



## U.S. wallets stay open, inflation stays at bay

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Consumer spending in the United States rose more than forecast in August, suggesting Americans are as yet undeterred by a softening labor market and higher borrowing costs.

The 0.6 percent rise was the biggest in four months and followed a 0.4 percent increase in July, the Commerce Department said Friday.

Other reports brought more good news. A closely watched gauge of inflation was up just 1.8 percent in August, compared with the same period a year ago, the smallest increase since a similar rise in February 2004.

Construction spending posted a surprising 0.2 percent gain in August as strength in non-residential construction offset a home-building drop.

Purchases of autos and furniture in a month when the cost of credit climbed surprised most economists.

"Consumers were out in force in August even though we had the credit crunch," said Chris Rupkey, senior economist at Bank of Tokyo-Mitsubishi. "Inflation is behaving quite well."

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