



Economics Group

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Steady Gains in Business Inventories in February

The moderate pace of inventory building continued in February, with businesses boosting stocks 0.3 percent. Sales are proceeding at a similar clip, keeping the inventory-to-sales ratio steady.

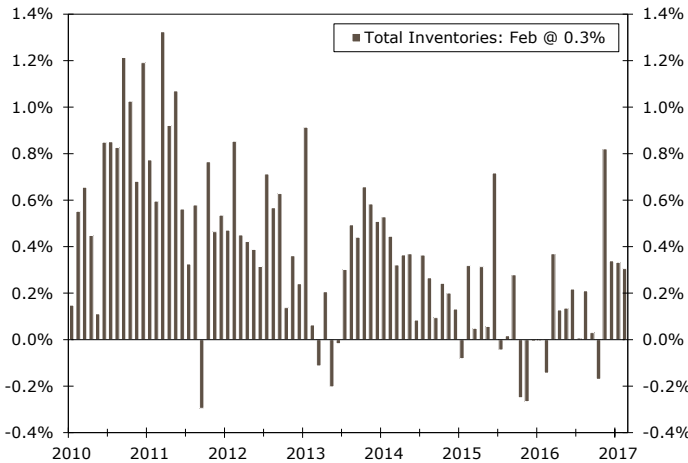
Steady as She Goes

- Business inventories rose 0.3 percent for a third straight month in February, with manufacturers, retailers and wholesalers all adding to stocks.
- The inventory build looks warranted given the steady pace of sales at manufacturers and wholesalers. Retailers saw sales slip in February, but core sales looked to have rebounded in March according to a separate report released this morning.

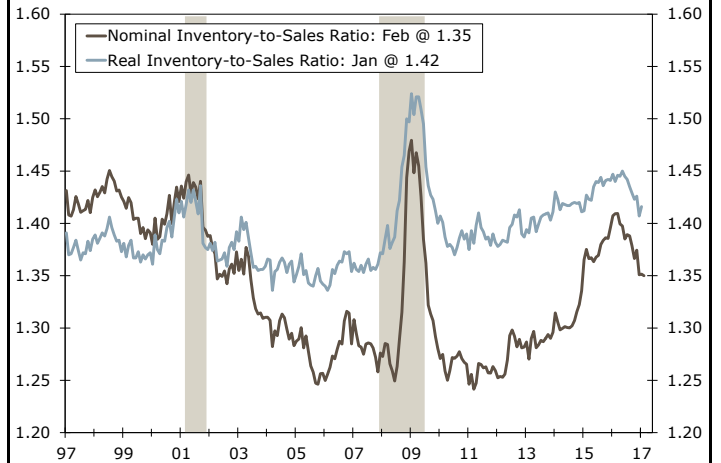
Inventories Better Aligned with Sales

- The inventory-to-sales ratio was unchanged in February at 1.35, but has improved markedly over the past year, even when adjusting for inflation effects.
- Although inventories have been rising in line with their recent trend, rising inflation in the business sector suggests that real inventory growth is likely to have slowed in the first quarter and will likely be a drag on Q1 GDP.

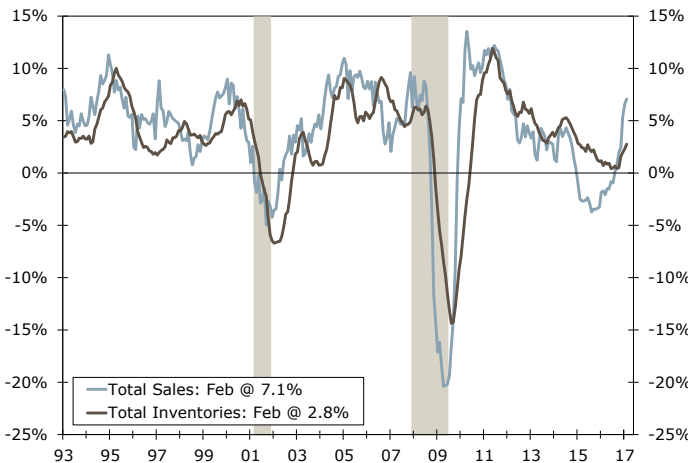
Total Business Inventories
 Month-over-Month Percent Change



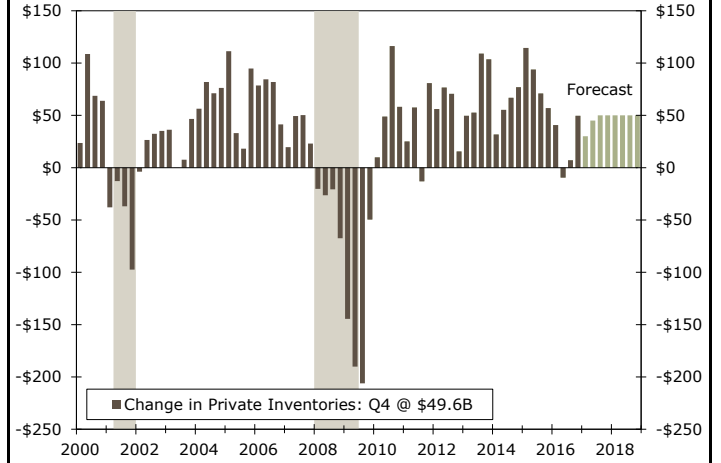
Real and Nominal I/S Ratios
 For All Manufacturing, Wholesale and Retail Businesses



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



Change in Real Inventories
 Billions of Dollars, Annual Rate



Source: U.S. Department of Commerce and Wells Fargo Securities

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