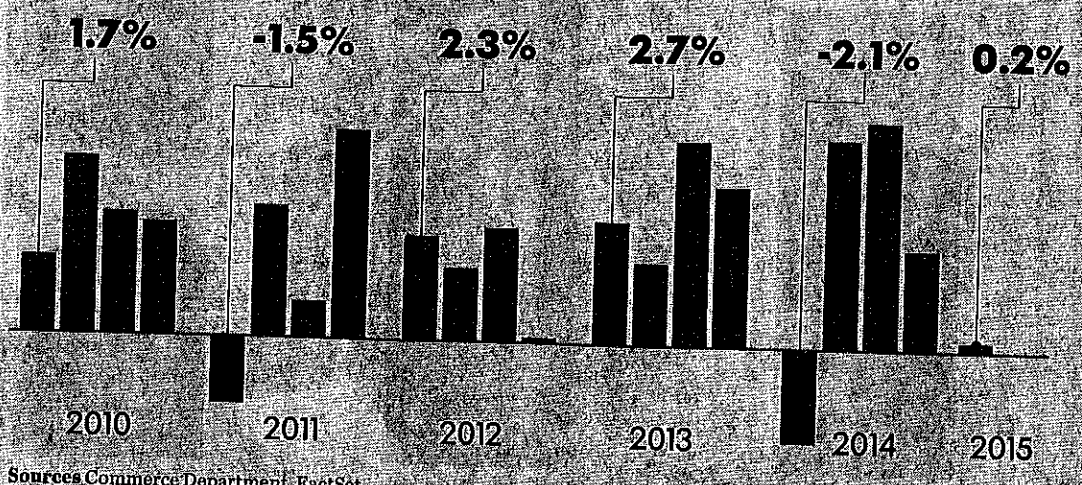
FIRST-QUARTER SLUMPS

An unexpectedly weak report Wednesday morning on U.S. economic growth in the first quarter unsettled U.S. and world financial markets throughout the day as investors tried to guess how the new data might influence the Federal Reserve's plans for starting to raise interest rates this year. Percentage change in U.S. gross domestic product from preceding quarter, at a seasonally adjusted rate, and other results:



Sources Commerce Department, FactSet
GEORGE PETRAS, USA TODAY

GDP CHANGE, PREVIOUS QTR.
Seasonally adjusted, annual rate:
Q4 2014: **2.2%**
Q1 2015 forecast: **1%**
Q1 2015 actual: **0.2%**

DOLLAR VS. EURO
Value of one euro to one dollar:
April 27: **1.09**
April 28: **1.10**
April 29: **1.12**

10-YEAR TREASURY YIELDS
April 24: **1.91%**
April 27: **1.92%**
April 28: **2.00%**
April 29: **2.04%**

DOW JONES IND. AVERAGE
April 24: **18080.14**
April 27: **18037.97**
April 28: **18110.14**
April 29: **18035.53**

U.S. ECONOMY GREW AN ANEMIC 0.2%

GDP growth was substantially less than expected

Paul Davidson
USA TODAY

The economy slowed significantly in the first quarter as cold weather, a strong dollar and shipping snags dampened activity, raising questions about the strength of an expected rebound in the remainder of 2015.

Gross domestic product — the value of goods and services produced in the U.S. — expanded at a seasonally adjusted annual rate of 0.2% in the January-March period, the Commerce Department said Wednesday. That's down from 2.2% in the fourth quarter.

The report was the government's first estimate of first-quarter GDP. Two revised estimates will be published in May and June based on more complete data.

First-quarter growth was substantially less than the 1% expected by economists surveyed by Action Economics.

Analysts say the slowdown largely reflects temporary factors, such as harsh winter weather and a labor dispute at West Coast ports that delayed deliveries to factories and retailers.

Other economic headwinds could linger, including a strong dollar that's making U.S. goods more expensive for foreign buyers and a pullback in energy company investment amid a plunge in oil prices.

"The slowdown in growth was a little greater than expected and it raises the question whether this was just a normal first-quarter pause or a real slowing in activity," economist Joel Naroff of Naroff Economic Advisors wrote in a note to clients.

Business investment, for example, fell 3.4% after increasing 4.4% in the previous quarter as the muscular greenback dented manufacturers' sales. Spending on non-residential structures plunged 23.1%, in large part a consequence of the oil price slump, as energy companies sharply reduced the number of oil drilling rigs. And equipment outlays, a closely watched measure of capital spending, rose just 0.1%.

Exports dropped 7.2% as manufacturers lost sales to other countries with more favorable currency exchange rates. That compares with a 4.5% increase last quarter.

Consumer spending, which makes up more than two-thirds of economic activity, also stumbled, growing 1.9% down from 4.4% in the fourth quarter. Rough weather kept many shoppers at home.

"The slowdown ... raises the question whether this was just a normal first-quarter pause or a real slowing in activity."

Economist **Joel Naroff** of Naroff Economic Advisors

And government spending declined 0.8%, with defense and state and local outlays all falling.

Jim O'Sullivan, chief U.S. economist of High Frequency Economics, expects a healthy rebound in the current quarter as mild weather and still-low gas prices coax consumers to malls and highways. Encouraging retail sales in March already have hinted at an upturn. O'Sullivan says such catch-up effects should spur 4% growth in the current quarter.

But Doug Handler, chief U.S. economist of IHS Global Insight, says oil rig counts likely have continued to drop in the current quarter. And surprisingly strong business stockpiling last quarter will likely mean a sharp downturn in coming months.

"The anticipated second-quarter rebound will still occur, but it will be far more muted than originally anticipated," Handler wrote in a note to clients.

Also expected to persist are the negative effects of the strong dollar on exports, says economist Michael Gapen of Barclays Capital.

He expects the economy to grow 2.6% this year, in line with last year's showing but short of the 3%-plus pace that many economists predicted several months ago in anticipation of a breakout year in a generally sluggish six-year-old recovery.

Bernard Baumohl, chief global economist of the Economic Outlook Group, has a far more upbeat view. He notes that U.S. payrolls jumped by 591,000 the first three months of the year, up from 579,000 in the same period in 2014, and low inflation has boosted consumer purchasing power despite modest wage gains.

Baumohl, meanwhile, sees the housing market as a potential B12 shot for the economy. The National Association of Realtors, he notes, recently announced that pending home sales soared to a 22-month high in March.

"The first quarter is over. The factors that led to its anemic performance are now history," Baumohl says.