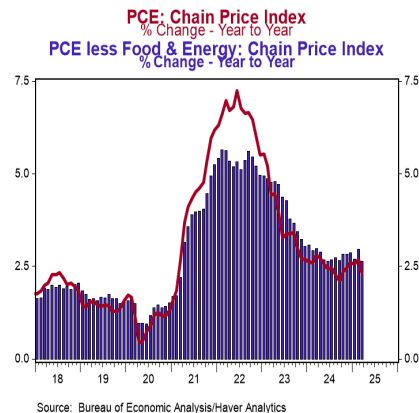
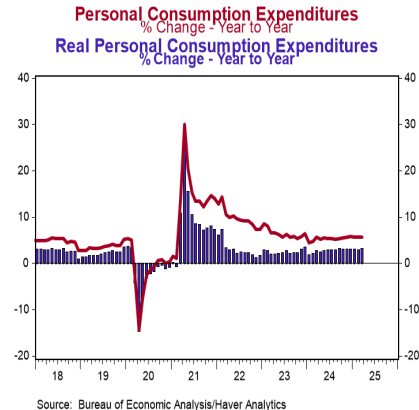


## April Personal Income and Consumption

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- Personal income rose 0.8% in April (+1.3% including revisions to prior months), easily beating the consensus expected +0.3%. Personal consumption rose 0.2% (+0.1% including revisions to prior months), matching consensus expectations. Personal income is up 5.5% in the past year, while spending has increased 5.4%.
- Disposable personal income (income after taxes) rose 0.8% in April and is up 5.2% from a year ago.
- The overall PCE deflator (consumer prices) rose 0.1% in April and is up 2.1% versus a year ago. The “core” PCE deflator, which excludes food and energy, also increased 0.1% in April and is up 2.5% in the past year.
- After adjusting for inflation, “real” consumption rose 0.1% in April and is up 3.2% from a year ago.

**Implications:** Consumer spending power has been rising at a blazing pace to start 2025, with personal income up 0.8% in April following a strong 0.7% increase in March, 0.8% in February, and 0.6% in January. Unfortunately, the gains have been 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). April’s income gains were once again led by government transfer payments, most notably payments related to the Social Security Fairness Act – one of the last items signed into law by the outgoing Biden administration – which increased benefits to public sector workers not typically covered by Social Security. That said, private sector wages and salaries, up 0.5% in April, have also been rising at a healthy pace. In the past year, private sector wages and salaries are up 4.5%, which is keeping pace with inflation and then some. For comparison, public sector pay has risen 5.3% and government benefit payments to individuals are up 11.1% 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 have been 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 sustain the economy. Personal consumption rose a modest 0.2% in April as spending on services increased 0.4% while goods spending declined 0.1%. Within services, the largest increases came in housing & utilities services, health care, and food services & accommodations. Within goods, a rise in spending on energy was more than offset by pullbacks in spending in most major goods categories. On the inflation front, PCE prices rose 0.1% in April and are up 2.1% in the past year, matching the lowest twelve-month change going back to early 2021. “Core” prices (which exclude food and energy) rose 0.1% in April and are up 2.5% versus a year ago, which also represents the lowest year-ago increase seen since early 2021. Some analysts claim official inflation figures continue to run above the Fed’s 2.0% target because of rents, but the “SuperCore” version of PCE prices, which excludes all goods, energy services, and rents, is up 3.0% in the past year, worse than headline inflation. The Fed is unlikely to move at the June meeting, as it continues to fret about potential inflationary impacts from tariffs and increased uncertainty surrounding policy out of Washington, but we believe the Fed will resume rate cuts in the later part of 2025. In other news this morning, the advance report on trade and inventories signaled a huge reduction in the trade deficit in April, which should boost second quarter Real GDP growth, offsetting the slight drop in Real GDP in Q1. In recent news on the housing front, pending home sales, which are contracts on existing homes, fell 6.3% in April following a 5.5% increase in March, suggesting existing home sales (counted at closing) will tread water in May.



Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Apr-25	Mar-25	Feb-25	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
<b>Personal Income</b>	<b>0.8%</b>	0.7%	0.8%	9.5%	7.4%	5.5%
<b>Disposable (After-Tax) Income</b>	<b>0.8%</b>	0.7%	0.8%	9.8%	7.2%	5.2%
<b>Personal Consumption Expenditures (PCE)</b>	<b>0.2%</b>	0.7%	0.4%	5.6%	5.5%	5.4%
<b>Durables</b>	<b>-0.3%</b>	3.7%	0.3%	16.0%	7.3%	6.4%
<b>Nondurable Goods</b>	<b>0.0%</b>	-0.4%	0.5%	0.4%	3.2%	2.8%
<b>Services</b>	<b>0.4%</b>	0.6%	0.4%	5.6%	5.9%	6.1%
<b>PCE Prices</b>	<b>0.1%</b>	0.0%	0.4%	2.1%	2.6%	2.1%
<b>"Core" PCE Prices (Ex Food and Energy)</b>	<b>0.1%</b>	0.1%	0.5%	2.7%	2.6%	2.5%
<b>Real PCE</b>	<b>0.1%</b>	0.7%	0.0%	3.4%	2.8%	3.2%

Source: Bureau of Economic Analysis