

## U.S. Economy Grew At 1.7 Percent Rate In 2Q

Martin Crutsinger, AP Economics Writer

WASHINGTON (AP) — The U.S. economy grew at a tepid 1.7 percent annual rate in the April-June quarter, suggesting growth will stay weak in the second half of the year.

Slightly stronger consumer spending and greater exports were the main reasons the Commerce Department reported Wednesday that growth was better than its initial estimate of 1.5 percent. Still, growth has slowed from the 2 percent annual rate in the January-March quarter and the 4.1 percent rate in the fourth quarter of 2011.

Economists expect only modest improvement in the second half of the year. Most believe the economy will keep growing, but at a subpar rate of around 2 percent.

"The economy was sluggish in the second quarter and the slight upward revision ... does nothing to change that picture," said John Ryding, an economist at RDQ Economics, in a note to clients.

The report was the government's second look at gross domestic product for the second quarter. GDP measures the country's total output of goods and services, from the purchase of restaurant meals to construction of highways and bridges. A third and final estimate of second-quarter growth will be released next month.

Growth at or below 2 percent is not enough to lower the unemployment rate, which was 8.3 percent in July. Most expect the unemployment rate to stay above 8 percent for the rest of this year.

A weak economy and high unemployment could hurt President Barack Obama re-election chances and bolster Mitt Romney's campaign. Republicans are in Tampa, Fla. this week to formally nominate Romney and have pointed to the dismal growth in making the case to elect their candidate.

Economist Robert Brusca said the various changes in the second estimate should be positive for growth going forward. He noted more consumer demand in the spring than previously thought, which drives 70 percent of economic growth. And he pointed to less restocking of shelves, which suggests businesses could replenish their stockpiles in the current quarter. Faster inventory growth increases factory production, which boosts growth.

But Paul Dales, senior U.S. economist at Capital Economics, said the small revision to second-quarter growth "offers little comfort."

"We are already two months through the third quarter and more up-to-date figures show that the economy is still struggling," Dales said.

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Slow growth could prompt the Federal Reserve to take greater steps to boost the economy when policymakers meet again on Sept. 12-13. In late July, Fed policymakers spoke with increased urgency about the need to provide more help for a weak U.S. economy.

Chairman Ben Bernanke could offer some clues Friday to what the Fed might announce when he speaks at a Fed conference in Jackson Hole, Wyo.

Some suspect the Fed will wait to see how the economy performed in August, especially after July's data was better than expected.

Employers created 163,000 jobs in July, the most since February. Consumers stepped up retail spending, factories produced more goods and the housing recovery continued with increases in both new and previously occupied homes.

The upward revision to second-quarter growth was largely because consumers spent at a slightly faster pace than first estimated. Consumer spending grew a 1.7 percent rate, better than the 1.5 percent initial estimated. Exports, which add to growth, were also stronger, growing at a 6 percent rate.

Government spending, which has been a drag on growth for the past two years, contracted again in the second quarter. But the decline at an annual rate of 0.9 percent was less than the initial estimated drop of 1.4 percent. That reflected a much smaller dip in defense spending than first estimated.

All of the changes boosted economic output by \$6.5 billion more than previously estimated, leaving total GDP at \$13.56 trillion, after adjusting for inflation, in the second quarter.

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