US fourth quarter growth raised to 2.6%
Malaysian Insider
27 March, 2014

Economic growth in the United States was a bit faster than previously estimated in the fourth quarter, displaying underlying strength that could bolster views that the slowdown in activity early in the year would be temporary.

Gross domestic product expanded at a 2.6% annual rate, the Commerce Department said today, up from the 2.4% pace it reported last month. The revision reflected a stronger pace of consumer spending than previously estimated.

Economists polled by Reuters had expected fourth-quarter GDP growth would be raised to a 2.7% rate. The economy expanded at a 4.1% pace in the July-September quarter.

The composition of growth in the fourth quarter suggested underlying strength in the economy, with consumer spending raised sharply higher and the pace of restocking by businesses not as robust as previously estimated.

In addition, business spending on equipment was a bit stronger than previously estimated and the decline in government outlays was a little less pronounced.

The revisions suggested the economy had momentum as 2013 ended and should regain strength once the effects of unseasonably cold weather that dampened activity at the beginning of this year start to abate.

Growth in the first quarter is expected to have slowed to a pace of around 2%.

Output has also been dampened by the expiration of long-term unemployment benefits, cuts to food stamps and businesses placing fewer orders with manufacturers as they work through a pile of unsold goods in their warehouses.

Consumer spending grew at a more brisk 3.3% rate, reflecting strong growth in services. That reflected increased spending on health care and utilities.

Consumer spending accounts for more than two-thirds of US economic activity and was previously reported to have increased at a 2.6% rate.

It was the fastest pace in three years and contributed more than two percentage points to GDP growth.

Inventories, previously reported to have risen by US$117.4 billion in the fourth quarter, were revised down to US$111.7 billion. The downward revision is positive for near-term economic growth.

With fewer stocks on their shelves or in their warehouses, businesses now are more likely to need to place new orders or otherwise ramp up production to meet demand.

Business spending on equipment was revised up, but outlays on non-residential structures were lowered.

Spending on home building and government outlays was not as weak as previously estimated. – Reuters, March 27, 2014

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