

## **U.S. Economy Grew At Modest 1.9 Percent Rate**

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## **U.S. Economy Grew At Modest 1.9 Percent Rate**

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WASHINGTON (AP) — The U.S. economy expanded at a 1.9 percent annual rate in the first three months of the year, a weak pace that few economists see changing much this year.

The Commerce Department on Thursday made no change in its third and final estimate for growth in the January-March quarter. Slower growth in consumer spending was offset by faster growth in businesses investment in buildings, leaving the overall pace the same.

Most economists say growth has likely stayed the same or possibly weakened since then. A sluggish job market and diminished consumer and business confidence have likely kept the economy from accelerating in the April-June quarter.

Growth of around 1.9 percent typically generates roughly 90,000 jobs a month. That's too weak to lower the unemployment rate, which was 8.2 percent last month.

Separately, the Labor Department said the number of people seeking weekly unemployment benefits fell but not enough to signal stronger hiring in June.

Applications declined by 6,000 to a seasonally adjusted 386,000. When applications rise above 375,000, it generally means that hiring isn't strong enough to rapidly lower the unemployment rate.

The government offers three estimates for gross domestic product, or GDP, which is the output of all goods and services. It includes everything from a cup of coffee to production of military jets

Consumer spending accounts for roughly 70 percent of economic activity. It grew at a 2.5 percent annual rate in the first quarter, slightly below the previous 2.7 percent estimate.

Jennifer Lee, senior economist at BMO Capital Markets, said the faster growth in business investment was largely due to more spending on buildings and factories. That could be a sign that businesses are expanding.

And home construction grew at an annual rate of 20 percent, even better than estimated a month ago.

Many economists say the housing market is finally starting to recover and that housing will contribute to annual growth for the first time in five years.

"So on net, no change," Lee said. "But the components point to stronger business investment in structures and housing, but slower growth in the all-important

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consumer spending and trade."

Some economists are hopeful that consumer spending could rise in the second half of the year. They point to lower gas prices, which should give Americans more money to spend on vacations, furniture, meals out and other discretionary purchases.

But some analysts warn that without more hiring and better pay increases, most Americans could hunker down and spend less.

A closely watched private survey released this week showed consumer confidence fell in June for the fourth straight month. The Conference Board said worries about the job market outweighed lower gas prices and steady improvement in the housing market.

Employers have added an average of just 73,000 jobs a month in April and May. That followed average gains of 226,000 a month in the first three months of the year.

And U.S. manufacturing activity, which has helped drive growth since the recession ended three years ago, has weakened.

Factories produced less in May than April, the Federal Reserve said earlier this month. Automakers cut back on output for the first time in six months. In June, manufacturing activity barely grew in the New York region and contracted sharply in the Philadelphia area, according to surveys by regional Federal Reserve banks.

Europe's debt crisis has dampened demand for U.S. exports. And consumers barely increased their spending at retail businesses in May and April.

There are some hopeful signs that things are improving. U.S. factories received more orders for long-lasting manufactured goods in May, while a key measure of business investment plans rose.

And the housing market is looking a little better. Home sales are up from last year, home prices are rising in most cities, and homebuilders are planning to break ground on more projects in the next 12 months.

Still, the Federal Reserve has downgraded its forecast for the year. It now expects growth of just 1.9 percent to 2.4 percent for 2012. That's half a percentage point lower than its previous estimate in April. And it thinks the unemployment rate won't fall much further this year.

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