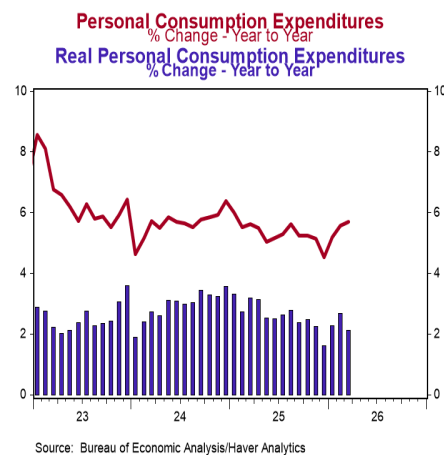


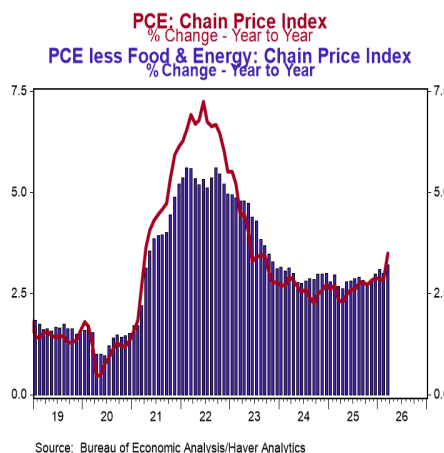
## March Personal Income and Consumption

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- Personal income rose 0.6% in March (+0.7% including revisions to prior months), easily beating the consensus expected +0.3%. Personal consumption increased 0.9% (+1.1% including revisions) matching consensus expectations. Personal income is up 3.7% in the past year, while spending has increased 5.7%.
- Disposable personal income (income after taxes) rose 0.6% in March (+0.7% including revisions) and is up 4.0% from a year ago.
- The overall PCE deflator (consumer prices) rose 0.7% in March and is up 3.5% versus a year ago. The “core” PCE deflator, which excludes food and energy, increased 0.3% in March and is up 3.2% in the past year.
- After adjusting for inflation, “real” consumption rose 0.2% in March and is up 2.1% from a year ago.



**Implications:** Outsized growth in income and spending was tempered in March by the largest monthly rise in inflation since 2022. The 0.6% jump in income was at the very high end of consensus estimates, but unfortunately the details aren’t quite as strong as the headline suggests. The gains were led by farm proprietors’ income due to one-time bridge payments from the Farmers Bridge Assistance Program. Beyond those payments, private sector wages and salaries rose a healthy 0.5% in March while government transfer payments increased a more modest 0.1%. Our view is that, over time, less government spending will help boost the private sector. In that regard the March data are welcome news, but transfer payments remain up 4.9% in the past year outpacing the 4.5% growth in wages and salaries, showing more work needs to be done. On the spending side, personal consumption rose 0.9% in March, led by gasoline and other energy goods. Collectively, goods spending (which includes these energy costs) jumped 2.0% in March while spending on services increased 0.4%. In the past year, spending on services is up 6.3%, compared to a 4.5% increase for goods. With spending outpacing income growth in March, the personal saving rate fell to the lowest level since late 2022 at 3.6%. Clearly the conflict in Iran is impacting prices, with oil being the most visible example. PCE prices – the Fed’s preferred inflation metric – jumped 0.7% in March, while the year-ago reading rose to 3.5%, a level last seen in early 2023. “Core” prices, which strip out the volatile food and energy categories, rose 0.3% in March, with the year-ago comparison rising to 3.2%, a notable uptick from the 2.7% pace for the twelve-months ending in March 2025. The Fed will be watching this data closely as they transition Fed Chairs while simultaneously trying to determine how monetary policy – which operates with a lag – should respond as we progress deeper into 2026. Accounting for inflation, real consumption rose 0.2% in March after a comfortable 0.3% increase in February and a flat reading in January. Expect plenty of volatility in the inflation (and spending) readings in the months ahead as the ongoing geopolitical events in Iran impact the data. In other news this morning, initial jobless claims fell 26,000 last week to 189,000, while continuing claims fell 23,000 to 1.785 million, suggesting jobs growth continues at a modest pace.



Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Mar-26	Feb-26	Jan-26	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
<b>Personal Income</b>	<b>0.6%</b>	0.0%	0.5%	4.3%	3.5%	3.7%
<b>Disposable (After-Tax) Income</b>	<b>0.6%</b>	0.0%	1.0%	6.5%	4.5%	4.0%
<b>Personal Consumption Expenditures (PCE)</b>	<b>0.9%</b>	0.6%	0.4%	8.0%	6.3%	5.7%
<b>Durables</b>	<b>1.4%</b>	2.8%	-0.9%	13.6%	8.3%	2.7%
<b>Nondurable Goods</b>	<b>2.3%</b>	0.6%	-0.2%	11.2%	6.3%	5.4%
<b>Services</b>	<b>0.4%</b>	0.3%	0.7%	6.2%	6.0%	6.3%
<b>PCE Prices</b>	<b>0.7%</b>	0.4%	0.3%	5.6%	4.3%	3.5%
<b>"Core" PCE Prices (Ex Food and Energy)</b>	<b>0.3%</b>	0.4%	0.4%	4.4%	3.7%	3.2%
<b>Real PCE</b>	<b>0.2%</b>	0.3%	0.0%	2.2%	1.9%	2.1%

Source: Bureau of Economic Analysis