

Cargo containers are docked at Packer Avenue Marine Terminal in Philadelphia. The government reported Wednesday that wholesale stockpiles shrank in May. MATT ROURKE/AP

Wholesale stockpiles shrink; sales up 1.6%

Growth may pick up, results suggest

By Christopher S. Rugaber
Associated Press

WASHINGTON — U.S. wholesalers cut back on restocking in May even as sales rose, indicating economic growth could pick up later this year as they rebuild their stockpiles.

The Commerce Department said Wednesday that wholesale stockpiles shrank 0.5 percent in May, the most in 20 months. That followed a 0.1 percent decline in April, which was revised lower.

Sales at the wholesale level jumped 1.6 percent in May and 0.7 percent in April.

A reduction in stockpiles may prompt economists to cut their growth forecasts for the April-June quarter. But the steady gain in sales suggests companies may have to order more goods in the coming months to keep up with demand. That could boost factory production and drive more economic growth in the second half of the year.

Auto sales jumped 3 percent in May, yet stockpiles were unchanged. And sales of durable goods, items meant to last at least three years, rose 0.3 percent, while inventories of those goods fell by the same amount.

Sales of nondurable goods rose 2.8 percent, the most in more than two years. The gain was driven by large increases in sales of clothing, groceries and medicine. Stocks of those goods declined 0.8 percent.

Stockpiles of farm goods fell sharply for the second straight month, dropping 6 percent.

Overall wholesale stockpiles totaled $500.9 billion in May, 3.3 percent higher than a year ago.

Much of the recent data suggest the second half of the year could be stronger, helped by steady job growth, a resilient consumer and a sustained recovery in housing. Employers have added 202,000 jobs a month through the first six months of the year.

NAGGING ISSUES

Still, unemployment remains high at 7.6 percent. And the economy grew at a subpar 1.8 percent annual rate in the January-March quarter. Many economists forecast that growth slowed further in the April-June quarter. One reason for the anticipated slowdown is weaker growth overseas has cut demand for U.S. exports.

» Most economists forecast growth will rebound by the end of the year. According to the latest Associated Press Economy Survey, completed last month, economists expect growth will pick up to a 2.5 percent annual pace in the second half of the year.