Consumer spending increases slightly in December

Income rose as firms paid dividends early

By Martin Crutsinger
Associated Press

WASHINGTON — U.S. consumers increased their spending in December at a slower pace, while their income grew by the largest amount in eight years. Income surged because companies rushed to pay dividends before income taxes increased on high-earners.

The Commerce Department said Thursday that consumer spending rose 0.2 percent last month. That's slightly slower than the 0.4 percent increase in November.

Income jumped 2.6 percent in December from November, the biggest gain since December 2004.

The main driver of the increase was dividend payments, which companies accelerated to beat the January rise in income tax rates.

Wages and salaries grew 0.6 percent.

Consumer spending, which accounts for about 70 percent of economic activity, is expected to slow this year. That's because consumers are receiving less take-home pay starting this month because of an increase in Social Security taxes.

Analysts predict the January report will show slower income growth because most bonuses and dividends were paid out in December.

The increase in payroll taxes already hurt consumer confidence this month. And consumers will have less money to spend at a precarious time.