inventories Related to Sales



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