BUSINESS

August spending rises 0.3 percent

Americans more pessimistic about finances

By Martin Crutsinger
Associated Press

WASHINGTON — U.S. consumers increased their spending slightly last month as their income grew at the fastest pace in six months. The figures point to only modest economic growth in the July-September quarter.

Consumers' spending on goods and services rose 0.3 percent in August, the Commerce Department said Friday. That's up from a 0.2 percent gain in July, which was slightly more than the 0.1 percent reported last month.

Income rose 0.4 percent in August, the best gain since February and up from a 0.2 percent July increase. Private wages and salaries rose 0.5 percent, while government wages and salaries rose 0.2 percent.

The government figures would have been higher if not for forced federal furloughs that reduced wages and salaries by $7.3 billion.

Consumer spending drives 70 percent of economic activity. Many analysts say the increases are not enough to accelerate economic growth in the third quarter from the 2.5 percent annual rate in the April-June quarter.

And Americans grew more

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Consumers' spending on goods and services rose 0.3 percent in August, the Commerce Department said Friday. That's up from a 0.2-percent gain in July. MATT ROURKE/AP

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pessimistic this month about the economy, their own finances and government budget policies, according to a survey of consumer confidence released Friday.

The University of Michigan says its final reading of consumer sentiment dropped to 77.5 in September from 82.1 in August. It was the second straight decline after confidence reached a six-year high of 85.1 in July.

Paul Ashworth, chief U.S. economist at Capital Economics, predicts the economy is growing at an annual rate of 2 to 2.5 percent in the July-September quarter. Still, the pickup in August spending could signal stronger growth in the final three months of the year.

But other economists are less hopeful. Peter Newland, an economist at Barclays, said the modest increase did not change Barclay's forecast for growth at a 1.7 percent rate.

Consumers are benefiting from mild inflation. An inflation gauge tied to consumer spending increased 1.2 percent over the past 12 months, well below the Federal Reserve's 2 percent target. Some Fed officials have argued that the central bank should not start reducing its support for the economy until inflation has risen closer to the Fed's target.