



Economics Group

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Zero Point Zero: Flat Inventories & Smaller Boost to GDP

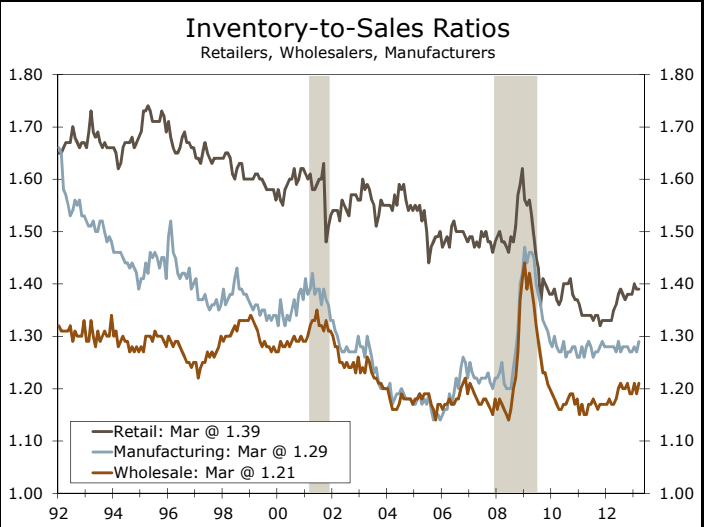
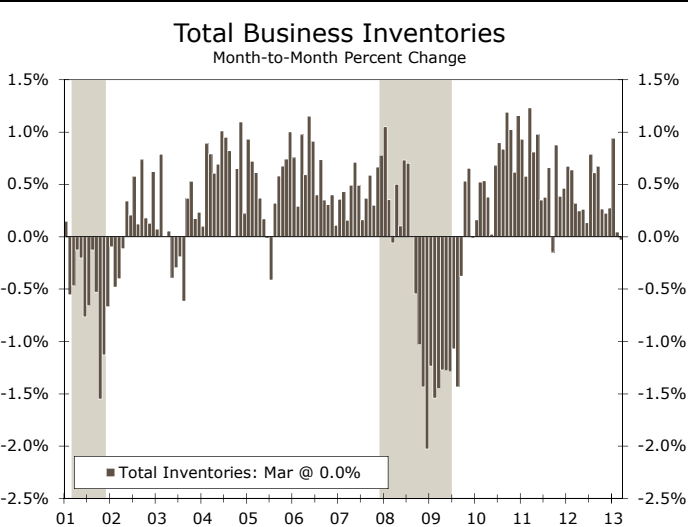
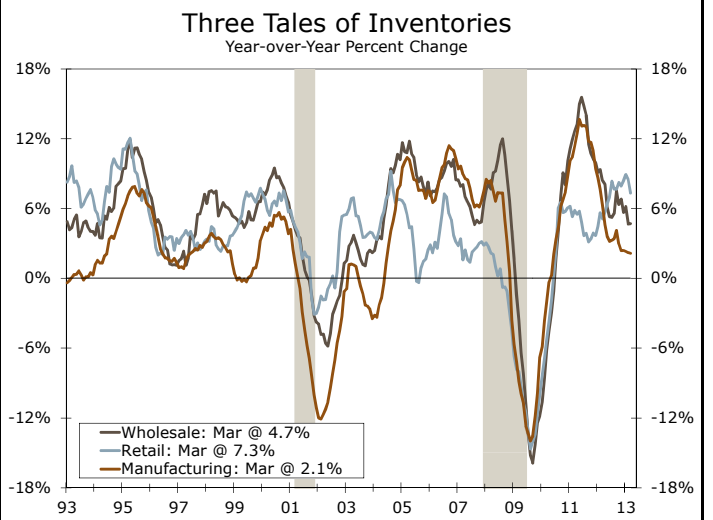
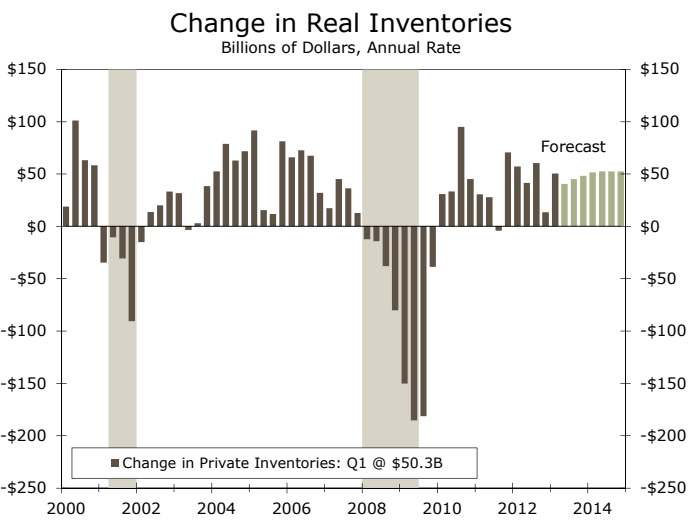
How do we make this sound interesting? The change in business inventories in March was 0.0 percent; this comes on the heels of a revised change of 0.0 percent in February. Maybe that boost to GDP was overstated.

Boost to GDP May Have Been Less than First Thought

- In its initial estimate of first quarter GDP growth, the Bureau of Economic Analysis estimated a brisk pace of inventory building in the first quarter boosted GDP growth by a full percentage point. Although business inventories jumped in January, we learned today that the initially reported gain in February has been revised lower and March figures were essentially flat. This indicates a potentially smaller boost to growth in Q1.

Inventories in Retail

- While the past two months have seen little change in inventories, the year-over-year numbers show growing inventories, with the largest annual increases in retail. Given the generally stronger-than-expected growth in consumer spending recently, the higher inventory levels seem justified.
- Indeed, the overall inventory-to-sales ratio increased in March, but it was unchanged in the retail sector.



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