

Economy growing, but slowly

The American economy may not be truly healthy yet, but it's slowly healing.

The 2.8 percent growth rate reported Friday for the fourth quarter of 2011 was the fastest since spring 2010 and was the third straight quarter that growth has accelerated.

Experts cautioned, however, that the pace is unlikely to last and that it's not enough to sharply drive down the unemployment rate, which stands at 8.5 percent.

For the final three months of 2011, Americans spent more on vehicles and companies restocked their inventories at a robust pace. Both factors contributed to the expansion of the gross domestic product, the estimated value of all goods and services generated in the U.S.

But growth was slowed last quarter — and all of last year — by the sharpest cuts in government spending in four decades.

For the full year, the economy grew only 1.7 percent, down from 3 percent growth in 2010.

The outlook for 2012 is slightly better. The Federal Reserve has estimated growth of roughly 2.5 percent for the year.

Speaking at a Nothnagle Realtors awards

luncheon Friday in Henrietta, economist Kent Gardner said he foresees growth of 2.3 percent this year.

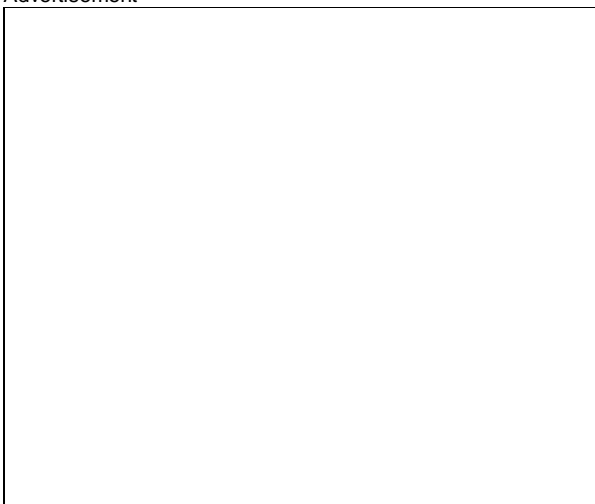
Gardner, president and chief economist of the Rochester-based Center for Governmental Research, cited several risk factors for the U.S. and global economies, including the government debt crises in Europe, instability in the Middle East and political gridlock in the U.S.

"Compromise seems impossible," Gardner said of the Democrat-Republican standoff in Washington.

William C. Dudley, president of the Federal Reserve Bank of New York, said in a speech in New York City that the fourth-quarter growth pace is unlikely to be sustained. Like Gardner, he cited uncertainty as to how events in Europe will unfold, as well as a U.S. housing market that remains depressed despite exceptions such as Rochester.

The 2.8 percent fourth-quarter growth

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rate, though better than any of the first three quarters of 2011, fell short of expectations. Seventy-nine economists surveyed by Bloomberg News had, on average, predicted 3 percent growth.

"We're recovering, but it's a very long, slow, drawn-out process," said Nigel Gault, chief U.S. economist at IHS Global Insight in Lexington, Mass. "Consumers don't have much income growth."

In a normal economy, roughly 3 percent growth is a healthy figure. But coming out of a recession, much stronger growth is needed. By some estimates, the economy would have to expand at least 5 percent for a full year to drive down the unemployment rate by 1 percentage point.

Government spending at all levels fell at an annual rate of 4.6 percent in the fourth quarter and 2.1 percent for the year, the sharpest drop since 1971. With Congress aiming to shrink budget deficits, the likelihood of further federal spending cuts could weigh on the economy.

That doesn't bode well for the re-election chances of President Barack Obama, Gardner said at the Nothnagle event.

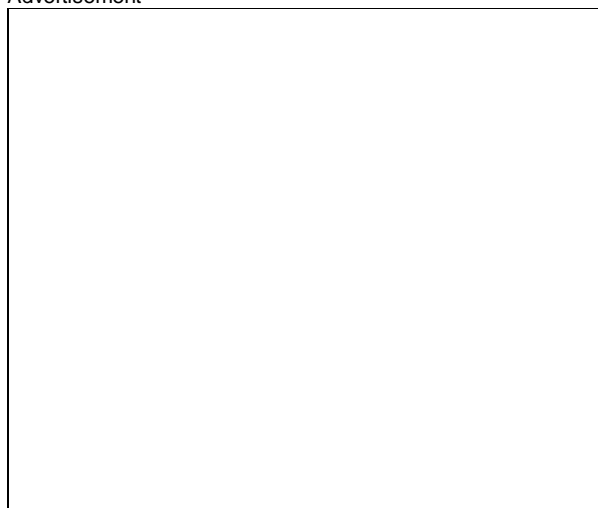
The White House used the GDP report to renew its call for an extension of the payroll **taxcut**.

In Florida, where the Republican presidential primary is three days away, Terry Miller, secretary of the Lee County Republican Party, said Newt Gingrich had

gained ground on Mitt Romney by targeting the failures of the Obama administration, particularly the lack of **economic** growth.

Includes reporting by Business Editor Steve Sink, The Associated Press and Bloomberg News.

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