

Shipping containers sit Dec. 4 as port operations are halted during a strike at the Port of Los Angeles. The U.S. economy grew at 0.1 percent in the fourth quarter from a year earlier. NICK UT/AP

Economy grew 0.1% in 4th quarter of 2012

Revised estimate still less than markets expected; inventory growth remains weak

By Tim Mullaney
USA Today

The U.S. economy grew at an annual pace of 0.1 percent in the last three months of 2012, the government said, wiping away an initial estimate that said the economy shrank as a big drop in defense spending and weak exports held down growth.

A month ago, the government estimated that the economy shrank at a 0.1 percent annual rate in the quarter.

The latest revisions added less to fourth-quarter growth than financial markets expected, said Stephen Wood, chief market strategist at Russell Investments. The consensus forecast had been that the economy grew at a 0.5 percent annual clip.

"The details were better than the headline number, and point to a better first quarter of 2013," Wood said.

The government revised its estimate of private investment in the fourth quarter sharply upward, with bigger gains in housing, business equipment and software sales and commercial real estate than first reported. Private consumption spending rose 2.1 percent, slightly less than the initial 2.2 percent estimate but faster than the 1.6 percent annual pace in the third quarter.

But growth in inventories was even weaker than first reported. Slow inventory buildup shaved 1.55 percentage points off annualized growth during the quarter, compared with the 1.28 percentage points initially estimated. A 22 percent drop in defense spending also held back overall growth.

The next issue facing the economy is whether consumers and businesses will keep spending as the government cuts more, Wood said. Another $85 billion in federal spending cuts are set to take effect March 1; those cuts will begin to show up in second-quarter economic data

"You still have the wild card of sequestration," Wood said. "Housing is the economy's sleeper positive."