

MONEY

Economy grew solid 2.6% in Q4 but less than forecast

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USA TODAY

The economy grew solidly for a third consecutive quarter late last year on strong consumer spending and business investment, but the performance fell short of analysts' estimates.

The nation's gross domestic product — the value of all goods and services produced in the U.S. — increased at a seasonally adjusted annual rate of 2.6% following advances of 3.1% and 3.2% the previous two quarters, the Commerce Department said Friday. Economists had expected 3% growth. It would have marked the first time the economy has grown by 3% or more for three consecutive quarters since the second half of 2004 and early 2005.

The economy expanded at a 2.3% rate for all of 2017 after a disappointing 1.5% increase the prior year. That modestly exceeds the tepid 2.2% average during the 8½-year recovery from the Great Recession of 2007 to 2009.

Perhaps most encouraging is the economy is showing resilience. Growth topped 3% in the third quarter despite hurricanes in Texas and Florida. Rebuilding efforts in those areas were expected to bolster activity late last year.

President Trump has promised 3% annual growth under the Republican tax cuts, but that may be a tough challenge. The tax overhaul is expected to boost growth modestly in 2018, but the economy has started off recent years meekly, a trend many economists attribute to measurement problems. That pattern could persist in the current quarter. And some analysts expect rising interest rates to temper activity late this year.

"The economy is doing quite well," Joel Naroff of Naroff Economic Advisors says. "The idea that we can get signifi-



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cantly above (2.6% growth) is questionable."

Strong global growth and a rebound in energy prices were already propelling the U.S. economy when Trump took office, though his agenda of cutting corporate taxes and regulations has boosted business confidence and stocks. At the same time, his moves to restrict trade and immigration ultimately could hurt growth, economists have said.

In the fourth quarter, consumer spending increased a healthy 3.8%, up from 2.2% in the third quarter. Consumers are benefiting from sturdy job and income growth and record stock prices, and the holiday sales season was the best in 12 years. The tax cuts could further stoke consumption.

Business investment rose 6.8%, its fourth consecutive solid showing. Businesses have stepped up their outlays because of a revival in oil drilling and a resurgent global economy. Equipment outlays jumped 11.4% as companies struggling to find workers amid a 4.1% unemployment rate purchased more labor-saving technology.