

Consumer spending on LI rises in February

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Consumer spending on Long Island increased last month as residents purchased automobiles, furniture and other big-ticket items that they had put off buying in the recession.

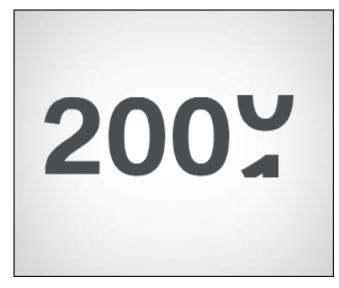
Sales-tax collections, a barometer of spending, climbed 6.7 percent in February compared with a year earlier. They were up 7.9 percent in Nassau County and 5.7 percent in Suffolk County, the state Taxation and Finance Department said.

The increases were slightly smaller than those seen in January. Sales-tax collections were up 7 percent then year over year. That followed December's 1.9-percent decline during the holiday shopping season.

Experts said consumers opened their wallets more frequently because of positive developments such as the surging stock markets and higher home prices. Consumer expenditures account for 70 percent of economic activity.

"Significant job gains, the roaring stock market and moderately rising home prices allowed consumers to ignore higher payroll taxes and the economic uncertainty created by fiscal wrangling in Washington," said Pearl Kamer, chief economist at the Long Island Association business group.

Rising stock prices created "a wealth effect that persuaded shoppers to begin spending again," she said.



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However, Kamer and others warned that two months of higher sales-tax collections doesn't mean the Long Island economy has roared back to life. Kamer said a spike in interest rates would nix the real estate market's nascent recovery and slow growth overall.

February's spending appears to have been centered on cars, trucks, appliances, furniture and other durable goods. Consumers continue to hold back on buying clothes, restaurant meals and other discretionary items.

Inflation isn't a factor. The consumer price index for the 31-county region that includes Long Island rose 2.4 percent in February compared with a year earlier. Martin Kohli, chief regional economist for the federal Bureau of Labor Statistics, said the increase was largely driven by the higher cost of residential rents, gasoline and medical care.

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