

# Economics Group

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## Pace of Wholesale Inventory Decline Slowed Slightly

**Wholesalers' inventories declined at a 1.3 percent pace in August, as the trend in draw-downs continued to slow. Auto inventories saw a big decline while sales shot up, a sign of cash-for-clunkers and not true strength.**

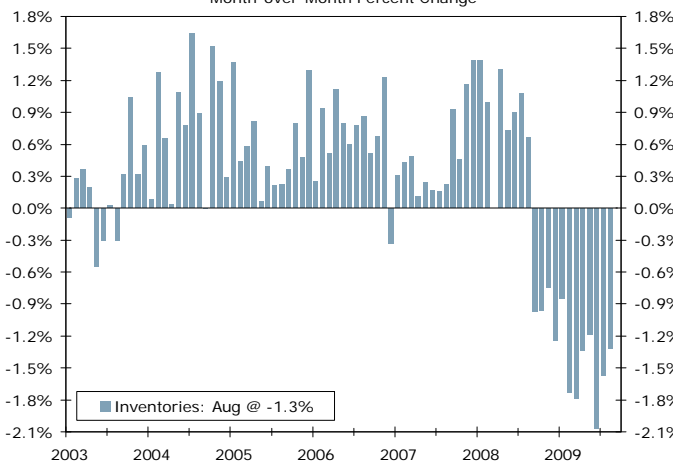
### Supply Contracting

- Wholesale supply continues to shrink each month, and we expect inventory declines to persist for several more quarters. Businesses remain extremely cautious.
- Automotive sales at wholesalers increased 7.7 percent, the most in a decade. Clearly the cash-for-clunkers program stimulated demand in August and helped reduce inventories. With the program over, the next few months could see major weakness.

### Ratios Normalize Slowly

- The inventory-to-sales ratio continues to normalize, and should return to trend over the next several quarters. Given our low growth expectations, declines in inventory will dictate the trend while sales hover at mediocre levels.
- While durable goods seem to be making faster progress than nondurables, the latter is largely being held back by petroleum price increases propping up inventories in the sector.

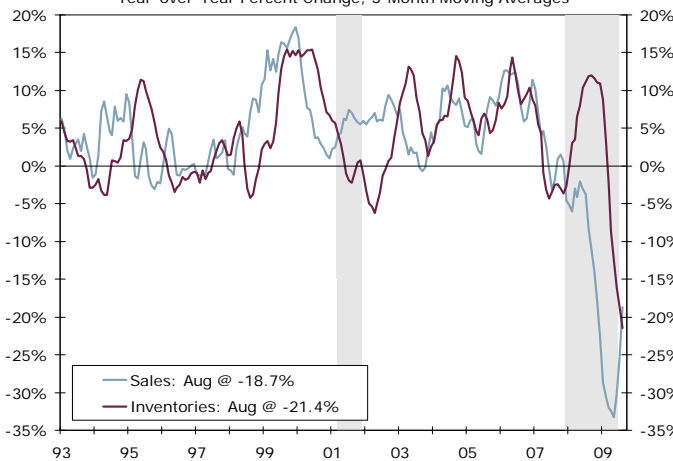
Wholesale Inventories  
 Month-over-Month Percent Change



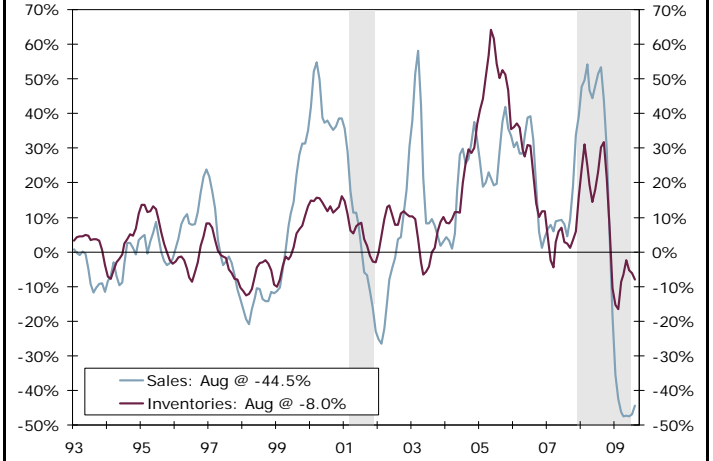
Wholesalers' Inventory-to-Sales Ratio



Auto Wholesalers' Sales & Inventories  
 Year-over-Year Percent Change, 3-Month Moving Averages



Petroleum Wholesalers' Sales & Inventories  
 Year-over-Year Percent Change, 3-Month Moving Averages



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