

Incomes up, spending flat in December

By Martin Crutsinger
The Associated Press

WASHINGTON — Americans' income rose in December by the most in nine months, a hopeful sign for the economy after a year of weak wage gains.

But consumers didn't spend any more than they had in November. Americans ended up saving all their additional income.

Economists noted that income rose last month largely because of strong hiring. The economy added 200,000 jobs in December.

The best hope for the economy is further job gains. On Friday, the government is expected to report another solid

month of hiring for January.

Income rose 0.5 percent from November to December, the Commerce Department said Monday.

It was the sharpest increase since a similar gain in March.

The flat spending in December followed gains of 0.1 percent in both October and November.

For all of 2011, income barely rose. And consumers tapped their savings to spend more.

But in December, Americans boosted their savings. If they continue to save any additional income rather than spend it, the economy could slow, and that could force employers to pull back on



Visitors shop at Dolphin Mall in Miami. Overall, Americans didn't spend any more in December than in the previous month, saving their additional income. LYNNE SLADKY/AP

hiring.

Consumer spending accounts for about 70 percent of economic activity.

Many economists are holding out hope, though, that continued job gains will mean more spending across the economy.

"The pace of job growth in recent months, while still not satisfactory compared to most past cycles, at least

seems sufficient to generate enough income growth to keep consumer spending moving ahead at a modest pace," said Joshua Shapiro, chief U.S. economist at MFR, Inc.

After-tax income adjusted for inflation rose 0.3 percent in December. For the year, inflation-adjusted income rose 0.9 percent. That was just

half the rise in 2010.

Inflation-adjusted consumer spending rose just 2.2 percent last year. It was slightly better than the increase in 2010.

The government said Friday that the economy grew at an annual rate of 1.7 percent last year — about half the growth of 2010. It was the weakest showing since the economy contracted in 2009.