



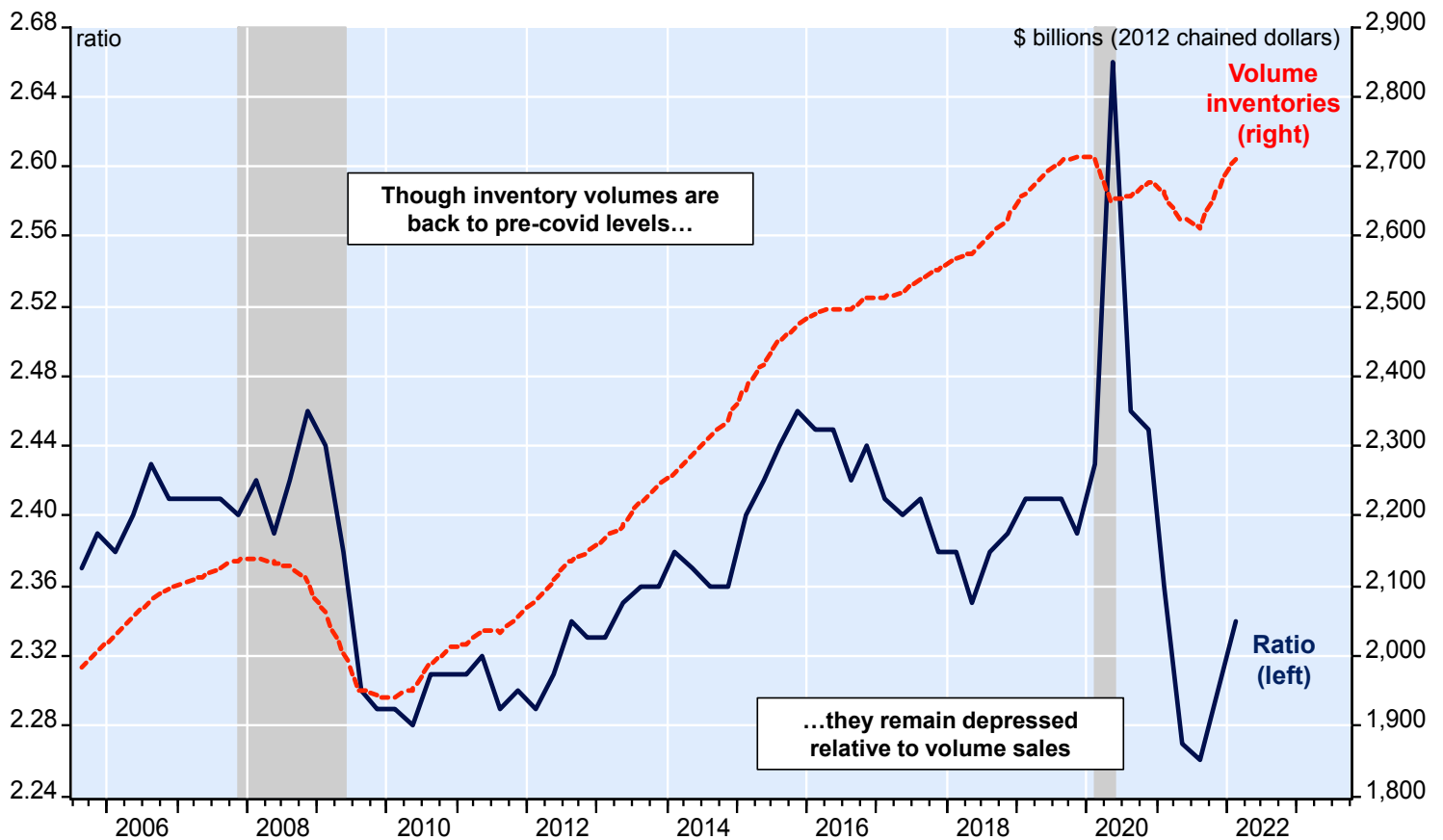
## U.S. Watch

By Stéfane Marion

The national accounts released today showed a 1.4% contraction in real GDP in Q1 2022 that was largely driven by a negative contribution from inventories. Though the change in inventory accumulation slowed (hence the negative contribution to GDP growth), it is important to note that the level of volume inventories outstanding continued to rise in Q1. Are we suddenly at risk of a collapse in industrial production and commodity prices because of bloated inventories? We do not think so. As today's Hot Chart shows, even after the Q1 increase, the level of volume inventories is only getting back to its pre-pandemic level. As shown, it is also important to keep in mind that the reported inventory-to-final sales ratio remains below its pre-pandemic level of 2.40. Under these conditions, we believe there is still scope for volume restocking in 2022 as more companies move from a just-in-time strategy to a just-in-case strategy.

### U.S.: Inventories are not bloated

Volume of private nonfarm inventories and real private inventories-to-final-sales ratio for nonfarm businesses



NBF Economics and Strategy (data via Fred - A373RX1Q020SBEA – and BEA table 5.8.6B)

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