

Economics Group

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Businesses Keep Close Eyes on Inventories in August

Business inventories rose 0.2 percent in August as a cutback at wholesalers was more than offset by increases at manufacturers and retailers. We still look for inventories to provide little help to topline GDP in Q3.

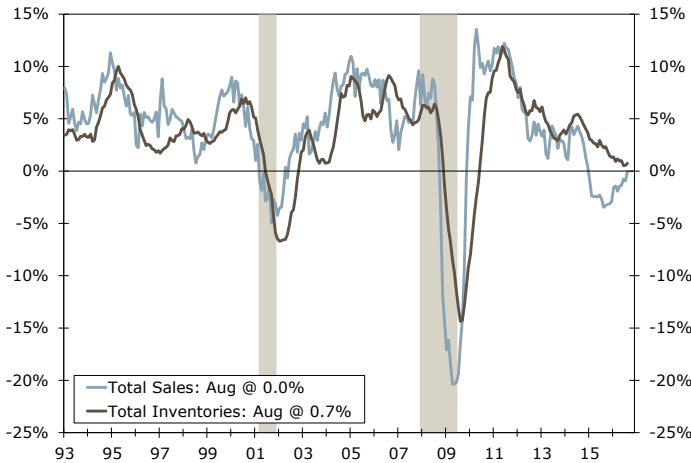
Modest August Gain Keeps Q3 Inventory Growth Tepid

- After coming in unchanged in July, business inventories edged up 0.2 percent in August. That keeps the pace through the first two months of the third quarter below that of Q2, and suggests businesses continue to closely watch inventory levels.
- Retailers posted the largest increase in inventories (up 0.6 percent), but the September retail sales report already shows sales rebounded, which should keep inventories in check.

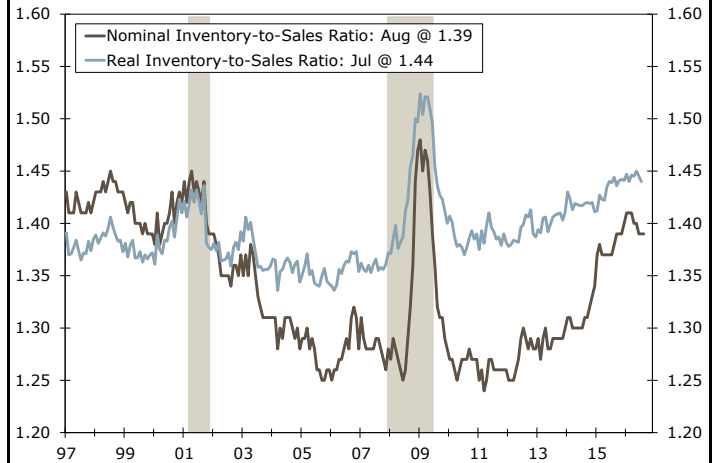
Inventory-to-Sales Stable

- Total sales also rose 0.2 percent in August, keeping the overall inventory-sales ratio unchanged at 1.39.
- We currently estimate that, after falling in Q2, real inventories will be roughly unchanged in the third quarter which will provide a modest lift to topline GDP. With inventories still elevated relative to sales, however, we do not expect much of a contribution in the quarters ahead.

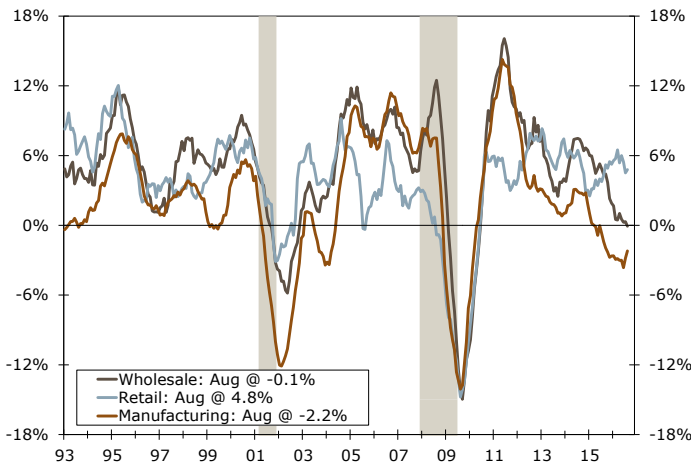
Total Inventories vs. Sales
Year-over-Year Percent Change



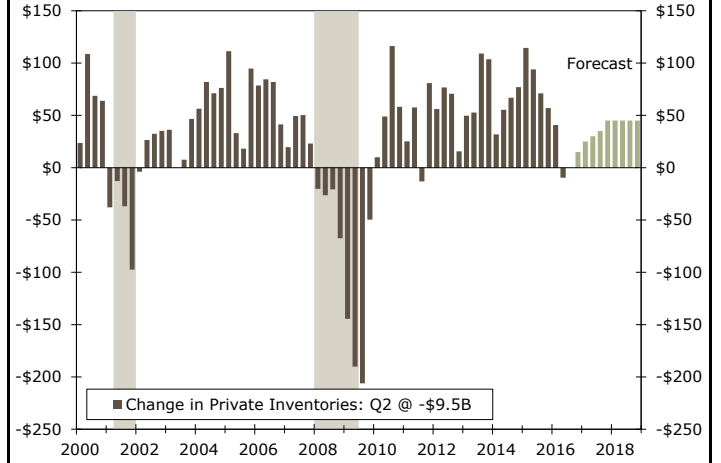
Real and Nominal I/S Ratios
For All Manufacturing, Wholesale and Retail Businesses



Three Tales of Inventories
Year-over-Year Percent Change



Change in Real Inventories
Billions of Dollars, Annual Rate



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