

U.S. Economy Grew 3 Percent In Final Quarter Of 2011

Christopher S. Rugaber, Martin Crutsinger, AP Economics Writers

WASHINGTON (AP) — The U.S. economy grew at an annual rate of 3 percent in the final three months of 2011, the best pace in a year and a half. But that growth has likely slowed in the current quarter.

Businesses have been restocking their shelves more slowly and shipping fewer long-lasting manufactured goods. In addition, Europe's debt crisis and weaker growth in Asia have slowed demand for U.S. exports.

Stronger hiring in the first two months of the year probably hasn't offset those weaknesses. That's because Americans' pay has barely kept pace with inflation even as gas prices have spiked. So consumer spending, which drives about 70 percent of economic activity, probably hasn't increased much from the end of last year.

Most economists expect growth to pick up later this year as further hiring lifts the economy.

The Commerce Department reported no change Thursday in its previous growth estimate for the October-December quarter. The 3 percent annual rate was the strongest since the spring of 2010. Slower growth in exports than previously estimated was offset by stronger business investment.

Still, economists expect growth has probably slowed to 2 percent or less in the current January-March quarter.

A key reason for that is businesses haven't been restocking their shelves as fast as they did at the end of last year. Many had slashed inventories over the summer out of fear that the economy was on the verge of another recession. When that didn't happen, many stepped up restocking. Inventory building was a key driver of growth in the October-December quarter.

Even though businesses are still replenishing their shelves, the pace has likely slowed. That has likely slowed growth this quarter.

Businesses are also investing less in machinery and equipment this year after a tax credit expired at the end of last year. Orders for durable goods plunged in January. Though orders rebounded in February, that increase didn't offset the entire January decline.

And shipments of core capital goods, a gauge of business investment, grew sluggishly in the three months that ended in February, economists said. That's also

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likely holding back growth this quarter.

One bright spot for the economy is that hiring has picked up. The economy has added an average of 245,000 jobs per month from December through February. The unemployment rate has fallen by nearly a full percentage point since the summer to 8.3 percent, the lowest level in three years.

The Labor Department said Thursday that the number of people seeking unemployment benefits fell to 359,000 last week, its lowest level in four years. That suggests March was another solid month of hiring.

Stronger hiring should lift consumer spending and growth later this year, many economists say. For the fourth quarter, consumer spending expanded at an annual rate of 2.1 percent, led by strong gains in car sales.

Business investment rose at a 5.2 percent annual rate. It was pushed higher by companies rushing to make equipment purchases before investment tax breaks expired at the end of the year. That was nearly double the estimate the government made a month ago.

But this new-found strength was offset by a reduction in the estimate of export growth. U.S. exports grew at an annual rate of 2.7 percent in the fourth quarter, down from an estimate of 4.3 percent a month ago.

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