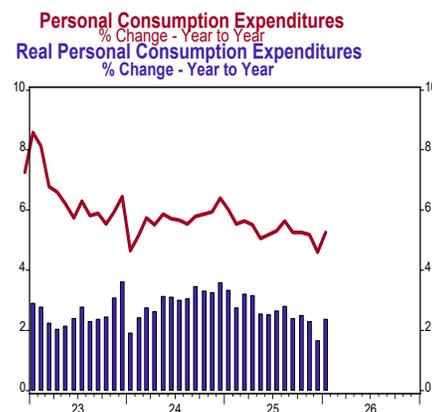


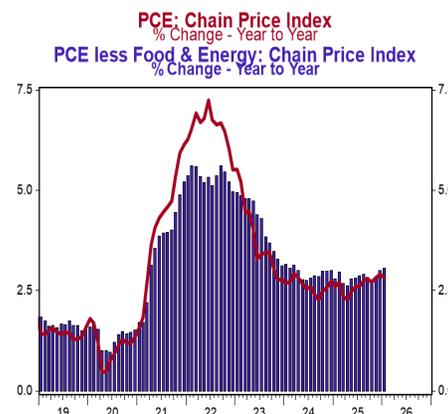
## January Personal Income and Consumption

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- Personal income rose 0.4% in January (+0.7% including revisions to prior months), versus a consensus expected +0.5%. Personal consumption increased 0.4% (+0.3% including revisions to previous months), versus a consensus expected +0.3%. Personal income is up 4.4% in the past year, while spending has increased 5.3%.
- Disposable personal income (income after taxes) rose 0.9% in January and is up 4.6% from a year ago.
- The overall PCE deflator (consumer prices) rose 0.3% in January and is up 2.8% versus a year ago. The “core” PCE deflator, which excludes food and energy, increased 0.4% in January and is up 3.1% in the past year.
- After adjusting for inflation, “real” consumption rose 0.1% in January and is up 2.4% from a year ago.



Source: Bureau of Economic Analysis/Haver Analytics



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**Implications:** Consumers started 2026 with healthy headline numbers on income and spending, but a rise in inflation ate up most of the new spending power. On a positive note, private-sector wages and salaries rose 0.6% in January, while dividend income rose 2.0%. Unfortunately, government transfer payments continue to rise at a faster pace. It should be noted that January typically sees an outsized increase in government transfer payments as cost-of-living adjustments to social security go into effect, and that was once again the case as social security payments rose 3.1% in January, while other transfer payments were partially offset by a decline in Affordable Care Act enrollments. Taken together, January transfer payments rose 0.8%. Over the past twelve months, private sector wages and salaries are up 5.0%, while government transfer payments have risen 8.5%. We hope to see private earnings rise at a faster pace than government transfers as we progress deeper into 2026, as private earnings are a more reliable (and desirable) long-term source of income. On the spending front, personal consumption rose 0.4% in January, as a 0.7% increase in services was partially offset by a 0.4% decline in goods. Services are up 6.3% from a year ago, compared to a 3.0% increase in goods. The spending number sounds better than it was, however, with inflation representing the bulk of the increase. PCE prices – the Fed’s preferred inflation metric – rose 0.3% in January, while the year-ago reading now stands at 2.8%, above the 2.6% rate for the twelve-months ending in January 2025. “Core” prices, which strip out the volatile food and energy categories, rose 0.4% in January, with the year-ago comparison moving up to 3.1%, up from the 2.8% reading for the twelve-months ending in January 2025. Accounting for inflation, real consumption rose a modest 0.1% for a third consecutive month. It remains to be seen how geopolitical uncertainty, higher oil prices, and a subdued employment market will impact consumers’ propensity to spend in the months ahead.

| Personal Income and Spending<br><i>All Data Seasonally Adjusted</i> | Jan-26       | Dec-25 | Nov-25 | 3-mo % ch.<br>annualized | 6-mo % ch.<br>annualized | Yr to Yr<br>% change |
|---|--------------|--------|--------|--------------------------|--------------------------|----------------------|
| <b>Personal Income</b>  | <b>0.4%</b>  | 0.3%   | 0.4%   | 4.4%                     | 4.2%                     | 4.4%                 |
| <b>Disposable (After-Tax) Income</b>                                | <b>0.9%</b>  | 0.3%   | 0.3%   | 6.6%                     | 5.1%                     | 4.6%                 |
| <b>Personal Consumption Expenditures (PCE)</b>                      | <b>0.4%</b>  | 0.4%   | 0.3%   | 4.8%                     | 5.1%                     | 5.3%                 |
| <b>Durables</b>   | <b>-0.7%</b> | -0.2%  | 0.8%   | -0.5%                    | -1.0%                    | 3.2%                 |
| <b>Nondurable Goods</b>   | <b>-0.2%</b> | 0.2%   | 0.3%   | 1.4%                     | 3.0%                     | 2.9%                 |
| <b>Services</b>   | <b>0.7%</b>  | 0.6%   | 0.3%   | 6.6%                     | 6.7%                     | 6.3%                 |
| <b>PCE Prices</b>   | <b>0.3%</b>  | 0.4%   | 0.2%   | 3.5%                     | 3.2%                     | 2.8%                 |
| <b>"Core" PCE Prices (Ex Food and Energy)</b>                       | <b>0.4%</b>  | 0.4%   | 0.2%   | 3.7%                     | 3.1%                     | 3.1%                 |
| <b>Real PCE</b>   | <b>0.1%</b>  | 0.1%   | 0.1%   | 1.2%                     | 1.9%                     | 2.4%                 |

Source: Bureau of Economic Analysis