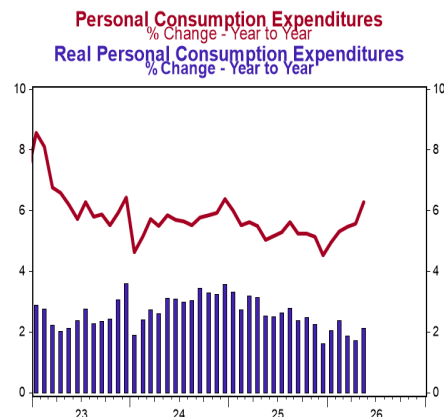


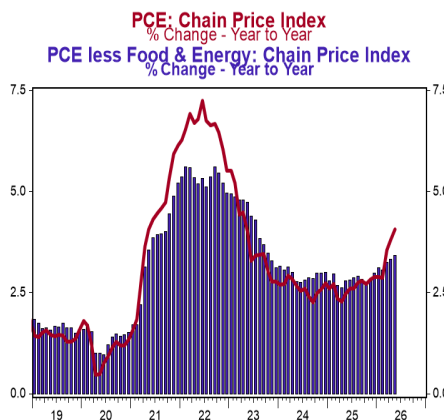
## May Personal Income and Consumption

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- Personal income rose 0.7% in May, easily beating the consensus expected +0.4%. Personal consumption also increased 0.7% (+0.4% including revisions to prior months), narrowly beating the consensus expected +0.6%. Personal income is up 3.8% in the past year, while spending has increased 6.3%.
- Disposable personal income (income after taxes) rose 0.7% in May (+0.8% including revisions) and is up 4.1% from a year ago.
- The overall PCE deflator (consumer prices) rose 0.4% in May and is up 4.1% versus a year ago. The “core” PCE deflator, which excludes food and energy, increased 0.3% in May and is up 3.4% in the past year.
- After adjusting for inflation, “real” consumption rose 0.3% in May and is up 2.1% from a year ago.



Source: Bureau of Economic Analysis/Haver Analytics



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**Implications:** Both income and consumption jumped in May, more than keeping pace with inflation, which continues to run hot. Farm proprietors’ income once again played a key role, as the Department of Agriculture issued a second round of payments related to the Supplemental Disaster Relief Program (part of the 2025 American Relief Act, this program makes payments to producers who had losses due to natural disasters in 2023-2024). Private sector wages and salaries rose 0.4% (up 4.1% in the past year) and government transfer payments were up 0.6% in May (+4.6% from a year ago). While the 4.1% increase in private sector wages over the past year sounds decent on paper, it just kept pace with inflation, which means purchasing power is unchanged. On the spending side, personal consumption rose 0.7% in May, led by financial services and insurance, health care, and housing & utilities. Collectively, goods spending (which includes energy costs) jumped 0.9% in May, while spending on services increased 0.6%. The personal saving rate — which tracks how much of after-tax income is not consumed — remained at 3.0% in May, tied with last month for the lowest reading since the summer of 2022 (and last seen before that in 2008!). This low level of saving allows for more spending today, but isn’t sustainable long-term. Meanwhile, the inflation picture has worsened temporarily due to the conflict with Iran. PCE prices – the Fed’s preferred inflation metric – rose 0.4% in May, while the year-ago reading increased to 4.1%, the highest since early 2023. “Core” prices, which strip out the volatile food and energy categories, rose 0.3% in May, with the year-ago comparison rising to 3.4%, a notable uptick from the 2.8% pace for the twelve-months ending in May 2025. The Fed will be watching this data closely under their new Fed Chair, while trying to determine how monetary policy – which operates with a lag – should respond now that the conflict in the Middle East looks to be coming to a close and energy prices have fallen significantly in June. We expect the Fed will remain on pause for the foreseeable future as they wait for the fog to clear and a better picture of sustained inflation pressures to come into view. In other news this morning, initial jobless claims fell 12,000 last week to 215,000, while continuing claims increased 21,000 to 1.821 million, suggesting jobs growth continues at a modest pace.

Personal Income and Spending <i>All Data Seasonally Adjusted</i>	May-26	Apr-26	Mar-26	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
<b>Personal Income</b>	<b>0.7%</b>	0.0%	0.5%	4.9%	3.7%	3.8%
<b>Disposable (After-Tax) Income</b>	<b>0.7%</b>	-0.1%	0.5%	4.7%	4.7%	4.1%
<b>Personal Consumption Expenditures (PCE)</b>	<b>0.7%</b>	0.4%	0.9%	8.6%	6.7%	6.3%
<b>Durables</b>	<b>0.8%</b>	-0.8%	1.8%	7.5%	7.6%	5.7%
<b>Nondurable Goods</b>	<b>0.9%</b>	0.9%	2.6%	19.3%	10.6%	8.0%
<b>Services</b>	<b>0.6%</b>	0.4%	0.3%	5.8%	5.4%	5.9%
<b>PCE Prices</b>	<b>0.4%</b>	0.4%	0.7%	6.3%	5.3%	4.1%
<b>"Core" PCE Prices (Ex Food and Energy)</b>	<b>0.3%</b>	0.3%	0.3%	3.5%	4.1%	3.4%
<b>Real PCE</b>	<b>0.3%</b>	0.0%	0.3%	2.1%	1.3%	2.1%

Source: Bureau of Economic Analysis