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# U.S. Consumer Spending Up Modestly

By **JAVIER C. HERNANDEZ**

Household incomes remained flat in February as a weak jobs market crimped paychecks, the Commerce Department indicated on Monday.

But even as wages held steady, consumers were more willing to part with the little cash they had on hand — a trend economists expect to continue. [Spending rose 0.3 percent](#), or \$34.7 billion, compared with January, the fifth month of increases.

Bernard Baumohl, chief global economist at the Economic Outlook Group, called the report an “unambiguous sign that consumers are growing more confident.”

“There is an enormous amount of pent-up demand, and now it is being unleashed,” Mr. Baumohl said.

As the recovery strengthens, analysts expect spending to rise modestly this year. But it will probably be constrained by weak consumer confidence, which is far below historical averages, and high unemployment, with the jobless rate at 9.7 percent.

In addition, high debt burdens and nervousness about the economy will probably lead Americans to keep a larger-than-usual proportion of their income in savings. The saving rate fell to 3.1 percent last month, its lowest level since October 2008, but it is expected to rise. In early 2008, before the financial crisis sent jitters through the economy, the rate was 1.2 percent.

“Households are gradually altering their behavior in the face of large capital losses in investment and real estate portfolios, a weak labor market, and tight credit,” Joshua Shapiro, chief economist for MFR, wrote in a research note.

The labor market continues to shed jobs on a monthly basis, though the pace of losses has decreased and economists believe that the economy might have created jobs in March.

Still, even if jobs start reappearing, paychecks are expected to remain suppressed since many employers do not face pressure to raise wages.

Wages and salaries, which make up more than half of personal income, were largely flat in February, increasing by \$2.7 billion or 0.1 percent. Unusually stormy weather in February, which

forced many employers along the East Coast to cut hours, may have held back growth.

Spending on durable goods, like cars and air-conditioners, fell 0.4 percent in February, while spending on non-durable goods like food and clothing increased 0.7 percent.

A gauge of prices in the report registered no change, suggesting inflation in the United States was largely tame.

The Commerce Department said spending levels in January were less robust than previously thought, rising 0.4 percent rather than the original forecast of 0.5 percent. Income was higher than originally reported, rising 0.3 percent rather than the original report of 0.1 percent.