Businesses boosted December stockpiles by 0.4%

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WASHINGTON — Companies restocked at a faster pace in December, a positive sign that they expect consumers to step up spending.

Business stockpiles grew 0.4 percent in December, the Commerce Department said Tuesday. That followed a similar gain in November. Sales rose 0.7 percent, almost double the November gain.

Companies are building up their stockpiles again after cutting them over the summer amid recession fears. Higher inventories require more production, which boosts economic growth. It also suggests companies expect more sales.

Rising inventories were a key reason growth accelerated in the final three months of last year. Still, some economists expect the restocking to slow this year.

Wholesalers reported a 1 percent increase in inventories. Retailers reported a 0.2 percent gain and manufacturers 0.1 percent.

Inventories rose to a seasonally adjusted $1.56 trillion in December. That is 18 percent above the low point reached in 2009, just after the recession ended.

Rising sales are keeping stockpiles from getting too high. If companies feel their inventories are excessive, they could cut back on orders, slowing the economy.

Overall sales rose in December. Wholesalers reported a 1.3 percent jump in sales, followed by a 0.7 increase for manufacturers and flat sales for retailers. That pushed down the ratio of inventories to sales to the lowest level since March. A lower ratio suggests inventories aren't out of line with sales.

A separate report Tuesday showed that retail sales rose 0.4 percent in January. Consumers rebounded from a slow holiday shopping season and spent more on electronics, sporting goods, building materials and gas.

The economy expanded at a 2.8 percent annual rate in the fourth quarter. But economists expect companies won't add as much to their stockpiles in the current quarter. That could push growth down to 2 percent or even lower.