Businesses Boosted Stockpiles 0.3% In August

The Associated Press

WASHINGTON (AP) — U.S. businesses increased their stockpiles in August, a sign that they expected stronger demand for their products.

Stockpiles rose 0.3 percent in August compared with July, when they had risen 0.4 percent, the Commerce Department said Tuesday.

Sales also rose, climbing 0.3 percent in August after a 0.6 percent increase in July. More restocking helps boost economic growth because it means companies are ordering more factory-

made goods.

The August increase raised overall inventories to $1.67 trillion, up 3.1 percent over the past year.

Businesses had slowed stockpiling earlier this year, reflecting higher taxes and federal spending cuts that dampened their customers' spending.

Economic growth in the July-September quarter is expected to be weak. Activity in the current quarter is also likely to be held back by the partial government shutdown.

Businesses had slowed stockpiling earlier this year, reflecting consumers' concerns about

higher taxes and across-the-board federal spending cuts. Economic growth in the July-September quarter is expected to be weak and there are worries that activity in the current quarter will be held back by the government shutdown.

In August, inventories held by manufacturers rose 0.2 percent. Stockpiles at the wholesale level increased 0.5 percent, and retailers boosted their inventories 0.3 percent.

The report on business inventories and sales was delayed by the 16-day partial government shutdown. It had originally been scheduled for release on Oct. 11.

Economic growth in the July-September quarter was likely weak. Many economists expect

growth at an annual rate of 1.5 percent, down from a 2.5 percent rate in the April-June quarter.

In the second quarter, restocking by businesses added 0.4 percentage point to annual growth.

The outlook for the economy in the current October-December quarter has dimmed. Hiring has slowed, and the government shutdown is expected to weigh on growth.

Employers added just 148,000 jobs in September, down from August and an indication that hiring was slowing before the shutdown.

The shutdown is expected to cut about $25 billion from the economy and likely will hold growth to an annual rate below 2 percent in the fourth quarter. Before the shutdown, many economists

had expected growth to improve in the final three months of the year to an annual pace of 2.5 percent or higher.

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