Increase in Consumer Spending Sign of Economic Rebound

Despite the housing slump, reports from spending in July could mean the economy is heading in a good direction.

The Commerce Department announced Aug. 29 that consumer spending grew 0.8 percent in July—news that will likely help ease fears of another recession.

Since this type of spending accounts for about 70 percent of economic activity, economists say the latest growth is a sign of an economic rebound.

July’s spending and income figures “significantly alter the outlook for third-quarter GDP growth,” said Paul Dales, a senior U.S. economist for Capital Economics.

Car and appliance sales led the way in an increase in consumer spending last month.

The economy also showed signs of progress in other areas, adding 117,000 net jobs in July.

Spending on retail goods also rose faster last month than in any month since March.