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June Personal Income and Consumption

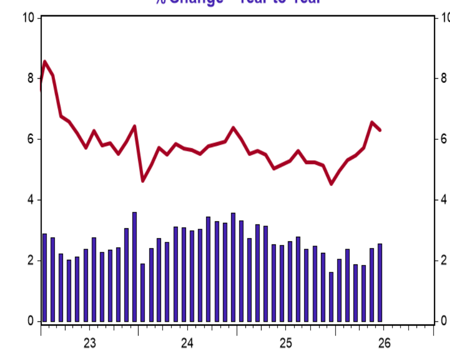
Andrew Opdyke, CFA – Senior Economist
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist

- Personal income rose 0.2% in June (+0.3% including revisions to prior months), versus a consensus expected +0.3%. Personal consumption increased 0.3% (+0.6% including revisions), versus a consensus expected +0.4%. Personal income is up 3.9% in the past year, while spending has increased 6.3%.

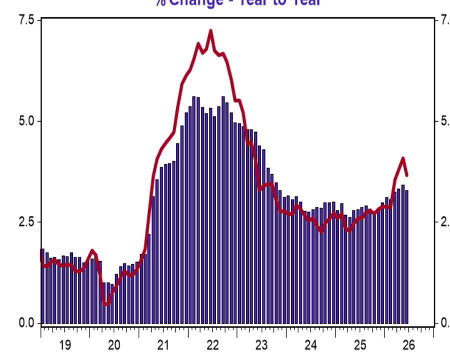
- Disposable personal income (income after taxes) rose 0.2% in June (+0.3% including revisions) and is up 4.2% from a year ago.

- The overall PCE deflator (consumer prices) declined 0.1% in June but is up 3.7% versus a year ago. The "core" PCE deflator, which excludes food and energy, increased 0.1% in June and is up 3.3% in the past year.

- After adjusting for inflation, "real" consumption rose 0.4% in June (+0.7% including revisions) and is up 2.5% from a year ago.



Source: Bureau of Economic Analysis/Haver Analytics



Source: Bureau of Economic Analysis/Haver Analytics

Implications: Both income and consumption rose in June after surging in May, while prices fell for the first time since 2022. Starting with income, growth was led by private sector wages and salaries which rose 0.2% (up 4.7% in the past year) and government transfer payments which were up 0.5% in June (+4.3% from a year ago). While the 4.7% increase in private sector wages over the past year sounds decent on paper, remember that inflation is up 3.7% over the same time period, meaning purchasing power is little changed. On the spending side, personal consumption rose 0.3% in June, led by health care, motor vehicles, and financial services. Collectively, goods spending (which includes energy costs) rose a modest 0.1% in June, while spending on services increased 0.4%. The personal saving rate — which tracks how much of after-tax income is not consumed — fell to 2.7% in June, marking the lowest reading 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. Meanwhile, the inflation picture eased temporarily as the conflict with Iran was on pause and oil prices eased. PCE prices – the Fed's preferred inflation metric – fell 0.1% in June, while the year-ago reading moderated to 3.7%. "Core" prices, which strip out the volatile food and energy categories, rose 0.1% in June, with the year-ago comparison now at 3.3%, a notable uptick from the 2.8% pace for the twelve-months ending in June 2025. The Fed will be watching these data closely under their new Fed Chair, while trying to determine how monetary policy – which operates with a lag – should respond as inflation continues to ebb and flow. 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 recent housing news, the FHFA index rose 0.3% in May and is up 2.2% in the past year, while the national Case-Shiller index was unchanged in May, but is up 1.1% in the past year. In other news, the Richmond Fed index, a measure of mid-Atlantic factory activity, ticked up to 5 in July from 4 in June.

Personal Income and Spending *All Data Seasonally Adjusted*	Jun-26	May-26	Apr-26	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
Personal Income	**0.2%**	0.7%	0.1%	3.9%	3.9%	3.9%
Disposable (After-Tax) Income	**0.2%**	0.7%	0.0%	3.7%	4.9%	4.2%
Personal Consumption Expenditures (PCE)	**0.3%**	0.9%	0.5%	6.9%	7.0%	6.3%
Durables	**1.5%**	1.3%	-0.6%	8.7%	12.2%	7.6%
Nondurable Goods	**-0.6%**	0.9%	1.2%	5.9%	9.4%	6.4%
Services	**0.4%**	0.8%	0.5%	7.0%	5.5%	6.1%
PCE Prices	**-0.1%**	0.5%	0.4%	3.1%	4.4%	3.7%
"Core" PCE Prices (Ex Food and Energy)	**0.1%**	0.3%	0.2%	2.9%	3.8%	3.3%
Real PCE	**0.4%**	0.4%	0.1%	3.8%	2.5%	2.5%

Source: Bureau of Economic Analysis