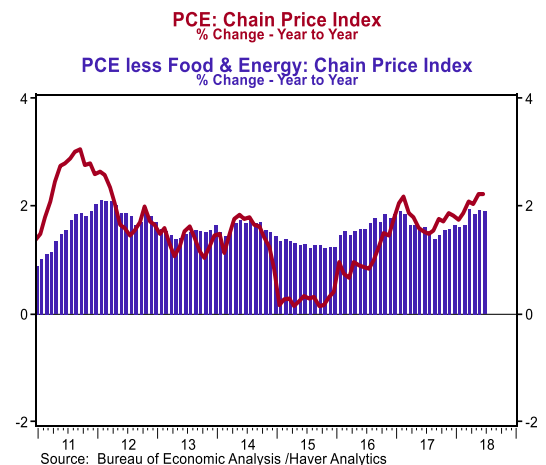
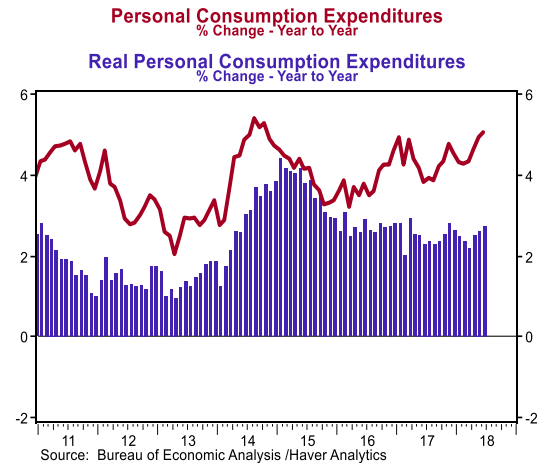


## June Personal Income and Consumption

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- Personal income and personal consumption both rose 0.4% in June, matching consensus expectations. Personal income is up 4.9% in the past year, while spending is up 5.1%.
- Disposable personal income (income after taxes) rose 0.4% in June and is up 5.4% from a year ago. The gain in June was led by private-sector wages and salaries and dividend income.
- The overall PCE deflator (consumer prices) rose 0.1% in June and is up 2.2% versus a year ago. The “core” PCE deflator, which excludes food and energy, also rose 0.1% in June and is up 1.9% in the past year.
- After adjusting for inflation, “real” consumption rose 0.3% in June is up 2.8% from a year ago.

**Implications:** Consumers are having a good summer, with both incomes and spending rising a healthy 0.4% in June. But before we get into the details of what led the gains in June, today’s report also includes revisions for data between 2013 and 2017. In total, personal income earned over the full five-year period was revised higher by \$1.05 trillion, as the Commerce Department integrated more complete IRS data on dividend income and nonfarm proprietors income (think income from partnerships, sole proprietorships, and private businesses). As a result, disposable (after-tax) income grew at a faster 3.2% annual rate during 2013-2017 than the prior estimate of 2.7%. With those numbers for perspective, personal income rose once again in June and is up 4.9% in the past year, while disposable income is up 5.4% over the same period, significantly faster than the 2013-2017 period (even including the upward revisions). On the spending side, personal consumption increased 0.4% in June and is up 5.1% in the past year, led in June by higher spending on hotels and restaurants. One of the best pieces of news in today’s report is that government transfers continue to grow at a slower pace than overall income. So, while government transfers are up 4.2% in the past year, total income has grown at a faster 4.9% (and private sector wages & salaries have risen 5.3%!), meaning transfer payments are making up a smaller – though still too high – portion of income. On the inflation front, the PCE deflator rose 0.1% in June and is up 2.2% in the past year. Meanwhile, “core” prices, which exclude food and energy, are up 1.9% in the past year, suggesting inflation has reached the Fed’s 2% inflation target. While little excitement is expected from tomorrow’s Fed statement, today’s data continue to point toward two more rate hikes this year, with four more likely in 2019. On the manufacturing front, the Chicago PMI, which measures manufacturing sentiment in that region, rose to 65.5 in July from 64.1 in June. Look for another strong reading of about 59.6 in tomorrow’s national ISM Manufacturing report, showing robust growth in the factory sector. On the housing front, the national Case-Shiller index reported home prices were up 0.4% in May and are up 6.4% versus a year ago, an acceleration from the 5.7% gain in the twelve months ending May 2017. In the last year, price gains were led by Seattle, Las Vegas, San Francisco, and Denver. In other recent housing news, pending home sales (contracts on existing homes) rose 0.9% in June following a 0.5% decline in May. These reports suggest existing home sales, counted at closing, will move modestly higher in July.



Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Jun-18	May-18	Apr-18	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
<b>Personal Income</b>	<b>0.4%</b>	0.4%	0.3%	4.4%	4.8%	4.9%
<b>Disposable (After-Tax) Income</b>	<b>0.4%</b>	0.4%	0.3%	4.6%	5.9%	5.4%
<b>Personal Consumption Expenditures (PCE)</b>	<b>0.4%</b>	0.5%	0.6%	6.2%	4.5%	5.1%
<b>Durables</b>	<b>0.0%</b>	0.4%	0.7%	4.7%	2.6%	4.6%
<b>Nondurable Goods</b>	<b>-0.1%</b>	1.1%	0.8%	7.4%	4.3%	5.8%
<b>Services</b>	<b>0.6%</b>	0.3%	0.6%	6.0%	4.9%	4.9%
<b>PCE Prices</b>	<b>0.1%</b>	0.2%	0.2%	2.1%	2.1%	2.2%
<b>"Core" PCE Prices (Ex Food and Energy)</b>	<b>0.1%</b>	0.2%	0.1%	1.8%	2.1%	1.9%
<b>Real PCE</b>	<b>0.3%</b>	0.3%	0.4%	4.0%	2.4%	2.8%

Source: Bureau of Economic Analysis