Aruba, November 24, 2011 - The U.S. economy grew at a modest pace in the July-September quarter, lower than first estimated, as businesses cut back more sharply on restocking of shelves.

The Commerce Department’s second estimate of U.S. third-quarter gross domestic product, released Tuesday, showed the economy grew at a downwardly-revised 2 percent rate.

“Although growth was downsized, it’s still the strongest showing of 2011,” said Vimombi Nshom, an economist with IFR Economics, a unit of Thomson, adding that GDP’s largest component -- consumer spending -- is still holding up. A Reuters survey had forecasted a 2.5 percent annualized rate of growth in the third quarter, the same as the first estimate.

The downward revision in growth was largely because of a lower estimate for inventory rebuilding. Economists believe this could lead to stronger growth in the current quarter, if businesses foresee more demand. Despite the downward revision, last quarter's growth is still a step-up from the April-June period's 1.3 percent pace. Part of the pick-up in output during the last quarter reflects a reversal of factors that held back growth earlier in the year.

Economists believe growth will strengthen modestly to around 3 percent in the fourth quarter. But that could be slowed by the weaker income growth. In its GDP report, the government also said after-tax incomes fell by the largest amount in two years, reflecting the high unemployment and lower pay raises.

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