

# U.S. Wholesale Stockpiles Up In March

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WASHINGTON (AP) — Wholesale businesses stepped up their restocking of supplies in March, but their sales fell sharply.

The Commerce Department said Thursday that stockpiles held by wholesalers rose 0.4 percent in March compared with February, when they had fallen 0.3 percent.

Sales in March dropped 1.6 percent, the biggest setback since March 2009, when the country was in recession. Sales had risen 1.5 percent in February.

Inventory rebuilding can be a positive for economic growth because it means stronger production at the nation's factories. The March increase left inventories at \$503.1 billion, up 4.7 percent from a year ago and 30.7 percent above the recession low.

But increased restocking at a time of falling sales can signal trouble for the economy. The falling demand could lead businesses to reverse course and cut their stockpiles. Those cutbacks would dampen factory production and economic growth.

The buildup of inventories in March was due largely to a 0.5 percent increase in restocking of durable goods. These are items that are expected to last at least three years.

Resupplying of nondurable goods — products like chemicals and paper — rose a smaller 0.1 percent.

Supplies of petroleum products fell 3.4 percent in March and supplies of paper 0.8 percent.

The government estimated last month that the economy grew at an annual rate of 2.5 percent in the January-March quarter. That was up from a growth rate of 0.4 percent in the previous quarter.

Growth accelerated in the first quarter largely because consumer spending rose at the fastest pace in more than two years. That also provided more incentive for businesses to restock their shelves after many cut back on inventory building at the end of last year.

The government will issue a second estimate for first-quarter growth on May 30 with more complete data.

Even with the gains, many economists expect growth has slowed slightly in the current April-June quarter to around 2 percent and is likely to stay around that reduced level for the rest of this year.

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One reason is that higher Social Security taxes may be starting to catch up with consumers. While spending surged from January through March, it began to show signs of slowing toward the end of the quarter. Spending at retail business fell in March by the largest amount in nine months.

The tax increase kicked in on Jan. 1 and has cut take-home pay for most Americans. A person earning \$50,000 a year has \$1,000 less to spend. A household with two high-paid workers will have up to \$4,500 less.

Also weighing on growth this year are deep automatic federal spending cuts. Federal agencies have been forced to furlough workers and make other cutbacks to stay within their reduced budgets for this year.

Steady job growth could offset some of the fiscal drag. The economy has added an average of 208,000 jobs a month from November through April. That's up from only 138,000 a month in the previous six months.

The job gains could provide consumers with more money to offset the impact of the tax increase. Total wages rose 3.6 percent in April compared with a year earlier. That's comfortably ahead of the 1.5 percent inflation rate.

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