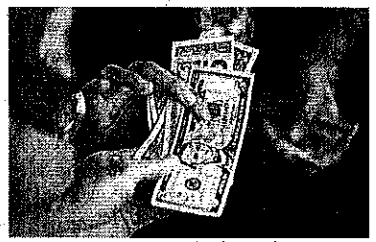
Economic growth proves lackluster

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The economy slowed in the fourth quarter as weaker business investment offset solid consumer spending, the government said Tuesday. Still, stronger gains may lie ahead.

The nation's gross domestic product — the value of all goods and services produced in the U.S. — grew at a seasonally adjusted annual rate of 1.9%, matching the estimate last month, the Commerce Department said. Economists were expecting an upward revision to 2.1%. While consumer spending grew a bit more rapidly than first thought, business investment and government spending advanced more slowly.

After nine months of sluggish gains, the economy grew at a 3.5% rate in the third quarter, a two-year high, before slowing to a pace more characteristic of the 7½-year-old recovery. For all of 2016, the economy grew 1.6%, below the 2.6% posted in 2015 and the recovery's tepid 2.2% average.



DAVID GOLDMAN, AP

Consumer spending grew a healthy 3% in the fourth quarter, above the 2.5% estimated.

Many economists expect growth of about 2% in the first quarter followed by an expansion

at end of 2016

of 2.3% for 2017 and bigger gains in coming years if Congress passes President Trump's proposed fiscal stimulus, which would include big tax cuts and infrastructure spending.

Consumer spending, which makes up about 70% of economic activity, grew a healthy 3%, above the 2.5% estimated. People are opening their wallets, encouraged by solid job and income growth, inexpensive gas and higher home and stock prices. But business investment, which had shown signs of rebounding from a slump brought on by rising energy costs, increased 1.3%, below the 2.4% predicted. And state and local government spending rose just 1.3%, half the previous estimate, hurt by lower personal income and sales tax revenue.

Housing starts were a bright spot. They grew a bit less rapidly than estimated but still posted a robust 9.6% gain after two months of declines. And business stockpiling contributed nearly 1% to growth, continuing a rebound after falling for five quarters.

The biggest drag on growth was exports, which fell 4%, slightly less than previously estimated.