

U.S. Business Stockpiles Grew In March

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WASHINGTON (AP) — U.S. companies restocked more slowly in March, continuing a trend that has weighed on growth this year.

The Commerce Department said Tuesday that business inventories rose 0.3 percent in March, the smallest increase since November. Business sales rose 0.6 percent in March.

The pace of restocking has diminished this year from the end of last year, contributing less to economic growth in the January-March quarter.

Businesses order more goods when they increase their stockpiles. That supports higher factory production and faster economic growth.

Stockpiles have remained lean relative to sales. The inventory-to-sales ratio dipped to 1.27 in March, meaning it would take roughly five weeks to exhaust the stockpiles at the March sales pace.

Inventories are expected to keep growing this year. But the gains are not expected to be anywhere near the level seen at the end of last year.

That's because businesses had cut back on restocking last summer when some feared the economy was on the verge of another recession. When it became clear that it wasn't, many companies raced to rebuild their stockpiles and keep pace with consumer demand.

Sales were up strongly in February and March, but that reflected in part a mild winter that may have accelerated some sales at the expense of later months. A separate report Tuesday showed that retail sales barely increased in April.

Economists believe the pace of inventory rebuilding is consistent with moderate economic growth. Still, consumers must keep spending for businesses to continue restocking at a healthy pace.

In the first three months of this year, the economy grew at an annual rate of 2.2 percent. That's down from the 3 percent growth in the October-December quarter but better than the 1.7 percent growth for all of 2011. And it was driven by the fastest growth in consumer spending since late 2010.

Consumers spent more partly in response to strong hiring. But hiring slowed sharply in the past two months. Employers added an average of 135,000 jobs per month in March and April. That's down from an average 252,000 per month from December through February.

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Sluggish job growth and weak pay raises threaten to drag on consumer spending. That would drag on growth. Consumer spending accounts for 70 percent of economic activity.

Stockpiles at the manufacturing level account for about 40 percent of the total while wholesale inventories represent 27 percent and inventories at the retail level account for about one-third of the total.

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