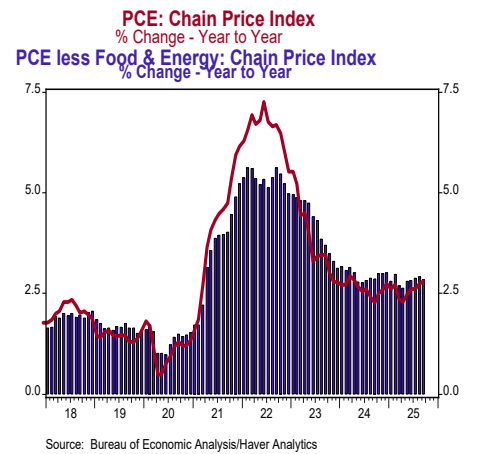
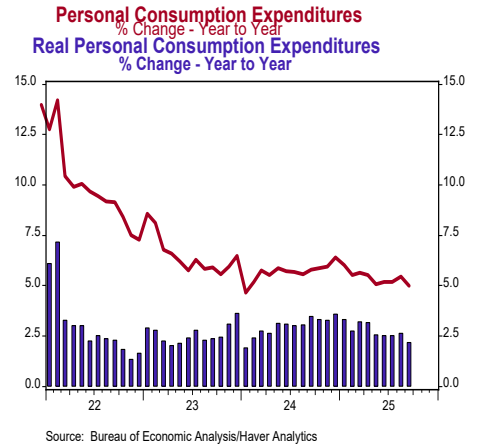


September Personal Income and Consumption

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- Personal income rose 0.4% in September, beating the consensus expected +0.3%. Personal consumption increased 0.3% (+0.2% including revisions to prior months), matching consensus expectations. Personal income is up 5.2% in the past year, while spending has increased 5.0%.
- Disposable personal income (income after taxes) rose 0.3% in September and is up 4.8% from a year ago.
- The overall PCE deflator (consumer prices) rose 0.3% in September and is up 2.8% versus a year ago. The “core” PCE deflator, which excludes food and energy, increased 0.2% in September and is also up 2.8% in the past year.
- After adjusting for inflation, “real” consumption was unchanged in September but is up 2.1% from a year ago.

Implications: Consumers closed out the third quarter with healthy growth in both income and spending, up 0.4% and 0.3%, respectively, in September. Starting with income, private-sector wages and salaries rose 0.4% in September while government transfer payments increased 0.2%. This is a welcome shift from the trend that started in early 2024 where government transfer payments have become an increasing share of consumers monthly spending power. We hope to see private earnings continue to rise at a faster pace than government transfers – which are not a reliable (or desirable) long-term source of income – and will be watching this data closely in the year ahead. On the spending front, personal consumption rose 0.3% in September. Services led the way, up 0.4%, with outlays on housing, health care, and financial services rising the most. Meanwhile spending on goods was flat as a gain in outlays for gasoline was offset by slowdowns for autos, recreational goods, and clothing. It must, however, be noted that the growth in spending was almost entirely due to higher prices, with inflation-adjusted spending flat on the month. PCE prices, the Fed’s preferred inflation metric, rose 0.3% in September while the year-ago reading rose to 2.8%. That 2.8% pace in the past twelve months is up from the 2.3% rate for the twelve-months ending September of 2024, but it’s important to note that inflation readings between May and November of last year were relatively subdued before rising at an above average rate to start 2025. This will be worth keeping an eye on in the months to come as continued monthly readings in the 0.2%-0.3% range would result in the year-over-year reading start to come back down towards the 2.0% target. Pair this with signs from the housing market that rent prices have subdued (housing is the single largest component of PCE prices), while M2 growth continues to run below the historical 6% rate, and we believe inflation is unlikely to accelerate in the year ahead. And with a tepid jobs market pushing the employment side of the dual mandate towards center stage in Fed voters’ minds, it looks likely rate cuts will continue at the Fed meeting next week, with some further cuts to come in 2026. In other recent news, initial jobless claims declined 27,000 last week to 191,000 (this was the week of Thanksgiving, and we wouldn’t read too much into this notably low reading); continuing claims fell 4,000 to 1.939 million. On the autos front, cars and light trucks were sold at a 15.6 million annual rate in November, up 2.0% from October, but down 5.6% from a year ago.



Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Sep-25	Aug-25	Jul-25	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
Personal Income	0.4%	0.4%	0.5%	5.0%	4.1%	5.2%
Disposable (After-Tax) Income	0.3%	0.4%	0.4%	4.6%	3.7%	4.8%
Personal Consumption Expenditures (PCE)	0.3%	0.5%	0.5%	5.6%	4.6%	5.0%
Durables	-0.7%	0.0%	1.2%	2.0%	-3.0%	3.0%
Nondurable Goods	0.4%	0.7%	0.2%	5.1%	4.5%	3.8%
Services	0.4%	0.5%	0.6%	6.2%	5.9%	5.7%
PCE Prices	0.3%	0.3%	0.2%	2.8%	2.7%	2.8%
"Core" PCE Prices (Ex Food and Energy)	0.2%	0.2%	0.2%	2.7%	2.7%	2.8%
Real PCE	0.0%	0.2%	0.4%	2.7%	1.8%	2.1%

Source: Bureau of Economic Analysis