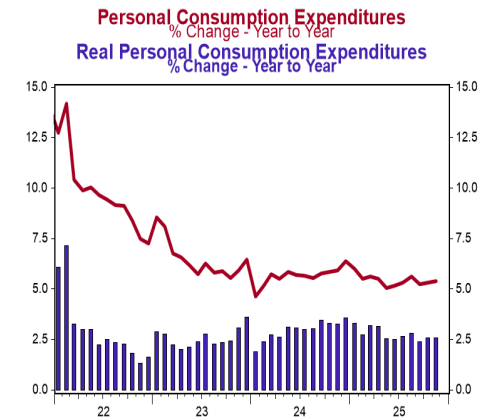


Oct/Nov Personal Income and Consumption

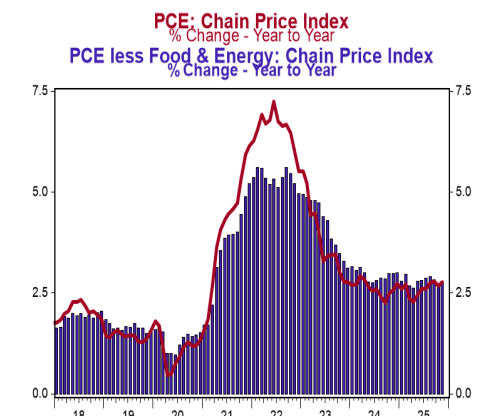
Andrew Opdyke, CFA – Senior Economist
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- Personal income rose 0.3% in November, lagging the consensus expected +0.4%. Personal consumption increased 0.5%, matching consensus expectations. Personal income is up 4.3% in the past year, while spending has increased 5.4%.
- Disposable personal income (income after taxes) rose 0.3% in November and is up 3.8% from a year ago.
- The overall PCE deflator (consumer prices) rose 0.2% in November and is up 2.8% versus a year ago. The “core” PCE deflator, which excludes food and energy, also increased 0.2% in November and is up 2.8% in the past year.
- After adjusting for inflation, “real” consumption rose 0.3% in November and is up 2.6% from a year ago.

Implications: Consumers were spending at a healthy clip as they kicked off the 2025 holiday season. Starting with income, private-sector wages and salaries led the way rising 0.4% in November following a 0.5% increase in October. Government transfer payments increased 0.2% in November and 0.4% in October. This is a welcome shift from the trend that started in early 2024 where government transfer payments became an increasing share of consumers’ monthly spending power. Government transfer payments are still up a massive 8.8% in the past year while private sector wages are up 3.9%, but it appears the tides may be beginning to turn. 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 0.5% in November. Goods spending rose 0.7%, led by recreational goods & vehicles as well as footwear and apparel. Services spending increased 0.4% in November, with outlays on financial services, health care, and housing rising the most. Moving over to inflation, PCE prices, the Fed’s preferred inflation metric, rose 0.2% in November while the year-ago reading rose to 2.8% from 2.7%. That 2.8% pace in the past twelve months is up slightly from the 2.6% rate for the twelve-months ending November of 2024, but it’s important to note that inflation readings between May and November of 2024 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 trending back down toward the 2.0% target. Pair this with signs from the housing market that rents 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 likely to decelerate in the year ahead. In other recent news, construction spending rose 0.5% in October, with residential construction leading the way, up 1.3% following a 1.4% decline in September. Staying on the housing front, pending home sales, which are contracts on existing homes, plunged 9.3% in December – the largest monthly drop since April 2020 - after a 3.3% gain in November, signaling that existing home sales (counted at closing) likely declined in January.



Source: Bureau of Economic Analysis/Haver Analytics



Source: Bureau of Economic Analysis/Haver Analytics

Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Nov-25	Oct-25	Sep-25	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
Personal Income	0.3%	0.1%	0.4%	3.1%	3.7%	4.3%
Disposable (After-Tax) Income	0.3%	0.1%	0.3%	2.6%	3.3%	3.8%
Personal Consumption Expenditures (PCE)	0.5%	0.5%	0.4%	5.5%	6.4%	5.4%
Durables	0.7%	0.5%	-0.5%	2.8%	4.5%	2.3%
Nondurable Goods	0.7%	0.2%	0.4%	5.1%	6.6%	4.9%
Services	0.4%	0.6%	0.5%	6.1%	6.6%	6.0%
PCE Prices	0.2%	0.2%	0.3%	2.5%	2.7%	2.8%
"Core" PCE Prices (Ex Food and Energy)	0.2%	0.2%	0.2%	2.3%	2.6%	2.8%
Real PCE	0.3%	0.3%	0.1%	2.9%	3.6%	2.6%

Source: Bureau of Economic Analysis