Wholesale stockpiles, sales falling

By Christopher S. Rugaber
Associated Press

WASHINGTON — U.S. wholesale companies cut back their stockpiles in June as sales fell by the most in three years. The declines in sales and inventories could signal slower growth in the coming months.

Wholesale inventories fell 0.2 percent in June, the Commerce Department said Thursday. That's the largest drop in nine months. Sales at the wholesale level fell 1.4 percent, the sharpest decline since March 2009.

Even though stockpiles declined, the steeper drop in sales means it would take wholesalers longer to clear out their inventories. That suggests they may order fewer goods to keep their stockpiles from getting any larger. That could cut factory production and slow growth.

The government estimated last month that the economy expanded at an annual rate of 1.5 percent in the June-April quarter. It will offer the second of two estimates Aug. 29.

Some economists predict slightly stronger growth after the government reported a big fall in June from May in the U.S. trade deficit. A narrower deficit acts as less of a drag on growth because it means the U.S. is spending less on foreign-made products and taking in more from sales of U.S.-made goods.

Peter Newland, an economist at Barclays Capital, said he expects second-quarter growth to be a little stronger annual pace of 1.8 percent. He'd raised his estimate earlier Thursday to 2.2 percent but tempered his forecast after seeing the weaker data on inventories.

Sales of industrial machinery fell by the most in nearly three years, while sales of electronic goods, petroleum; metals also fell.