

Consumers help to drive US growth

GDP rise of 6.9% in final quarter of last year aided by businesses restocking

MAMTA BADKAR — NEW YORK
COLBY SMITH — WASHINGTON

US economic growth accelerated more quickly than expected in the final quarter of 2021, boosted by businesses replenishing their inventories and consumer spending before disruptions from the Omicron variant of coronavirus became widespread.

US gross domestic product expanded 6.9 per cent on an annualised basis in the fourth quarter, up from 2.3 per cent growth in the third quarter, the commerce department said yesterday. That topped economists' forecast for a 5.5 per

cent rise, according to a Reuters poll.

GDP rose 1.7 per cent compared with the previous quarter, based on a measure used by other large economies.

Despite disappointing December retail sales data, consumer spending helped support economic growth, as Americans did their holiday shopping early amid concerns that supply chain snarls could lead to bare store shelves. Personal consumption rose 3.3 per cent in the fourth quarter, after a more modest 2 per cent rise the previous quarter.

"The increase in real GDP primarily reflected increases in private inventory investment, exports, personal consumption expenditures, and non-residential fixed investment," the commerce department said.

Inventories contributed 4.9 percentage points to growth at the end of last

year, as companies facing supply chain disruptions replenished their stockpiles to meet strong demand. However, federal, state and local government spending declined, which weighed on growth.

"It is definitely important to rebuild the stock of inventories, but the question is, is it going to last?" said Monica Defend, global head of research at Amundi. "In order to see if this growth is going to be sustainable over time, we need to look at consumption."

One factor that may negatively affect consumption is rampant inflation, which has beset the US economy. Yesterday's report showed core personal consumption expenditures, the Federal Reserve's preferred inflation gauge, had risen an annualised 4.9 per cent in the fourth quarter, up from 4.6 per cent the previous quarter.

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For the full year, the economy grew 5.7 per cent, the biggest increase since 1984, which Joe Biden lauded yesterday.

"The GDP numbers for my first year show that we are finally building an American economy for the 21st century," he said in a statement. "My economic strategy is creating good jobs for Americans, rebuilding our manufacturing, and strengthening our supply chains here at home to help make our companies more competitive."

Simona Mocuta, senior economist at State Street Global Advisors, said the latest GDP data were "misleadingly strong".

"The bigger story is that the consumer backdrop is changing," she said, noting consumers were starting to draw down excess savings accumulated in the pandemic rather than adding to them.