

# Consumer spending up

By Jeannine Aversa  
THE ASSOCIATED PRESS

WASHINGTON — Flush with extra cash from tax cuts, America's consumers treated themselves in August and spent with gusto, good news for the economy's revival.

The Commerce Department reported Monday that consumer spending increased by a strong 0.8 percent last month on top of an even bigger 0.9 percent advance in July as larger paychecks and other incentives from President Bush's third tax cut began to take hold.

"Consumer spending turned in another stellar performance," said Wachovia economist Mark Vitner. "Spending continues to be bolstered by the recently enacted tax cuts."

Americans' disposable incomes, or what's left after taxes, advanced by 0.9 percent in August, following a 1.5 percent jump in July.

The government attributed much of the increase in disposable incomes in both July and August to the president's tax cut, which lowered federal tax withholdings, boosting people's take-home pay and provided other incentives.

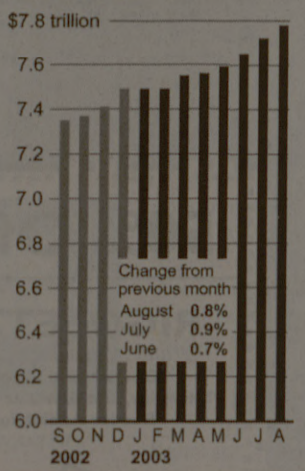
Excluding the tax impact, disposable incomes increased by a more modest 0.3 percent in July and 0.2 percent in August.

Consumer spending accounts

## Personal spending

Here is a look at the nation's personal spending.

Seasonally adjusted



SOURCE: Department of Commerce AP

for roughly two-thirds of all economic activity in the United States. Because of that, the behavior of shoppers is a major factor in shaping the economy's recovery.

Many analysts believe the economy is growing at a rate in excess of 5 percent in the current quarter and should maintain growth above 4 percent in the final three months of the year.

That forecast, if it proves to be correct, would represent the strongest back-to-back growth rates since the last two quarters of 1999.

Still, analysts caution that they have predicted second-half economic rebounds for three years that have failed to happen as consumers and companies grew cautious — concerned about their own financial situations as well as the economy's future.

Thus far, those positive factors are helping to offset the negative impact of a sluggish job market. In August, businesses slashed jobs for the seventh month in a row. And, more recently, claims for unemployment benefits have remained stubbornly high.

Consumer spending on "durable" goods — costly manufactured products such as cars and appliances, went up by 2.8 percent in August, following a 3.3 percent increase in July.

Spending on "nondurables" such as food and clothes, rose by 0.9 percent for the second straight month. For services, spending increased by 0.3 percent in August, after a 0.5 percent gain.

Because disposable income growth outpaced spending, the nation's personal savings rate, or savings as a percentage of after-tax incomes, rose to 3.8 percent in August from 3.6 percent in July. August's saving rate marked the best showing since February.

Amid signs that the economy is picking up speed, the Federal Reserve earlier this month decided to hold a key short-term interest rate at a 45-year low of 1 percent and hinted that the rate could stay there for some time.

## NEWS IN BRIEF

### Mail-order drugs found to violate law

WASHINGTON (AP) — Nearly 90 percent of the imported mail-order drugs stopped at the borders in a special crackdown by government agents were potentially dangerous, the Food and Drug Administration said Monday.

Of 1,153 imported drugs collected by FDA and Customs agents, 1,119 were illegal. They included drugs that have been withdrawn from the U.S. market, animal drugs never approved for humans, counterfeit drugs, drugs with dangerous interactions and narcotics, officials said.

The drugs were collected at

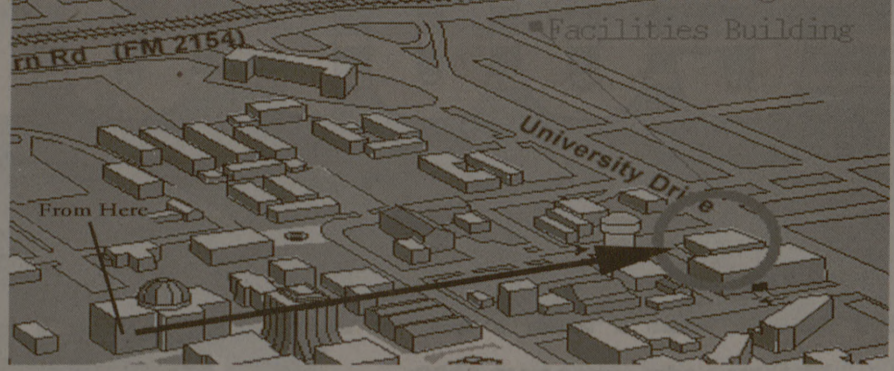
international mail arrival centers in New York, Miami, San Francisco and Carson, Calif.

Imported drugs have become a hot political issue in recent years with many Americans seeking lower-cost products from foreign sources. Buying drugs from Canada is particularly popular because U.S.-produced drugs cost less there.

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Lecture by Fatimah Bhutan  
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