

Business Inventories up 0.3 Percent in May

Business inventories were up 0.3 percent in May, slightly less than the 0.5 percent expected. Gains in wholesale and factory inventories were offset by a draw-down in inventories at the retail level. Smaller retail inventories were not completely unexpected given May's strong retail sales number.

Business Inventories Outpaced by Sales

- Business inventories grew slightly less than expected in May—up 0.3 percent for the month.
- For the third month in a row, sales increased faster than inventories. Businesses are being realistic about slow economic growth. As a result, the inventory-to-sales ratio matched an all time low last seen in November.

Factories Doing Better Than They Say

- Retail inventories were off 0.2 percent in May, reflecting the strong retail sales number we saw in May. This morning's softer number in June retail sales suggests retailers will need to keep inventories lean.
- Several months of inventory gains at the wholesale and factory level suggest the need to scale back production in those areas.

