Consumer spending up for second month

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WASHINGTON — The government says consumers increased spending for a second straight month in February even though their incomes slipped due to continuing massive layoffs.

The Commerce Department reported Friday that consumer spending edged up 0.2 percent in February, in line with expectations. That follows a huge 1 percent jump in January that was even better than the 0.6 percent rise originally reported.

But the report says incomes fell by 0.2 percent in February, the fourth drop in the past five months, declines that reflected the sizable number of job layoffs that have been occurring because of the recession.

After-tax incomes also fell in February, edging down by 0.1 percent. With incomes down while spending rose, the personal savings rate dipped slightly to 4.2 percent in February, compared to 4.4 percent in January. Still, the latest two-month performance marked the first time that the savings rate has been above 4 percent for two consecutive months in more than a decade.

Economists believe that the deep recession, already the longest in a quarter-century, will continue prompting consumers to do more to trim spending and boost their savings. However, that development could make it more difficult for the country to pull out of the recession since consumer spending accounts for about 70 percent of economic activity.

The back-to-back increases in consumer spending in January and February had followed six straight declines in spending that occurred from July through December. Consumer spending in the fourth quarter fell at an annual rate of 4.3 percent, the biggest decline in 28 years, and was the major factor pushing overall economic activity down by 6.3 percent during that period.

Many economists believe that the gross domestic product will drop by around that amount in the current January-March period and will continue falling in the spring although at a slower pace. Many analysts are not looking for the current recession, which began in December 2007, to end until the second half of this year.

A price gauge tied to consumer spending rose by 0.3 percent in February and was up 0.2 percent excluding food and energy, indicating that the recession has contributed to a significant moderate in inflation pressures.

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