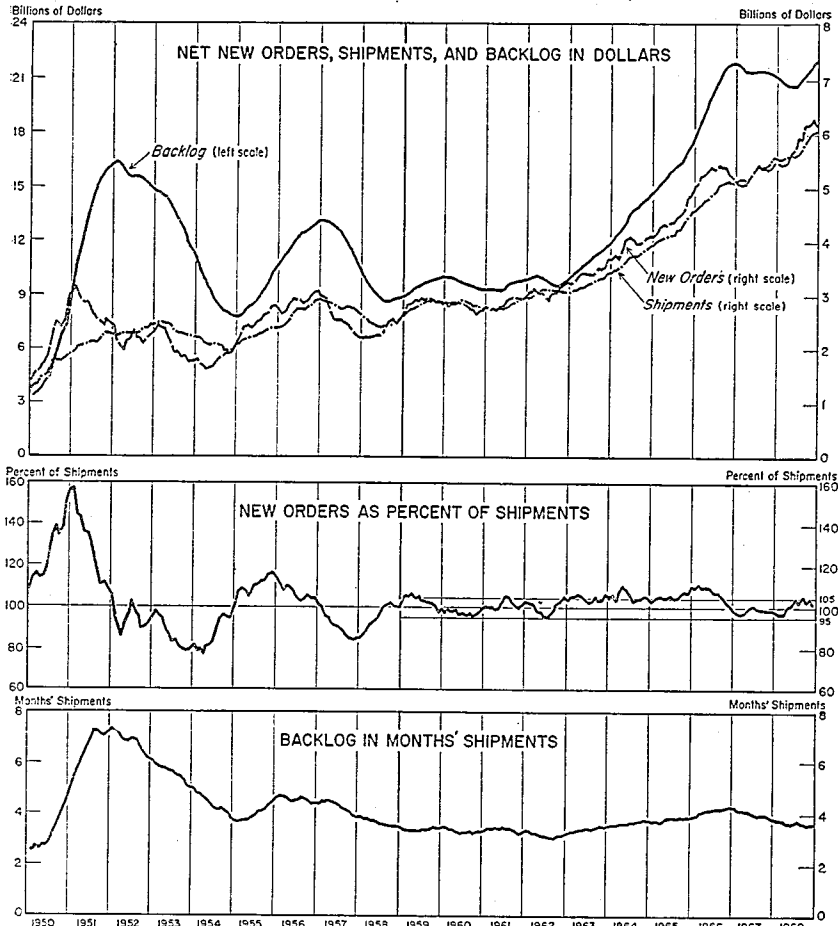


CHART 1

Net New Orders, Shipments, and Backlog, Orders as Percent of Shipments, and Backlog in Months' Shipments, for "Machinery and Equipment" Manufacturers^{*}
(Three-months moving averages of seasonally adjusted monthly data)



^{*} The "machinery and equipment" series has been carried back by the Census only to 1953. To complete the cycle then in progress, we have extrapolated it back to 1950 by the movement of the "nonelectrical machinery" series.

It is interesting to note that the orders surge that got underway in the second quarter of 1968 elicited an excellent production response. Despite its rapidity (a 20-percent annual growth rate to the end of the year), shipments stayed generally within 5 percent of bookings, and the relative backlog finished the year no higher than when the move started. Obviously, the capacity of the equipment builders has risen substantially since the 1965-66 episode. The present backlog is lower in relation to shipments than in late 1964, and on the basis of past experience is not far above a practical minimum for a sustained orders flow. The equipment industries are "breathing easily" with the highest bookings in history.³

³ The highest even after adjustment for price changes. See *Review* No. 76, chart 2.