

U.S. 1Q Growth Slowed To 2.2 Percent

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WASHINGTON (AP) — The U.S. economy grew more slowly in the first three months of this year. Stronger consumer spending was offset by cutbacks in government spending and business investment.

The Commerce Department said Friday that the economy expanded at an annual rate of 2.2 percent in the January-March quarter, compared with a 3 percent gain in the final quarter of 2011. Consumers spent at the fastest pace in more than a year.

In 2011, the economy grew just 1.7 percent. But growth is expected to rebound to around 3 percent for all of 2012 as stronger job growth spurs increased consumer spending.

Consumer spending accelerated to an annual rate of 2.9 percent in the first quarter, the best showing since the final quarter of 2010. The strength came from a second strong quarter of growth in auto purchases. Consumer spending is closely watched since it accounts for 70 percent of economic activity.

All levels of government remain under pressure as they struggle to control budget deficits. Government spending fell at an annual rate of 3 percent in the first quarter.

The 2.2 percent increase in the economy in the first quarter marked the 11th consecutive quarter that the gross domestic product has expanded since the deep 2007-2009 recession ended in June 2009. But the gains have been far below the usual increases coming out of a deep recession.

GDP is the nation's total output of goods and services, from cars and refrigerators to electricity to manicures.

Trade was a slight drag on growth in the first three months of the year. U.S. manufacturers are finding it harder to sell products overseas because of Europe's debt crisis and weaker growth in Asia.

Many economists predict growth will strengthen in the second half of this year because they think hiring will continue to improve. Job growth has helped drive the unemployment rate to 8.2 percent in March from 9.1 percent in August and given households more money to spend.

Joel Naroff, chief economist at Naroff Economic Advisors, thinks the economy will grow 3 percent for all of 2012. That would be nearly double the anemic 1.7 percent growth in 2011. The economy expanded 3 percent in 2010, the first full year of the recovery after the Great Recession officially ended in June 2009. In 2009, economic output had shrunk 3.5 percent.

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Last year began with signs of healthier growth. But then the economy endured a series of shocks. Gasoline prices surged after political unrest triggered by the Arab Spring. The earthquake and tsunami in Japan slowed the flow of supplies to U.S. auto plants and other factories. And the European debt crisis and a standoff over raising the federal borrowing limit unsettled investors.

Gasoline prices have risen again this year. But the effect on consumer spending so far has been less. In part, that's because a warm winter meant families didn't have to spend as much to heat their homes.

Also, consumers this year have reduced their debt loads. Housing is inching back. State and local governments aren't cutting as much. Banks are lending more. And the threat from Europe's debt crisis has eased somewhat.

The government makes three estimates of the GDP for each quarter. Each revision is based on more complete economic data.

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