

Consumer spending, construction show gains By Martin Crutsinger, The Associated Press

WASHINGTON

Consumers shrugged off sagging home prices and financial market turmoil in August to push up spending by a better-than-expected amount.

In other good news, a key inflation gauge showed price pressures outside of food and energy eased further last month and construction activity rose, thanks to continued strength outside of housing.

The batch of new reports Friday offered some reassurance that the current economic expansion will not be derailed by the continued troubles in housing and the severe credit crunch that roiled financial markets last month. Consumer spending, which accounts for two-thirds of total economic activity, is considered the key to whether the country avoids a recession.

The Commerce Department reported that consumer spending rose by 0.6 percent in August, the best showing in four months and better than the 0.4 percent increase that had been expected. Inflation-adjusted spending was also up 0.6 percent, the best showing for this measure in 10 months.

“So far, the housing and credit problems have not dented the consumer’s armor,” said Joel Naroff, chief economist at Naroff Economic Advisors. “This was a good report as household spending stayed up while inflation came down.”

An inflation gauge tied to consumer purchases showed prices excluding food and energy rose by just 1.8 percent in August, compared to a year ago. That was the slowest year-over-year price increase since February 2004. It marked the third straight month that core inflation has been inside the Fed’s comfort zone of 1 percent to 2 percent increases.

