



Economics Group

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Businesses Slow Inventory Building

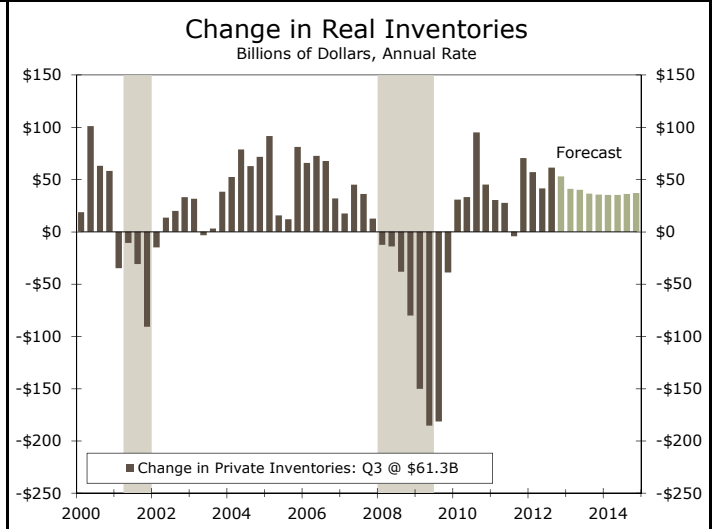
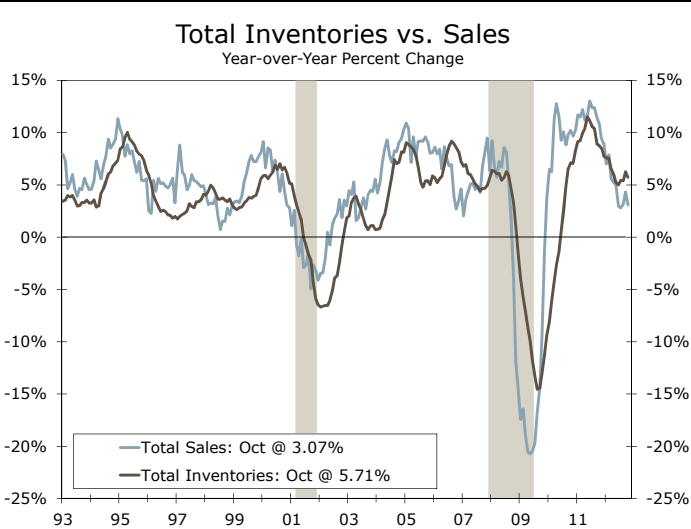
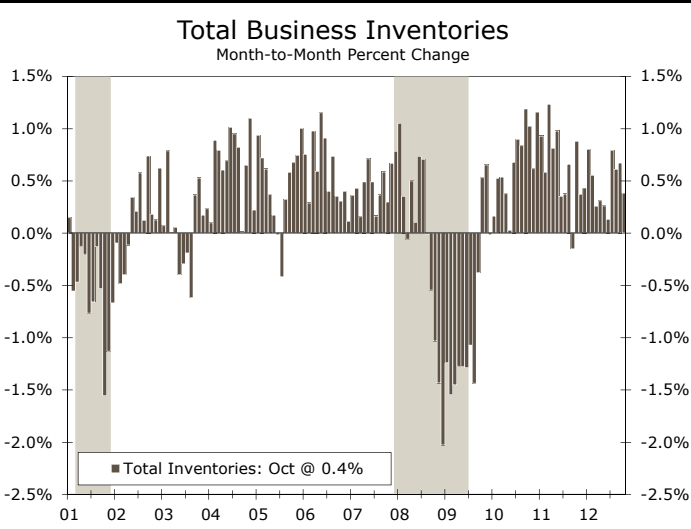
Business inventories increased 0.4 percent in October, which is a slowdown from the 0.7 percent average monthly gain seen in the third quarter. Despite slower sales, inventories remained contained.

A More Modest Pace of Inventory Growth

- Business inventories rose in line with expectations in October, increasing 0.4 percent. Retail and wholesale firms each increased stocks by 0.6 percent while manufacturer's inventory building slowed to a 0.1 percent increase. Sales fell 0.4 percent over the month, dragged down by declines at retailers and wholesalers. However, a report released earlier today shows that the downturn in retail sales will be short lived.

Cautious Building Ahead

- The inventory-to-sales ratio ticked up to 1.29, but remained within its recent band, which is still historically low.
- The slower pace of inventory building suggests firms are cautious over their upcoming sales prospects as policymakers still have not settled on a deal over upcoming tax and spending changes. Following a fast clip of growth in Q3, inventory building looks to have slowed and will likely be a drag on Q4 GDP.



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

Wells Fargo Securities, LLC Economics Group

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