U.S. Wholesale Stockpiles Grew In March

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WASHINGTON (AP) — U.S. wholesalers increased their stockpiles more slowly in March after seeing less growth in sales.

The Commerce Department said Wednesday that wholesale stockpiles increased 0.3 percent in March, just one-third of the February increase. Sales in March were up 0.5 percent, about half sales gain in February.

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

Larger stockpiles require businesses to order more goods. That typically leads to more factory production and economic growth.

Still, it would take 1.17 months to exhaust all wholesale stockpiles at the March sales pace. That's considered a healthy inventory to sales ratio and suggests businesses will keep restocking to meet demand.

Inventory growth is expected to stay positive this year. But the gains are not expected to be anywhere near the level seen at the end of last year.

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.

The increase in wholesale inventories in March included a 0.4 percent rise in auto inventories, a 2.1 percent increase in inventories of lumber and a 0.9 percent rise in inventories of computers.

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. It was driven by the fastest growth in consumer spending since late 2010.

Consumers spent more partly in response to strong hiring. The economy added 252,000 jobs per month on average from December through February.

But hiring slowed sharply in the past two months. Employers added just 115,000 jobs last month and only 154,000 in March.

And wages haven't kept pace with inflation. Over the past year, average hourly pay has ticked up 1.8 percent to $23.28. Inflation has been roughly 2.7 percent. Which means the average consumer isn't keeping up with price increases

Sluggish job growth and weak pay raises threaten to drag on consumer spending. That would weaken 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. Manufacturing inventories represent about 40 percent of the total.

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