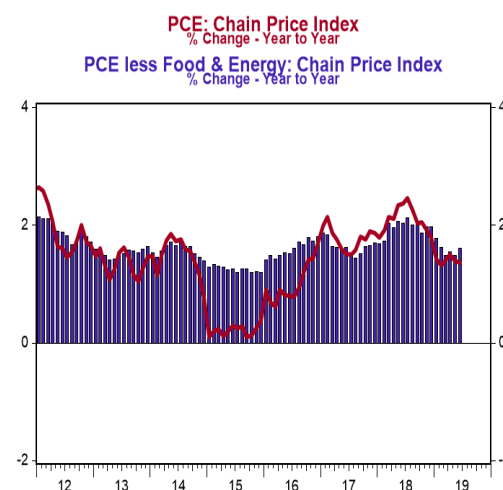
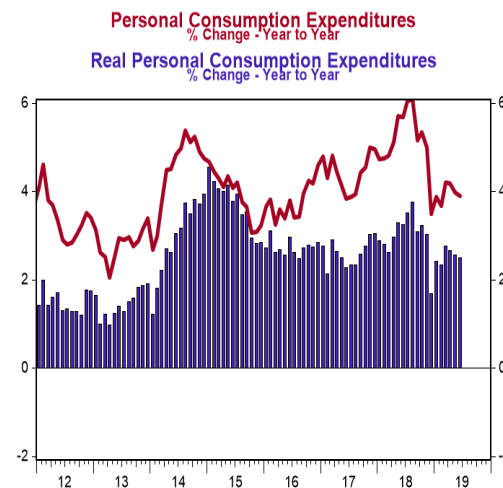


## June Personal Income and Consumption

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- Personal income rose 0.4% in June while personal consumption rose 0.3%, both matching consensus expectations. Personal income is up 4.9% in the past year, while spending has increased 3.9%.
- Disposable personal income (income after taxes) increased 0.4% in June and is up 4.7% from a year ago.
- The overall PCE deflator (consumer prices) rose 0.1% in June and is up 1.4% versus a year ago. The “core” PCE deflator, which excludes food and energy, rose 0.2% in June and is up 1.6% in the past year.
- After adjusting for inflation, “real” consumption increased 0.2% in June, and is up 2.5% from a year ago.

**Implications:** Consumers should have a smile on their face headed into the second half of 2019, as wages continue to rise at a healthy clip. Before we jump into the details for June, today’s report also shows large upward revisions for income growth since the end of 2016. Previously, we had income figures through May 2019 and the data showed that personal incomes had grown at a 4.3% annual rate since the end of 2016. But the revisions show that income was instead growing at a 5.3% annual rate, largely due to faster growth in worker compensation. Spending was revised up slightly, which means, with better incomes, spending has more room to improve in the future. For June, personal income rose 0.4% for a fourth consecutive month, led higher by private sector wages and salaries. Spending rose 0.3% in June, made more impressive considering that comes after a 0.6% jump in April and a 0.5% increase in May. To put that in perspective, the 5.7% annualized growth in spending through June is the fastest pace of growth for the first half of a year since 2006. Incomes are also accelerating, with personal income up 4.9% in the past year, but up at a faster 5.2% annualized rate over both the past three and six-month periods. This is not the type of data that would suggest a need for lower interest rates, and the Fed acknowledged the health of consumer activity in leaving rates unchanged at their last meeting back in June. Their focus was instead on inflation, which has continued to run below its 2% target. PCE prices rose 0.1% in June and are up 1.4% in the past year, while “core” prices, which exclude the volatile food and energy sectors, rose 0.2% in June but are up a slightly faster 1.6% in the past twelve months. However, over the past three months those measures have accelerated, with overall PCE prices up at a 2.2% annualized rate while “core” prices are up 2.5% annualized, both exceeding the Fed’s targets. Unfortunately, today’s data (or any of the other strong data released since the last Fed meeting) will probably do little to change its leanings toward cutting rates tomorrow. Is a rate cut needed? Not at all. The US continues to benefit from the tailwinds of tax reform and deregulation put in place over the past two years, and the economy is on track to once again grow near the fastest annual pace in more than a decade. There is no recession on the horizon, and no need for government intervention. In other news this morning, the national Case-Shiller index rose 0.2% in May and is up 3.4% from a year ago, a significant slowdown from the 6.3% gain in the year ending in May 2018. In the past twelve months, price gains were led by Las Vegas, Phoenix, and Tampa, while prices have dropped slightly in Seattle and risen only slightly in San Francisco, and San Diego.



Source: Bureau of Economic Analysis/Haver Analytics

Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Jun-19	May-19	Apr-19	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
<b>Personal Income</b>	<b>0.4%</b>	0.4%	0.4%	5.2%	5.2%	4.9%
<b>Disposable (After-Tax) Income</b>	<b>0.4%</b>	0.3%	0.4%	4.6%	4.2%	4.7%
<b>Personal Consumption Expenditures (PCE)</b>	<b>0.3%</b>	0.5%	0.6%	5.5%	5.7%	3.9%
<b>Durables</b>	<b>0.4%</b>	1.5%	-0.1%	7.4%	11.0%	4.0%
<b>Nondurable Goods</b>	<b>0.2%</b>	0.1%	1.2%	6.5%	8.6%	3.1%
<b>Services</b>	<b>0.3%</b>	0.4%	0.5%	5.0%	4.2%	4.1%
<b>PCE Prices</b>	<b>0.1%</b>	0.1%	0.3%	2.2%	1.5%	1.4%
<b>"Core" PCE Prices (Ex Food and Energy)</b>	<b>0.2%</b>	0.2%	0.2%	2.5%	1.5%	1.6%
<b>Real PCE</b>	<b>0.2%</b>	0.3%	0.3%	3.3%	4.2%	2.5%

Source: Bureau of Economic Analysis