

## Wholesale inventories drop by most in 17 years

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# Wholesale inventories drop by most in 17 years

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## **Inventories dropped in February, but sales rose for the first time since the summer.**

WASHINGTON (AP) — Wholesalers cut their inventories in February by the steepest amount in more than 17 years, but sales rose for the first time since the summer, encouraging signs that companies may be getting their inventories under control.

The Commerce Department said Wednesday that wholesale inventories dropped 1.5 percent in February, the most on records dating to January 1992 and more than double analysts' expectations.

But sales at the wholesale level rose 0.6 percent, the first increase since June and a sharp reversal from January's revised 2.4 percent drop. That shows retailers and other businesses have begun to replenish their supplies.

The sixth straight monthly drop in wholesale inventories also can be viewed as positive in the long-term because once stockpiles have been adjusted for the economic slowdown, businesses may be able to increase orders for new goods. But in the short run, the reductions will lead to fewer orders and less production.

The department said the inventories-to-sales ratio dropped for the first time since the middle of last year, to 1.31 from 1.34 in January. The ratio measures how many months it would take to clear inventories at the current sales pace. Still, it remains far above the 1.14 figure in February 2008.

Wholesale inventories are goods held by distributors who generally buy from manufacturers and sell to retailers. They make up about 25 percent of all business stockpiles. Factories hold another third of inventories and retailers hold the rest.

A record decline in stockpiles of durable goods, which fell 2.4 percent in February, and a record 7.9 percent drop in auto and auto supplies led the overall slide in wholesale inventories.

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