

U.S. economy grew 3 percent in final quarter of 2011

The Associated Press

WASHINGTON — The U.S. economy grew at an annual rate of 3 percent in the final three months of 2011, the best pace in a year and a half. But that growth has likely slowed in the current quarter.

Businesses have been restocking shelves more slowly and shipping fewer

durable manufactured goods. And Europe's debt crisis and weaker growth in Asia have slowed demand for U.S. exports.

Stronger hiring in the first two months of 2012 likely hasn't offset those weaknesses. That's because Americans' pay has barely kept pace with inflation even as gas prices have spiked. So consumer

spending, which drives about 70 percent of economic activity, probably hasn't increased much from the end of last year.

Most economists expect growth to pick up later this year as further hiring lifts the economy.

The Commerce Department reported no change Thursday in its previous growth estimate for the

October-December quarter. The 3 percent annual rate was the most robust since spring 2010. Slower growth in exports than previously estimated was offset by stronger business investment. Still, economists expect growth has likely slowed to 2 percent or less in the current January-March quarter.

A key reason for that is

businesses haven't been restocking shelves as fast as they did at the end of 2011. Many had cut inventories in the summer, fearing that the economy was on the verge of another recession. When that didn't happen, many boosted restocking. Inventory building was a key driver of growth in the October-December quarter.