US growth slowed to 2.2 pct. in Q1; worry for jobs

By MARTIN CRUTSINGER – Associated Press

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WASHINGTON (AP) — The U.S. economy grew more slowly in the first three months of this year. Governments spent less, and businesses cut back on investment. But consumers spent at the fastest pace in more than a year.

The result suggests that the economy will continue to expand, slowly but steadily.

The Commerce Department estimated Friday that the economy grew at an annual rate of 2.2 percent in the January-March quarter, compared with a 3 percent gain in the final quarter of 2011. But growth is expected to rebound to around 3 percent for all of 2012 as stronger job growth spurs more consumer spending.

Consumer spending accelerated to an annual rate of 2.9 percent in the first quarter. The strength came from a second robust quarter of growth in auto purchases.

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Here's what The Associated Press' reporters are finding:

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The disappointing GDP figure adds to doubts about the pace of job creation.

The 2.2 percent growth rate is consistent with a gain of only 100,000 jobs a month, according to Brad DeLong, an economist at the University of California, Berkeley. Yet employers added jobs at more than twice that rate from January through March. The pace might not be sustainable.

What's more, the number of people applying for unemployment benefits has risen to a three-month high. And job growth fell sharply in March after surging in January and February.

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A warm winter probably pulled some consumer spending into the January-March quarter that would have normally occurred this quarter.

"The second quarter won't have the advantage of unseasonably warm weather that likely goosed auto sales," says Beata Caranci, deputy chief economist at TD Economics.

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The Federal Reserve might have to rethink its forecasts and its policies, economists say. The Fed predicted Wednesday that the economy could grow up to 2.9 percent this year. But the economy will now have to average 4 percent growth the rest of the year to hit that target, says Tom Porcelli, chief U.S. economist at RBC Capital Markets.

"Even cock-eyed optimists would realize that such an outcome is stunningly improbable," Porcelli says.

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One economist thinks the Fed is now more likely to pursue a third round of bond purchases to try to push down long-term interest rates to stimulate the economy.

It's "back on the table," says **Bernard Baumohl of the Economic Outlook Group.**