Wholesale Inventories Rose 0.4 Percent In January

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WASHINGTON (AP) — Wholesale businesses increased their stockpiles in January although sales fell for the first time in eight months.

Inventories at the wholesale level increased 0.4 percent in January following an even larger 1.1 percent gain in December, the Commerce Department said Friday. Sales dipped a slight 0.1 percent, the first drop since a 0.3 percent fall last May. Sales had risen a solid 1.4 percent in December.

The inventory gain pushed stockpiles to $475.5 billion in January, up 24 percent from a low hit in September 2009.

Business rebuilding of inventories has been a major driver in economic growth so far in the recovery. But economists believe inventory rebuilding will slow in the January-March quarter, a development expected to temporarily dampen growth.

Because of that anticipated slowdown, these economists expect the economy will see slower growth of around 2 percent in the first quarter. For the entire year, economists at JPMorgan are forecasting growth of 2.3 percent, which would be a modest improvement from the 1.7 percent growth turned in during 2011.

There have been various signs recently of stronger growth in recent months including a surge in factory output and even housing showing some signs of life.

The Federal Reserve reported Thursday that Americans' wealth rose 2.1 percent in the October-December quarter to $58.5 trillion. That was the sharpest quarterly gain in a year.

Encouraging economic news has helped lift consumers' spirits. A gauge of consumer confidence surged in February to the highest point in a year, far above where it stood in October before the jobs and economic news improved. The hope is that a more confident consumer will keep spending and provide support for stronger economic growth. Consumer spending accounts for 70 percent of economic activity.

Stockpiles at the wholesale level account for about 27 percent of total business inventories. Stockpiles held by retailers make up about one-third of the total and manufacturing inventories represent about 41 percent of the total.

For January, the gains in inventories included a 0.5 percent rise in auto stockpiles and a 1.1 percent increase in inventories of computer equipment.

The changes left the ratio of inventories to sales at 1.15 in January, the same as in

December. That means it would take 1.15 months to exhaust inventories at the wholesale level at the January sales pace, still a very lean level for inventories.

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