High gas costs push US consumer spending up

BY MARTIN CRUTSINGER
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WASHINGTON — Americans boosted their spending in August even though their income barely grew. Much of the spending increase went to pay higher gas prices, which may have forced consumers to cut back elsewhere.

The Commerce Department said Friday that consumer spending rose 0.5 percent in August from July. It was the biggest jump since February.

Gas prices rose nearly 50 cents per gallon in July and August, but have since leveled off. Excluding the impact of higher gas prices and other price gains, spending ticked up only 0.1 percent last month.

Income grew only 0.1 percent, too. But after accounting for inflation and deducting taxes, income actually fell 0.3 percent — the poorest performance since November.

High unemployment and weak wage growth have kept Americans from spending more freely, which has held back growth. Consumer spending drives nearly 70 percent of economic activity.

The economy grew at an annual rate of 1.3 percent in the April-June quarter, the government reported Tuesday. Most economists say growth rate will likely hover around 2 percent in the July-September quarter, a rate that is far too weak to lower the unemployment rate.

The combination of weak income growth and a big jump in spending meant that households saved less. The saving rate dropped to 3.7 percent of after-tax income in August, down from 4.1 percent in July.



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A shopper pushes a cart through the clearance section of a store. Americans spent at the fastest pace in six months in August but much of that went toward paying higher gas bills, the Commerce Department announced Friday.