

# U.S. Data Review

- Personal income, consumption: brisk spending despite soft income
- Slow income growth concentrated in the farm sector as well as in interest & dividends
- Prices: restrained inflation

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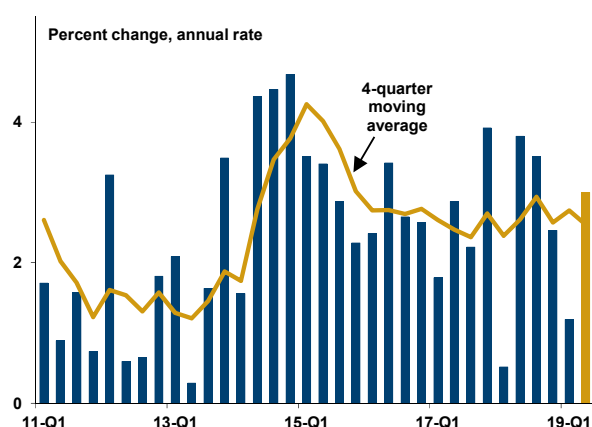
## Personal Income, Consumption, Prices

Personal income rose only 0.1 percent in March, lighter than the expected increase of 0.4 percent. Wages and salaries posted a respectable advance (0.4 percent), but farm income fell sharply (off 40.7 percent, a striking change even for this volatile area) and investment income was soft as well (down 0.8 percent, reflecting primarily a drop in interest income but also influenced by a dip in dividends).

Although overall income rose only slightly, individuals spent actively, with outlays jumping 0.9 percent (versus an expectation of 0.7 percent). The surge was a welcome development after slow results in the prior three months. The gain translated to an increase of 0.7 percent in real terms. The March reading has implications for the second quarter, as the sharp advance left a high jumping-off point for the second quarter. That is, the surge pulled the level of consumption well above the average for the first quarter, which increases the likelihood that the Q2 average will be well above that in Q1. If consumer spending merely holds the March level, real consumer spending in Q2 would post growth of 1.8 percent; if real outlays were to grow 0.2 percent in each of the next three months, Q2 growth would total 3.4 percent (chart, left).

The price index for personal consumption expenditures rose 0.2 percent in March, a shade lighter than the expected increase of 0.3 percent. The jump in the energy component about matched expectations with an increase of 3.6 percent, while food prices were on the firm side with an increase of 0.241 percent. The surprise on the price front occurred in the core component, which was unchanged in March (although it almost rounded up to the expected increase of 0.1 percent: 0.046 percent). The modest change in the core index followed slow results in the prior two months (0.1 percent in both January and February), which left the annual advance in the past three months at 1.3 percent (chart, right). The year-over-year change in the core index totaled 1.6 percent, down from 1.7 percent in February and a recent high of 2.0 percent in July. All these perspectives show restrained inflation.

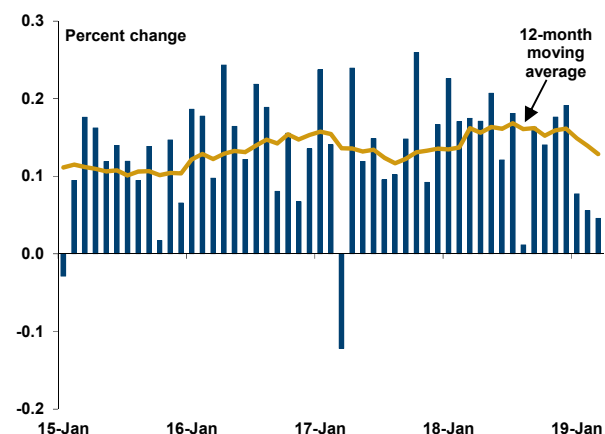
### Consumer Spending\*



\* The reading for 2019-Q2 (gold bar) is a forecast.

Source: Bureau of Economic Analysis via Haver Analytics; Daiwa Capital Markets America

### Core PCE Price Index



PCE = personal consumption expenditures

Source: Bureau of Economic Analysis via Haver Analytics

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