First Trust DATAWATCH

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October Personal Income and Consumption

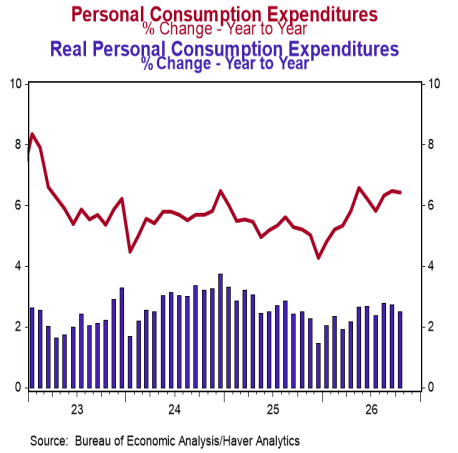
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- Personal income rose 0.7% in October, beating the consensus expected +0.4%. Personal consumption increased 0.3% (+0.5% including revisions to prior months), versus a consensus expected +0.4%. Personal income is up 4.8% in the past year, while spending has increased 6.4%.

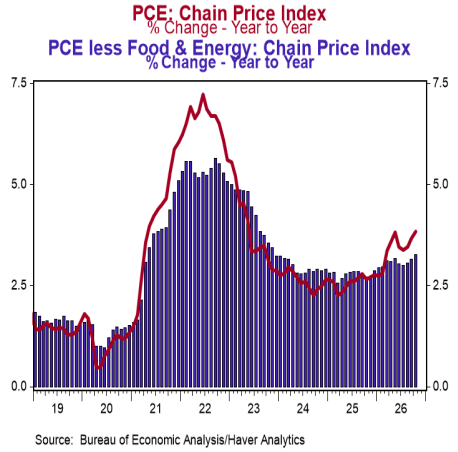
- Disposable personal income (income after taxes) rose 0.8% in October and is up 5.5% from a year ago.

- The overall PCE deflator (consumer prices) increased 0.3% in October and is up 3.8% versus a year ago. The "core" PCE deflator, which excludes food and energy, also rose 0.3% in October and is up 3.3% in the past year.

- After adjusting for inflation, "real" consumption was unchanged in October (+0.1% including revisions) but is up 2.5% from a year ago.



Source: Bureau of Economic Analysis/Haver Analytics



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Implications: Incomes surged, spending moderated, and inflation continued at an outsized pace in October. Starting with prices, which remain in the spotlight as the Fed set the table at their last meeting for another rate hike in December, PCE prices rose 0.3% in October and are up 3.8% in the past year. Gasoline and other energy goods prices rose 0.8% in October, while food prices increased 0.4%. "Core" prices – which strip out the volatile food and energy components – also rose 0.3% in October and are up 3.3% from a year ago. Inflation remains notably above the 2.0% target, and we aren't arguing for the Fed to cut rates, but we believe the market is pricing in more hikes for 2027 than will come to pass. The M2 measure of the money supply rose 0.5% in October and is up 5.9% in the past year, in line with the 6% average growth rate of the 2010s when inflation ran consistently below 2%, and we expect inflation will trend toward the Fed's target in the year ahead even without further rate movement. Moving on to personal income – which jumped 0.7% in October – shows growth was led by government transfer payments (up 1.1% in October and 5.4% in the past year) and private sector wages and salaries (+0.5% in October and +4.4% from a year ago). The rise in government transfer payments was led by one-time payments related to Medicare Improvement Fund premium rebates, suggesting we will see a pullback in the category in November. While wage growth over 4.0% sounds healthy, it's important to remember that ongoing above-trend inflation has taken a big bite out of consumers' purchasing power. Case in point, personal consumption rose 0.3% in October – led by spending on other nondurable goods, housing and utilities, and recreation services – but with prices also up 0.3% it means the increase in spending didn't buy more things, it simply kept pace with inflation. Spending moderated in October, but has been running hot for most of 2026. That has helped consumption outpace inflation year-to-date, but it is also outpacing income. The personal saving rate — which tracks how much after-tax income is not consumed — stood at 4.1% in October, remaining near the lowest readings since the COVID-era in 2022 (and before that during the Great Financial Crisis in 2008!). This low level of saving allows for more spending today, but isn't sustainable long-term.

Personal Income and Spending *All Data Seasonally Adjusted*	Oct-26	Sep-26	Aug-26	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
Personal Income	**0.7%**	0.3%	0.3%	5.5%	5.3%	4.8%
Disposable (After-Tax) Income	**0.8%**	0.3%	0.4%	6.2%	5.9%	5.5%
Personal Consumption Expenditures (PCE)	**0.3%**	0.6%	1.0%	7.7%	6.6%	6.4%
Durables	**-0.3%**	0.1%	2.2%	8.3%	6.1%	6.9%
Nondurable Goods	**0.4%**	1.3%	1.6%	14.0%	6.3%	7.8%
Services	**0.3%**	0.5%	0.6%	5.8%	6.7%	6.0%
PCE Prices	**0.3%**	0.5%	0.3%	4.7%	3.1%	3.8%
"Core" PCE Prices (Ex Food and Energy)	**0.3%**	0.3%	0.3%	3.6%	3.0%	3.3%
Real PCE	**0.0%**	0.1%	0.6%	2.9%	3.3%	2.5%

Source: Bureau of Economic Analysis

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