



Economics Group

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Business Inventories Expand in August

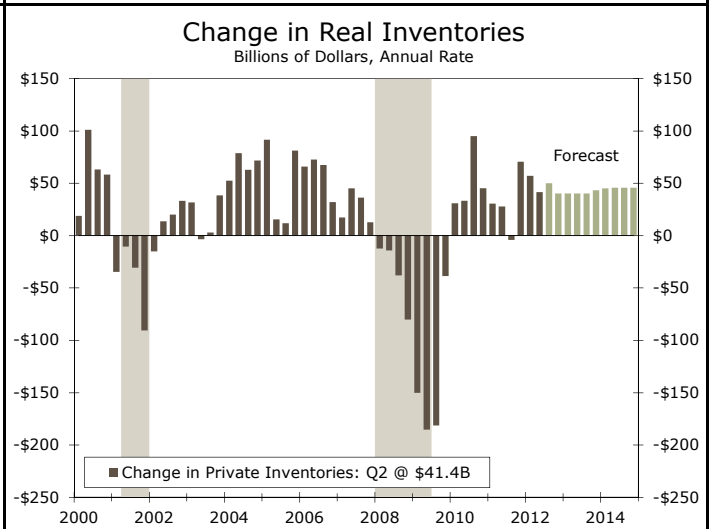
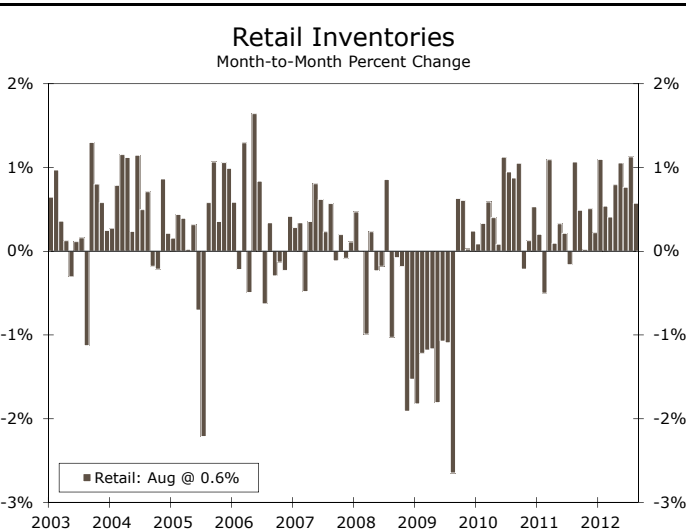
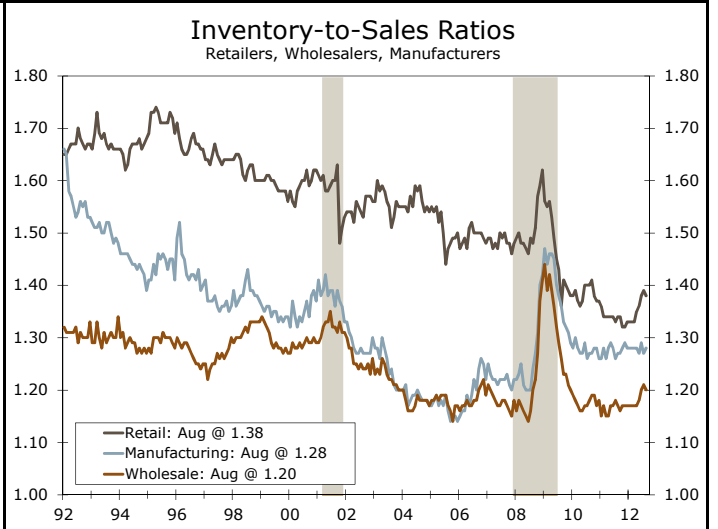
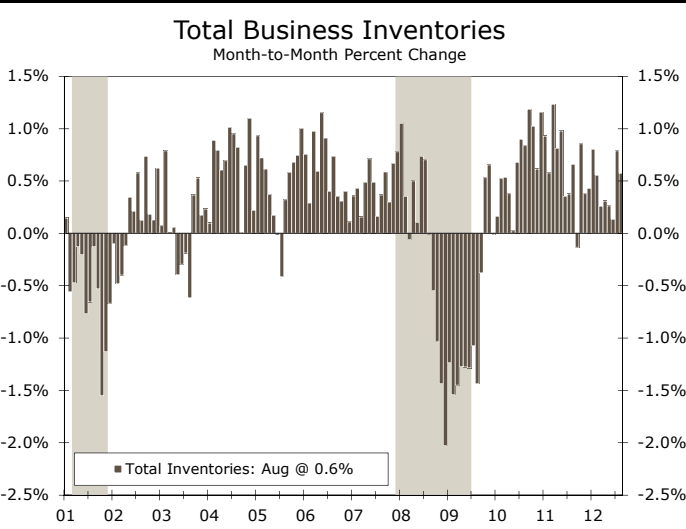
Business inventories rose 0.6 percent in August, slightly more than expected. Additions were broad based across businesses, with manufacturers, retailers and wholesalers all posting gains on the month.

Inventories Continue to Build

- Businesses boosted inventories by 0.6 percent in August. On a three-month annualized basis, inventory growth is at its highest rate since March. Sales slowed to a 0.5 percent gain.
- Retail inventory growth decelerated during the August back-to-school season. The downshift in retail inventory growth, particularly at general merchandise stores, suggests retailers are cautious going into the holiday season.

Boost from Inventories Likely to Fade

- Sales at manufacturers slowed, pushing the inventory-to-sales ratio higher and suggesting continued weakness in the sector.
- A deteriorating outlook for growth and still-elevated I-S ratios suggests that businesses will likely remain cautious with their stockpiles during the current quarter. We expect inventory growth to slow and to subtract 0.3 percentage points from growth in the final quarter of the year.



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

Wells Fargo Securities, LLC Economics Group

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