

Spending unchanged; gas a

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WASHINGTON — For the first time in a year, Americans have stopped spending more.

Consumer spending failed to budge from April to May, evidence that high gas prices and unemployment are squeezing household budgets. When adjusted for inflation, spending actually dropped 0.1 percent last month, the Commerce Department

reported Monday.

April's consumer spending figures were revised to show a similar decline when adjusting for inflation. It marked the first two-month decline in inflation-adjusted spending since April 2009.

Incomes rose 0.3 percent for the second straight month. But adjusted for inflation, after-tax incomes increased only 0.1 percent in May, after falling by the same amount in the previous month.

Neil Dutta, an econo-

mist at Bank of America Merrill Lynch, pointed out that inflation-adjusted, after-tax income is now slightly lower than it was in January.

"It was a very poor report all around," he said. "I think it's clear that higher gasoline prices are taking a bite out of consumer spending."

Consumer spending is important because it accounts for 70 percent of economic activity. The spike in gas prices has forced many consumers to

cut back on discretionary purchases, such as furniture and vacations, which help boost growth.

Fewer jobs and high unemployment have left workers with little leverage to ask for raises. And slow wage growth hurts the broader economy because consumers have less money to spend.

Economists note that the slowdown in spending was partly the result of temporary factors.

Auto purchases fell sharply in May. That low-

factor

ered spending on long-lasting manufactured goods 1.5 percent, the steepest drop since September 2009. Dealers had limited supplies of many cars because of a parts shortage stemming from the crisis in Japan. U.S. factories are expected to begin producing more cars once Japan's factories resume normal operations.

Gas prices peaked in early May at a national average of nearly \$4 per gallon. Since then, they have dropped to \$3.57.