

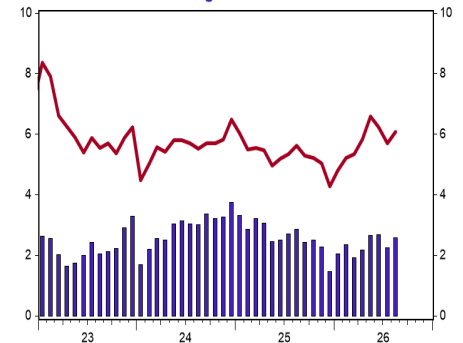
August Personal Income and Consumption

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- Personal income rose 0.2% in August, lagging the consensus expected +0.5%. Personal consumption increased 0.9%, matching consensus expectations. Personal income is up 4.3% in the past year, while spending has increased 6.1%.
- Disposable personal income (income after taxes) rose 0.3% in August and is up 4.8% from a year ago.
- The overall PCE deflator (consumer prices) increased 0.3% in August and is up 3.4% versus a year ago. The “core” PCE deflator, which excludes food and energy, rose 0.2% in August and is up 3.0% in the past year.
- After adjusting for inflation, “real” consumption rose 0.6% in August and is up 2.6% from a year ago.

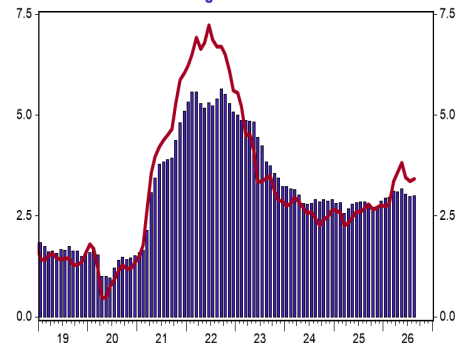
Implications: Before we dive into income and spending data, it’s important to note that today’s release includes benchmark revisions to data going back to the start of 2021. Those revisions show incomes grew faster than previously estimated, inflation has risen less than previously thought, and the savings rate was higher than previously reported. Given the focus on the Federal Reserve following the rate hike at the last meeting, today’s revisions to inflation data lowered the odds of another hike at the next meeting in late October, although we still anticipate one in December. PCE prices rose 0.3% in August and are up 3.4% in the past year, while “core” prices – which strip out the volatile food and energy components, rose 0.2% in August and are up 3.0% from a year ago. Before revisions, prices were reported up 3.7% for the twelve months ending in July, while core prices were up 3.3%. Inflation remains notably above the 2.0% target, and we don’t see cuts coming any time soon, but we do believe the market is pricing in more hikes in the cycle than will come to pass. On to the income data, where growth was led by private sector wages and salaries, which rose 0.3% in August (up 4.7% in the past year) and government transfer payments, which were up 0.5% (+4.6% from a year ago). While wage growth near 5.0% sounds strong, it’s important to remember that the ongoing above-trend inflation has taken a big bite out of consumers’ purchasing power. On the spending side, personal consumption rose 0.9% in August, led by gasoline and other energy goods, food services and accommodations, and autos. Spending has been running hot in 2026, with August marking the fifth time since the start of the year that consumption grew over 0.5% in a month. That has helped to outpace inflation, but it is also outpacing income. The personal saving rate — which tracks how much after-tax income is not consumed — fell to 4.1% in August and remains 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 Consumption Expenditures
% Change - Year to Year
Real Personal Consumption Expenditures
% Change - Year to Year



Source: Bureau of Economic Analysis/Haver Analytics

PCE: Chain Price Index
% Change - Year to Year
PCE less Food & Energy: Chain Price Index
% Change - Year to Year



Source: Bureau of Economic Analysis/Haver Analytics

Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Aug-26	Jul-26	Jun-26	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
Personal Income	0.2%	0.3%	0.2%	3.1%	4.6%	4.3%
Disposable (After-Tax) Income	0.3%	0.4%	0.3%	3.7%	5.0%	4.8%
Personal Consumption Expenditures (PCE)	0.9%	0.1%	0.3%	5.2%	7.6%	6.1%
Durables	2.0%	-0.7%	0.9%	9.3%	9.2%	7.3%
Nondurable Goods	1.5%	-0.5%	-0.6%	1.8%	9.4%	5.9%
Services	0.5%	0.4%	0.5%	5.6%	6.9%	5.9%
PCE Prices	0.3%	0.1%	-0.1%	1.0%	3.6%	3.4%
"Core" PCE Prices (Ex Food and Energy)	0.2%	0.1%	0.1%	2.0%	2.7%	3.0%
Real PCE	0.6%	0.1%	0.4%	4.1%	3.9%	2.6%

Source: Bureau of Economic Analysis