

Americans cut spending for first time in 20 months



A "Price Reduced" sign is displayed on a house in Palo Alto, Calif. Americans cut their spending in June for the first time in nearly two years after seeing their incomes grow by the smallest amount in nine months.

BY MARTIN CRUTSINGER
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WASHINGTON — Americans cut their spending in June for the first time in nearly two years after seeing their incomes grow by the smallest amount in nine months. The latest data offered a troubling sign for an economy that is adding few jobs and barely growing.

Consumer spending dropped 0.2 percent in June, the Commerce Department said Tuesday. It was the first decline since Septem-

ber 2009.

Some of the decline was the result of food and energy prices moderating after sharp increases earlier this year. When excluding spending on those items, consumer spending was flat.

Still, consumers also cut back on big-ticket items, such as cars and appliances, which help drive growth.

Incomes rose 0.1 percent, the smallest gain since September. Many people are also pocketing more of their paychecks. The

personal savings rate rose to 5.4 percent of after-tax incomes, the highest level since August 2010.

The data confirmed last week's report that showed the economy expanded at an annual rate of just 1.3 percent in the spring after only 0.4 percent growth in the first three months of the year. It also highlighted that consumer spending softened at the end of the April-June quarter, which could mean the sluggish economy is worsening.

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