

Savings Rate Climbs To 14-year High On Tax Cuts

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HEADLINE: Savings rate climbs to 14-year high on tax cuts

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WASHINGTON (MarketWatch) -- The U.S. personal savings rate jumped to a 14-year high of 5.7% in April as after-tax incomes were boosted by provisions of the economic-stimulus plan, the Commerce Department reported Monday.

The stimulus was supposed to increase spending to give the economy additional support, but the 1.1% rise in disposable incomes in April mostly went into savings, the government said.

Real consumer spending fell 0.1%, the second consecutive decline and the 8th decline in the past 11 months. Inflation-adjusted spending in April was lower than it was in December 2006.

The tax cut in the stimulus plan added \$49.8 billion on an annual rate to disposable incomes in April. Another provision added \$25 a week to unemployment compensation, pumping \$11.8 billion annually into incomes.

Headline inflation was modest in April, with consumer prices rising 0.1%. Core prices -- which exclude food and energy prices -- increased 0.3%.

In the past year, consumer prices have risen 0.4%, while core prices are up 1.9%, the most since November.

Wages and salaries were unchanged in April, the first time since September that wages didn't fall.

Small business income increased 0.4% in April, only the second gain in the past six months. Income from assets fell 0.1%, the seventh straight decline.

Income from transfer payments rose 2.3%, the sixth straight increase.

Real spending on durable goods fell 0.7% in April, led by autos, while real spending on nondurable goods also were down 0.7%. Spending on services increased 0.2%.

The report was better than economists surveyed by MarketWatch had been anticipating.

Nominal incomes rose 0.5%, better than the 0.2% decline expected. Nominal spending fell 0.1%, marginally better than the 0.2% decline expected.

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