# U.S. economy grows 1.6% during a lackluster 2016

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The economy grew at a slower pace in the fourth quarter but still turned in a solid performance as consumer spending, housing and business investment offset weak exports.

The nation's gross domestic product increased at a seasonally adjusted annual rate of 1.9% following a 3.5% expansion in the third quarter, the Commerce Department said Friday. Economists expected 2.2% growth.



JOHN BAZEMORE, AP

**Housing construction picked up 10.2% in the 4th quarter.**

For all of 2016, the economy grew 1.6%, down from 2.6% in 2015.

The breakout third quarter marked a two-year high and came after nine months of anemic gains of about 1% that were largely a byproduct of meager business investment and stockpiling. The oil industry downturn and a weak global economy led energy companies and others to scale back orders.

But crude prices partly rebounded last year, prompting oil producers to revive shuttered wells and order more steel pipes and other materials.

Business investment grew a healthy 2.4% last quarter, its largest gain in more than a year. Equipment spending increased 3.1% after declining for four quarters. And business stockpiling added a percentage point to growth as firms replenished depleted shelves.

Yet consumer spending drove the economy again with a 2.5% increase. U.S. households are benefiting from job and income growth, cheap gasoline, higher home and stock prices and reduced debt.

Housing construction increased 10.2%, and government spending rose 1.2% as higher state and local outlays offset a decline in federal spending.

But exports fell 4.3%. Citing the volatile exports, economist Paul Ashworth of Capital Economics wrote to clients, "We would be wary of reading too much into the slowdown" in the last quarter.

Economists expect growth to pick up to about 2.3% this year, partly because of President Trump's proposals to cut taxes and ramp up infrastructure and defense spending.