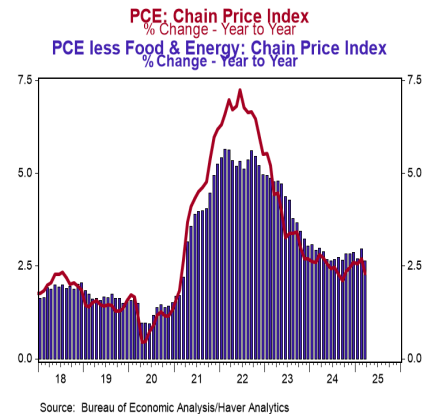
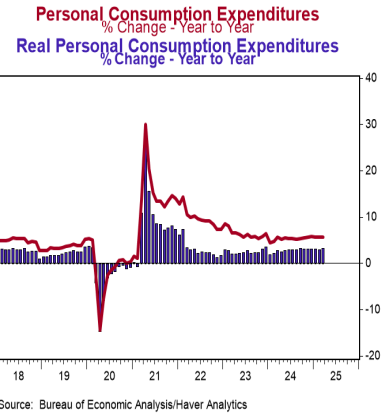


March Personal Income and Consumption

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- Personal income rose 0.5% in March (+0.4% including revisions to prior months), versus a consensus expected +0.4%. Personal consumption rose 0.7% (+1.0% including revisions to prior months), beating the consensus expected +0.6%. Personal income is up 4.3% in the past year, while spending has increased 5.6%.
- Disposable personal income (income after taxes) rose 0.5% in March and is up 4.0% from a year ago.
- The overall PCE deflator (consumer prices) was unchanged in March but up 2.3% versus a year ago. The “core” PCE deflator, which excludes food and energy, was also unchanged in March and is up 2.6% in the past year.
- After adjusting for inflation, “real” consumption rose 0.7% in March and is up 3.3% from a year ago.



Implications: Consumers are off to a hot start in 2025, with personal income rising 0.5% in March following a strong 0.7% increase in February and up a healthy 0.6% in January. Unfortunately, the gains throughout much of the first quarter were primarily driven by government transfers. In January, this was due to cost-of-living adjustments to Social Security benefits; in February it was premium tax credits for health insurance purchased through the Health Insurance Marketplace (Obamacare). Thankfully March shows a much more sustainable driver, with income gains on the month led by private sector wages and salaries, up 0.5%. In the past year, private sector wages and salaries are up 2.9%, which is barely keeping pace with inflation, while public sector pay has risen 5.4% and government benefit payments to individuals are up 6.9% in the past year. We don't think the growth in government pay – or massive government deficit spending – is either sustainable or good for the US economy, which is why we're hoping policy changes in DC represent a shift in thinking on the growth of government. Long term, it's the growth in private-sector earnings that would better sustain the economy. Personal consumption, meanwhile, jumped 0.7% in March and, importantly, did so in a month when PCE prices were unchanged. Consumers increased purchases of both good and services in March, with some clear pre-tariff purchasing in the works. Spending on goods increased 0.9% in March and is up 4.1% from a year ago, with the largest jump in spending (by far) coming from motor vehicles and parts. Spending on services rose 0.6% in March and is up a strong 6.3% in the past year. On the inflation front, PCE prices were unchanged in March and are up 2.3% in the past year. “Core” prices (which exclude food and energy) were also unchanged in March and are up 2.6% versus a year ago. Some analysts claim official inflation figures are running too high because of rents, but the “SuperCore” version of PCE prices, which excludes all goods, energy services, and rents, is up 3.3% in the past year, even worse than headline inflation. The Fed is unlikely to move at the May meeting, as it continues to watch how the economy responds to actions out of DC, but we believe the Fed is eyeing further rate cuts in the later part of 2025. In other news this morning, pending home sales, which are contracts on existing homes, rose 6.1% in March following a 2.1% increase in February, suggesting a rise in existing home sales (counted at closing) in April. In other recent housing news, the national Case-Shiller index rose 0.3% in February and is up 3.9% from a year ago. Meanwhile, the FHFA index rose 0.1% in February and is also up 3.9% from a year ago. Look for continued moderate gains in national average home prices in the year ahead.

Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Mar-25	Feb-25	Jan-25	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
Personal Income	0.5%	0.7%	0.6%	7.5%	6.2%	4.3%
Disposable (After-Tax) Income	0.5%	0.8%	0.5%	7.4%	6.1%	4.0%
Personal Consumption Expenditures (PCE)	0.7%	0.5%	0.0%	4.9%	6.2%	5.6%
Durables	3.2%	0.9%	-4.0%	0.0%	8.0%	6.1%
Nondurable Goods	-0.4%	0.5%	0.4%	2.0%	3.2%	3.0%
Services	0.6%	0.5%	0.5%	6.6%	6.8%	6.3%
PCE Prices	0.0%	0.4%	0.4%	3.1%	2.9%	2.3%
"Core" PCE Prices (Ex Food and Energy)	0.0%	0.5%	0.3%	3.5%	3.0%	2.6%
Real PCE	0.7%	0.1%	-0.4%	1.7%	3.2%	3.3%

Source: Bureau of Economic Analysis