

A crane removes a container from a ship in March at the Port of Baltimore's Seagirt Marine Terminal. The government issued its second estimate of economic growth for the January-March quarter on Thursday, showing a modest uptick of 2.4 percent. AP

US economy crept up 2.4% in first quarter

Revised report reveals more modest growth

By Martin Crutsinger
Associated Press

WASHINGTON — The U.S. economy grew at a modest 2.4 percent annual rate from January through March, slightly slower than initially estimated. Consumer spending was stronger than first thought, but businesses restocked more slowly, and state and local government spending cuts were deeper.

The Commerce Department said Thursday that economic growth in the first quarter was only marginally below the 2.5 percent annual rate the government had estimated last month. That's still much faster than the 0.4 percent growth during the October-December quarter.

Most economists think growth is slowing to about a 2 percent annual rate in the April-June quarter as the economy adjusts to federal spending cuts, higher taxes and further global weakness. Still, many say the decline might not be as severe as once thought. That's because solid hiring, surging home prices and record stock gains should keep consumers spending.

Jennifer Lee, senior economist at BMO Capital Markets, said the small revision to first-quarter growth supported her view that the economy will grow a moderate 2.2 percent for the year, the same as last year.

Still, Lee said she expects growth to improve to 3.2 percent in 2014, as the job market accelerates and as consumers grow more confident in the economy.

Consumer spending accounts for 70 percent of economic activity as measured by the gross domestic product.

The government's second look at first-quarter growth showed that consumer spending roared ahead at a 3.4 percent annual rate. That's the fastest spending growth in more than two years and even stronger than the 3.2 percent rate estimated last month.

And more consumer demand could also prompt businesses to restock at a faster rate later this year.

GOVERNMENT SPENDING CONTINUES DECLINE

» The weakest area of the economy continues to be government spending, which fell for the 10th time in the past 11 quarters. The 4.9 percent rate of decline was even larger than first estimated, reflecting further drops in defense spending and weaker activity at the state and local level.

» And with the federal government furloughing workers and trimming other spending to meet the mandates of the sequester, government activity will be a drag on growth for the rest of the year.