

MATT ROURKE/The Associated Press

Workmen manufacture windows at Northeast Building Products in Philadelphia.

Inventories, sales post strong gains

Businesses stocking shelves

By Martin Crutsinger
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WASHINGTON — Inventories held by wholesalers rose by a larger-than-expected amount in February while sales increased for the 11th consecutive month.

The Commerce Department said Friday that inventories at the wholesale level were up 0.6 percent in February, better than the 0.4 percent increase analysts had expected. Sales rose 0.8 percent, surpassing the 0.5 percent rise economists had forecast.

The gains were an encouraging sign that stronger demand is prompting businesses to restock depleted shelves, a development that will help sustain the economic recovery.

The inventory increase followed a 0.1 percent rise in January, which was initially reported as a decline of 0.2 percent.

The rise in sales followed a 0.9 percent January advance and marked the 11th straight month that sales have been up.

Analysts are hoping that the string of sales increases will prompt businesses to begin restocking their depleted shelves on a sustained basis, giving a boost to the economy as it struggles to recover from the worst recession since the 1930s.

The swing from massive inventory reductions contributed about two-thirds of the economy's overall growth in the October-December quarter, a period when the gross domestic product expanded at a 5.6 percent annual rate.

Economists at Barclays Capital said that the gains in wholesale inventories in January and February pointed to further support from inventories in the just-completed first quarter. They are currently projecting a GDP increase of above 3.5 percent for the January-March quarter.

"The period of massive inventory liquidation is giving way to a period of modest inventory accumulation," economists at the Economic Advisory Service said in a research note.

The back-to-back gains in wholesale inventories were the first since increases in both October and November. However, inventories dropped again in December. Before October, inventories had posted 13 straight declines as businesses went through a massive liquidation of their stocks during the recession, struggling to contain costs as demand for their products slumped.

The rise in inventories and sales in February left the inventory to sales ratio at 1.16, the same as in January. That is still at a historically low level.