

# Economics Group

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## Declining Inventory Investment Continued in May

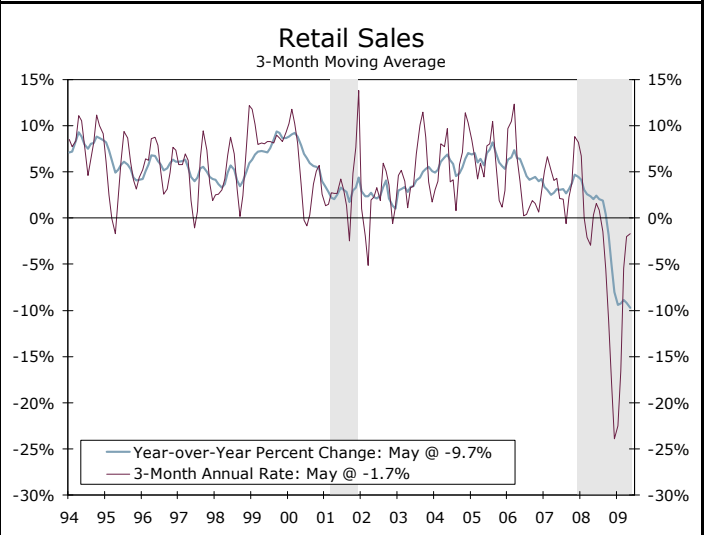
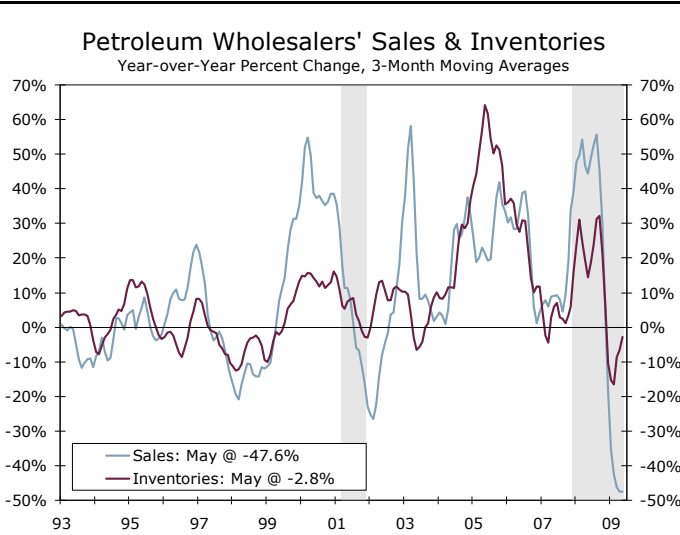
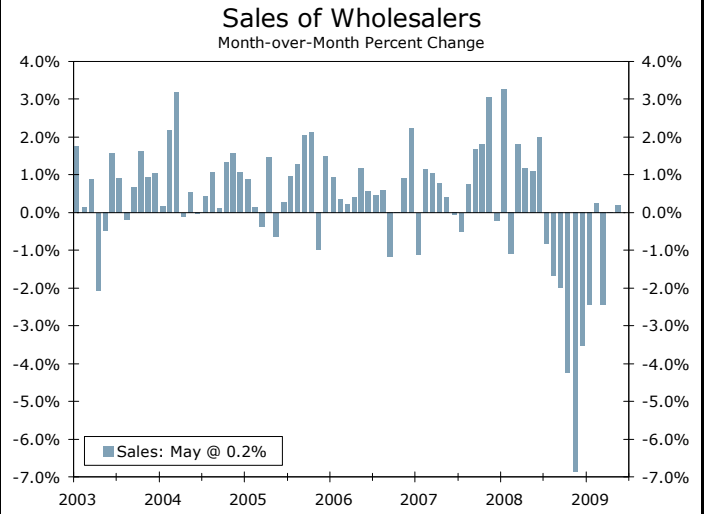
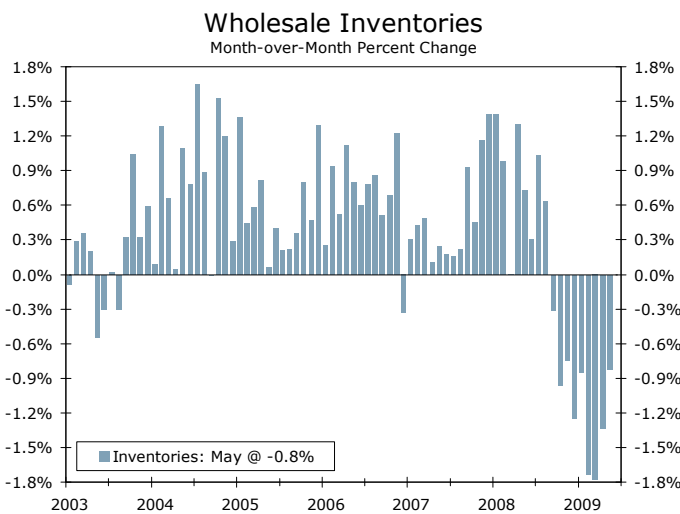
*May marked the ninth straight month of inventory declines for merchant wholesalers. Though the pace of decline has moderated somewhat, inventory draw-downs will continue through the remainder of the year.*

### Inventories Continue Steady Slide

- Inventories declined 0.8 percent, slightly less than the 1.1 percent average sustained over the last nine months. Declines will likely continue for the next several quarters.
- The value of petroleum inventories and sales increased 4.6 and 4.5 percent respectively; however this is primarily a result of price increases in the sector and not volume changes.

### Sales Data Do Not Justify Inventory Rebuild

- Sales have been extremely weak in the wake of the collapse in financial markets this past fall. While the 0.2 percent gain is positive, retailers have not yet seen a renewal of consumer strength, thus limiting meaningful near-term hope for the sector.
- Lack of sales activity will prevent any rebuild in inventories and keep the inventories-sales ratio uncomfortably high.



## Wells Fargo Securities, LLC Economics Group

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