BUSINESS

Gas, weather slow growth

Fed chairman, other economists say slowdown a temporary setback

By Jeannine Aversa
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WASHINGTON — The economy slowed sharply in the first three months of the year. High gas prices cut into consumer spending, bad weather delayed construction projects and the federal government slashed defense spending by the most in six years.

The 1.8 percent annual growth rate in the January-March quarter was weaker than the 3.1 percent growth in the previous quarter, the Commerce Department reported. And it was the worst showing since last spring when the European debt crisis slowed growth to a 1.7 percent pace.

Federal Reserve Chairman Ben Bernanke and other economists say the slowdown is a temporary setback. They generally agree that gas prices will stabilize and the economy will grow at a 3 percent pace in each of the next three quarters.

But gas prices are still going up. The housing market has shown little signs of recovering. And lawmakers are proposing some of the steepest cuts in federal spending in a generation.

"The economy has lost its modest upward momentum, and headwinds such as rising gasoline prices and further budget cuts suggest the recovery will continue at only a moderate pace going forward," said BMO Capital Markets economist Sal Guatieri.