Consumer spending, wages flat in May

Cheaper gas helps, but job growth key

By Martin Crutsinger
Associated Press

WASHINGTON — U.S. consumers spent no more in May than in April after seeing almost no gains in their pay. The lack of growth in consumer spending and wages suggests that a faltering job market is slowing the economy. The Commerce Department said Friday that consumer spending was unchanged in May. Income growth edged up 0.2 percent, but that was mostly because of gains from investments. Wages, the largest component of income, were essentially flat.

Americans cut back spending on cars and other long-lasting manufactured goods, though they paid less for gas. Consumers did increase how much they spent on services for the second straight month, one of the few positive signs. The mostly disappointing report suggests growth in the April-June quarter could be weaker than the previous quarter's modest 1.9 percent annual pace. Paul Dales, senior U.S. economist at Capital Economics, said annual growth in the second quarter may be closer to 1.5 percent.

Job growth has fallen in the last two months. Consumer confidence has fallen. And growth in manufacturing has slowed, in part because Europe's financial crisis has dampened demand for U.S. exports. "Looking ahead, the recent fall in gasoline prices will soon boost real consumption," Dales said. "But a sustained and significant acceleration in consumption growth cannot take place without faster jobs growth too."



New York shoppers leave Macy's with purchases last month. AP