U.S. Wholesale Stockpiles Grew In May, Sales Fell

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WASHINGTON (AP) — U.S. wholesale companies added modestly to their stockpiles in May. But sales at the wholesale level dropped by the largest amount in three years, a troubling sign for future growth.

The Commerce Department said Wednesday that wholesale stockpiles rose 0.3 percent in May. That followed a 0.5 percent increase in April, which was revised lower from an initially reported 1.1 percent gain.

But sales at the wholesale level fell 0.8 percent in May, the biggest decline since March 2009.

Greater restocking means companies ordered more goods, which increases factory production. But the broader economic benefits from faster restocking were likely offset by the decline in sales, which could prompt wholesalers to restock more slowly in the coming months.

Stockpiles at the wholesale level stood at $484.1 billion in May. That is 25.8 percent above the post-recession low of $384.9 billion in September 2009.

The May increase reflected gains in stockpiles of autos, computer equipment, drug products and clothing.

It would take about five weeks to exhaust stockpiles at the May sales pace. That's considered a healthy timeframe.

Steven Wood, chief economist at Insight Economics, said stockpiles remain lean and should add modestly to growth in the April-June quarter.

The economy grew at a tepid 1.9 percent annual pace in the January-March quarter, down from 3 percent annual growth at the end of last year. A key reason for the winter slowdown was that companies restocked more slowly. Nearly two-thirds of the economic growth at the end of last year came from a surge in restocking.

Most economists don't expect much pickup in growth in the April-June quarter, while some predict growth slowed.

High unemployment and meager pay raises have made consumers more cautious about spending. Consumer spending, which drives roughly 70 percent of economic activity, was flat in May.

Wholesale stockpiles 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 40 percent.

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