



Laurie Hanson looks shops for clothes at the Adorn clothing store in Montpelier, Vt., last month. U.S. consumers boosted their spending in February by the most in seven months. But Americans' income barely grew, and the saving rate fell to its lowest point in more than two years, according to a Commerce Department report issued Friday. TOBY TALBOT/AP

Consumer spending rise boosts outlook

Despite the increase, Americans' income still lagging — cutting into saving rates

By Martin Crutsinger
The Associated Press

WASHINGTON — U.S. consumers boosted their spending in February by the most in seven months. But Americans' income barely grew, and the saving rate fell to its lowest point in more than two years.

The Commerce Department said Friday that consumer spending rose 0.8 percent last month. Income grew 0.2 percent, matching January's weak increase. And when taking inflation into account, income after taxes fell for a second straight month.

Still, consumers are spending more after the best three-month hiring stretch in two years. Paul Dales, an economist at Capital Economics, suggested that estimated annual growth for the economy in the current January-March quarter may be revised up — to around 2.5 percent, compared with ear-

lier estimates of about 2 percent.

Dales cautioned, though, that at some point, consumers won't be able to draw further on their savings. Further job gains are needed to boost consumers' income.

Some of the higher spending last month reflected surging gas prices. But consumers spent more on other goods and services, too. After excluding inflation, which was due mainly to gas prices, spending rose a solid 0.5 percent.

The saving rate dropped to 3.7 percent of after-tax income in February. That was the lowest level since August 2009. The saving rate had been 4.3 percent in January. It had averaged 4.7 percent for all of last year.

The economy has added an average of 245,000 jobs a month from December through February. That's lowered the unemployment rate to 8.3 percent, the lowest in three years. Most econo-

mists expect a similar number of net jobs added in March.

So far, more robust hiring has yet to lift growth. The economy grew at an annual rate of 3 percent in the October-December quarter and most analysts expect that pace slowed in the January-March quarter.

Consumer spending drives 70 percent of economic activity.

Economists expect growth to rebound later this year as further hiring lifts the economy. The spending increase in February follows other data showing that may already be under way.

Americans stepped up spending on retail goods in February, the government said earlier in the month. Consumers bought more autos, clothes and appliances. They also paid higher prices for gas.

On Friday, the national average price for a gallon of gas was \$3.92, according to AAA.

In 11 states, the price is now more than \$4 per gallon.

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Higher gas prices could eventually slow growth by causing some people to cut spending on other goods, from appliances and furniture to electronics and vacations. Gasoline purchases provide less benefit for the U.S. economy because about half of the revenue flows to oil-exporting nations, though U.S. oil companies and gasoline retailers also benefit.

Despite paying more to fill their tanks, consumers remain optimistic about the economy.

The Conference Board, a New York-based private research group, said that its gauge of consumer confidence held nearly steady in March after reaching its highest level in a year in February.