

U.S. Wholesale Stockpiles Fell In June

Martin Crutsinger, AP Economics Writer

WASHINGTON (AP) — U.S. wholesalers cut their stockpiles in June for a third straight month even as their sales rose again. Businesses may need to speed up restocking if demand continues to increase, a trend that could boost economic growth in the second half of the year.

The Commerce Department said Friday that wholesale stockpiles fell 0.2 percent in June from May. That follows a 0.6 percent drop in May — the biggest in 20 months — a modest 0.1 percent decline in April.

Wholesalers haven't shrunk their stockpiles for three months or longer since September 2009, which was three months after the Great Recession ended. The decline shows that many remain cautious and are keeping inventories lean, despite three straight months of solid sales growth.

In June, sales at the wholesale level rose 0.4 percent. That followed a 1.5 percent increase in May and a 0.8 percent gain in April.

Stronger sales could lead to more restocking in the July-September quarter and drive more economic growth. Faster growth in stockpiles means companies are ordering more goods from U.S. factories.

The government reported last month that the economy grew at a lackluster 1.7 percent annual rate from April through June.

Economists expect the growth rate will be revised much higher after a report this week showed U.S. companies exported a record number of goods in June.

Jim O'Sullivan, chief U.S. economist at High Frequency Economics, said he now expects overall economic growth will be revised up to a rate of around 2.3 percent.

Joel Naroff, chief economist at Naroff Economic Advisors, said that some of the reduction in wholesale stockpiles might have been involuntary, as businesses underestimated sales demand and had to draw down stockpiles more than they had expected.

He said that with auto sales remaining strong, inventory gains should rise in the coming months and help support economic growth in the second half of the year.

In June, stockpiles at the wholesale level were \$499.7 billion. That's up only 2.9 percent from a year ago but 29.3 percent higher than the recession low in 2009.

Auto stockpiles fell 1.5 percent in June from May, while inventories of metals such as steel declined 0.4 percent.

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The sales gain was led by a 1.5 percent increase in furniture and a 0.5 percent rise in auto sales.

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