April consumer spending shows weak gain



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Customer Prieto Valenzuela shops for seasonal cherries Monday at a Superior Grocers store in Los Angeles. Consumers spent more in April but much of the increase was eaten up by higher food and energy prices.

BY MARTIN CRUTSINGER
AP ECONOMICS WRITER

WASHINGTON — Consumers spent more in April but much of the increase was eaten up by higher food and energy prices. After discounting for the jump in prices, spending barely budged and after-tax incomes were flat for a second straight month.

Consumer spending rose 0.4 percent, reflecting a surge in the category that covers food and gasoline, areas which showed big price gains last month, the Commerce Department reported Friday. Excluding price changes, spending rose a much smaller 0.1 percent.

Incomes rose 0.4 percent but after-tax incomes adjusted for inflation were flat for a second straight month.

Analysts are worried that weak income growth and big gains in gasoline and food prices are leaving consumers with little left to spend on other products. That could dampen economic growth. Consumer spending is closely watched because it accounts for 70 percent of economic activity.

The savings rate was unchanged at 4.9 percent of after-tax incomes, the same as March. Both months represented the smallest savings rate since October 2008, the month the country was plunged into a deep financial crisis which contributed to the worst recession since the 1930s. During the recession, Americans worked to build up savings out of concerns that they needed a deeper cushion in the face of massive job layoffs. The savings rate high a high of 8.2 percent in May 2009, the month before the recession ended.

A key inflation gauge preferred by the Federal Reserve showed prices rose 0.3 percent in April, the fifth straight month of gains of 0.3 percent or higher.

However, excluding food and energy, inflation was up just 1 percent in April, well below the level where the Fed would be worried that inflation could be a threat to the economy.