Biggest gain in 7 months

Retail sales rose strongly in Sept.



Jason Ashton looks at a new Dodge Durango at a dealership in Warren, Mich. Autos helped drive a 1.1 percent increase in retail sales in September. AP

By Martin Crutsinger
The Associated Press

WASHINGTON — U.S. consumers stepped up their spending on retail goods in September, a hopeful sign for the sluggish economy.

They spent more on autos, clothing and furniture last month to boost retail sales 1.1 percent, the Commerce Department said Friday. It was the largest gain in seven months.

Auto sales rose 3.6 percent to drive the overall increase. Still, excluding that category, sales gained a solid 0.6 percent.

The government also revised the August figures to show a 0.3 percent increase, up from its initial report of no gain.

Stocks rose after the release of the report, the government's first look at consumer spending each month. The Dow Jones industrial average climbed 87 points in afternoon trading. Broader indexes also rose.

A separate Commerce report showed that businesses added to their stockpiles for a 20th consecutive month in August while sales rose for a third straight month. The increase suggests businesses were confident enough in the economy to keep stocking their shelves.

Stronger consumer spending could help tamp down concerns that the economy is at risk of a recession. Consumer spending is closely watched because it accounts for 70 percent of economic activity.

The increase "shows that households are not completely down and out," said Paul Dales, senior U.S. economists for Capital Economics. Dales said the data correspond with an annual growth rate of 2 percent for consumer spending growth in the July-September quarter.

Dales cautioned that weak hiring will likely prevent consumers from spending at this rate on a month-to-month basis.

"Sales growth is unlikely to remain this strong," he said. "So although a recession has become less likely, households still can't be relied on to drag the U.S. economy out of its continued malaise."