BUSINESS

Consumers cut April spending

Drop in gas prices may have lowered spending

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Associated Press

WASHINGTON — Americans cut back on spending in April after their income failed to grow, a sign that economic growth may be slowing.

The Commerce Department said Friday that consumer spending dropped a seasonally adjusted 0.2 percent in April, the first decline since last May. That follows a 0.1 percent increase in March and a 0.8 percent jump in February.

A drop in gas prices likely lowered overall spending. Adjusted for inflation, spending ticked up 0.1 percent last month. Still, that was the smallest gain since October.

Income was unchanged last month, after a 0.3 percent rise in March and a 1.2 percent gain in February. Wages and salaries barely grew, while government benefit payments fell.

The expiration of a suspension on Social Security taxes, passed during the recession to boost the economy, has reduced take-home pay for nearly all consumers. A person earning $50,000 a year has about $1,000 less to spend this year. A household with two high-paid workers has up to $4,500 less.

Income taxes on the wealthiest Americans also increased.

Consumer spending drives 70 percent of economic activity. It grew at the fastest pace in more than two years from January through March, helping the economy expand at a 2.4 annual rate during that quarter.