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# Incomes and spending post solid gains

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WASHINGTON — Personal incomes rose in November at the fastest pace in six months while spending posted a second straight increase, raising hopes that that the recovery from the nation's deep recession might be gaining momentum.

The Commerce Department said this week that personal incomes were up 0.4 percent in November, helped by a $16.1 billion increase in wages and salaries, reflecting the drop in unemployment that occurred last month.

The gain in incomes helped bolster spending, which rose 0.5 percent in November. Both the income and spending gains were slightly less than economists had expected.

After taking inflation into account, after-tax incomes are rising at an annual rate of just 1.2 percent, a pace that many economists believe is too weak to support a strong economic rebound, especially at a time when many households are struggling with high debt loads and trying to rebuild savings that were depleted during last year's stock market plunge.

"Annualized income growth of a little over 1 percent will not be enough to drive a significant recovery in consumption at the same time that debt needs to be paid down," said Paul Dales, U.S. economist at Capital Economics.

Consumer spending is closely watched because it accounts for 70 percent of economic activity. A revival in spending this summer, spurred by the government's popular Cash for Clunkers program, helped lift overall economic growth back into positive territory, the strongest signal yet that the country has emerged from its deepest recession since the Great Depression.

The government trimmed its estimate for third-quarter growth in the gross domestic product to an annual rate of 2.2 percent, down from a previous estimate of 2.8 percent. Still, GDP showed positive growth after a record four consecutive quarters of declines.

Many economists believe that GDP growth in the current quarter, helped by solid gains in consumer spending, will come in at an annual rate of around 4 percent. The concern, however, is whether the economic rebound will falter in the early part of 2010 as the impact of various government stimulus efforts begin to wane and the unemployment rate remains stubbornly high.

The jobless rate dipped to 10 percent in November, down from a 26-year high of 10.2 percent in October, but many economists believe it will begin rising in coming months as discouraged job seekers return to the labor market to look for work. Many economists believe the unemployment rate will hit 10.5 percent by next summer before starting to improve.

The 0.4 percent rise in incomes followed a 0.3 percent October gain. It was the best showing since a 1.5 percent spurt in May.



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**In this Dec. 19 photo, Holiday shoppers jam Michigan Ave., as they rush to find last minute deals in Chicago. Personal incomes rose in November at the fastest pace in six months while spending posted a second straight increase, raising hopes that that the recovery from the nation's deep recession might be gaining momentum.**