

ECONOMIC ALERT

U.S. PERSONAL INCOME & OUTLAYS – SEP 2018

Released Monday, October 29, 2018

Personal Income: +0.2% month-over-month (Cons: +0.4%), +4.4% year-over-year

Personal Consumption Expenditures: +0.4% month-over-month (Cons: +0.4%), +5.0% year-over-year

Core PCE Price Index: +0.2% month-over-month (Cons: +0.1%), +2.0% year-over-year

Savings Rate: 6.2%, -0.4 ppt year-over-year

Quick Take:

Personal income rose +0.2% month-over-month in September, below economists' estimates. Personal income rose a revised +0.4% in August, up from +0.3% originally. Year-over-year personal income growth was +4.4%, down from +4.7% growth in August. Wages and salaries, which make up ≈50% of personal income, grew +4.6% year-over-year in September, above the recovery average of +3.9%.

Nominal personal consumption expenditures rose +0.4% month-over-month in September, in line with economists' expectations, while August's monthly gain was revised to +0.5% from +0.3% prior. Nominal personal consumption growth in September was broad-based, as services spending and goods spending rose +0.3% and +0.6% month-over-month, respectively.

Personal spending growth outpaced income growth in September, dropping the savings rate to 6.2% from 6.4% in August. Personal consumption was the primary driver of real GDP growth in third quarter, as consumer strength continues to be supported by competitive labor markets and solid gains in wages and salaries.

On the inflation side, month-over-month growth for the core PCE price index was +0.2% in September, slightly above economists' estimates. Year-over-year growth was +2.0% for the sixth consecutive month in September. On a 6-month annualized basis, core PCE prices were up +1.7%. Housing and utilities inflation, which represents the largest component of core inflation, increased +3.0% year-over-year as of September and was up +2.6% on a 6-month annualized basis.

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Notable Data:

Services spending, which makes up approximately two-thirds of personal spending, rose +5.2% year-over-year in September. Durable goods spending and nondurable goods spending each rose +4.7% year-over-year.

Real disposable income, an indicator of purchasing power, was up +0.1% month-over-month in September and rose +2.9% year-over-year, down from +3.0% growth in August. Real disposable income has grown above +2.5% year-over-year for 17 consecutive months.

Real personal consumption rose +0.3% month-over-month in September after rising +0.4% in August. On a year-over-year basis, real personal consumption rose +3.0%, down from the recent high of +3.2% growth in August.