ROBYN BECK, AFP/GETTY IMAGES

An encouraging sign for the economy in the first quarter was that business investment in new equipment and structures grew 9.4%.

Economy grows a feeble 0.7% in Q1

Par for the course, say analysts, who expect a rebound

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For more than a decade, the U.S. economy has tended to ring in the new year meekly. This year was no different.

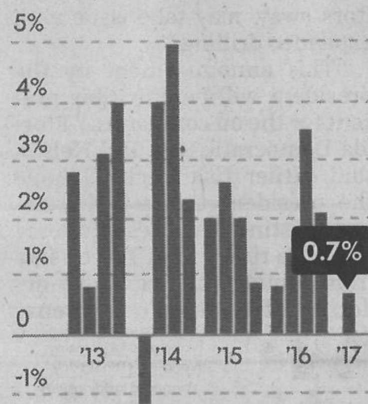
Economic growth slowed in the first quarter to its slowest pace in three years as sluggish consumer spending and business stockpiling offset solid business investment. Many economists write off the weak performance as a byproduct of temporary blips and expect healthy growth in 2017.

The nation's gross domestic product — the value of all goods and services produced in the USA — increased at a seasonally adjusted annual rate of 0.7%, the Commerce Department said Friday, below the tepid 2.1% pace clocked in the fourth quarter and as an average throughout the nearly 8-year-old recovery. Economists expected a 1% increase, according to a Bloomberg survey.

Analysts have noted the Commerce Department probably has understated growth early in the year because of challenges making adequate seasonal adjustments, particularly in categories such as business investment, exports, defense spending and state and local outlays. Growth in the first three months of the year has averaged just 1% since 2000, less than half the average for the other three quarters, according to Wells Fargo.

GDP FALLS IN 1ST QUARTER

Percentage change from the preceding quarter (Seasonally adjusted annual rates):



SOURCE Bureau of Economic Analysis
JIM SERGENT, USA TODAY

Bolstering that theory is the labor market. Average monthly job growth last quarter was in line with the 180,000 average in 2016. Although gains slowed to 98,000 in March, economists largely blamed harsh winter weather.

Nomura economist Lewis Alexander says Commerce largely has addressed the seasonal adjustment problems, so a poor showing at least partly points to a genuine slowdown. Still, analysts expect the economy to pick up and expand by more than 3% in the second quarter and 2.3% this year, up from 1.6% in 2016, in part because of President Trump's plans for tax cuts and increased federal spending.

Since most analysts say the economy's latest setback is temporary, it "won't necessarily stop the (Federal Reserve) from hiking interest rates again in June," economist Paul Ashworth of Capital Economics wrote in a note to clients.

Though Trump's pro-growth agenda has pumped up stocks, as well as consumer and business confidence, some economists are concerned that optimism hasn't translated into a noticeable improvement in hard economic data. On the campaign trail, Trump blasted weak economic growth under President Obama and said his economic policies would lead to a 4% expansion. Treasury officials said this week that the blueprint would yield 3% gains. Many economists say it's doubtful those targets can be achieved amid an aging population and sluggish productivity.

Some stumbling blocks are likely to fade. Consumer spending, for example, rose 0.3% last quarter, down from 3.5% late last year, largely because unusually warm weather prompted less spending on utilities. Retail sales accelerated in March after a slow start to the year that was largely due to delays in tax refunds, though auto purchases broadly fell. Americans generally benefit from healthy job and income growth, cheap gas and reduced debt.

Business stockpiling subtracted nearly a percentage point from growth. Firms pulled back after adding more aggressively to their inventories during the second half of last year, but that, too, is likely to reverse course in the months ahead. Government spending fell 1.7% as federal, state and local outlays all decreased and subtracted from growth.

Housing construction increased 13.7% as limited home supplies have driven up prices.