

# U.S. Data Review

- Personal income, consumption, prices: brisk consumer spending, contained inflation

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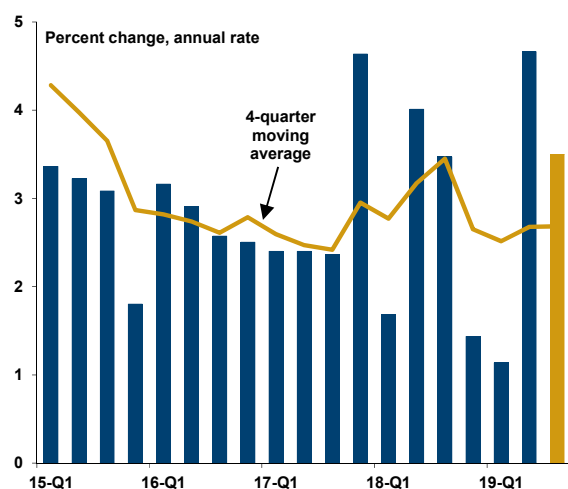
## Personal Income, Consumption, Prices

Personal income rose only 0.1 percent in July, shy of the expected increase of 0.3 percent and among the slowest paces of the past few years. Farm income contributed to the softness with a drop of 2.6 percent, as low prices and soft export markets weighed heavily. Interest income provided a surprise with a drop of 1.8 percent. Wage growth was underwhelming (0.2 percent).

Despite modest growth in income, consumer spending was brisk with growth of 0.6 percent, a touch firmer than the expected advance of 0.5 percent. The gain translated to an increase of 0.4 percent after adjusting for inflation. The results for July set the stage for a solid performance for consumer spending in the third quarter. Even if August and September post no growth, real consumer expenditures in Q3 would advance at an annual rate of 2.9 percent. If real outlays advance 0.2 percent in each of the next two months, consumer spending would grow 3.7 percent in the third quarter (chart, left). The combination of brisk spending and modest income growth led to a drop in the saving rate, but the July reading was still firm at 7.7 percent (versus 8.0 percent in June and recent peaks of 8.8 percent in December and February).

The price index for personal consumption expenditures rose 0.2 percent in July. Energy prices rose 1.4 percent, but this jump was partially offset by a drop of 0.1 percent in food prices. The core component rose 0.2 percent, with the change rounding up to this reading (0.178 percent; chart, right). The latest increases left the year-over-year advance in the headline index at 1.4 percent, up a tick from the prior month but still in the low portion of the range from the past few years. The core component rose 1.6 percent in the past year, unchanged from the prior month and also in the low portion of the range from the past few years. Inflation remained restrained.

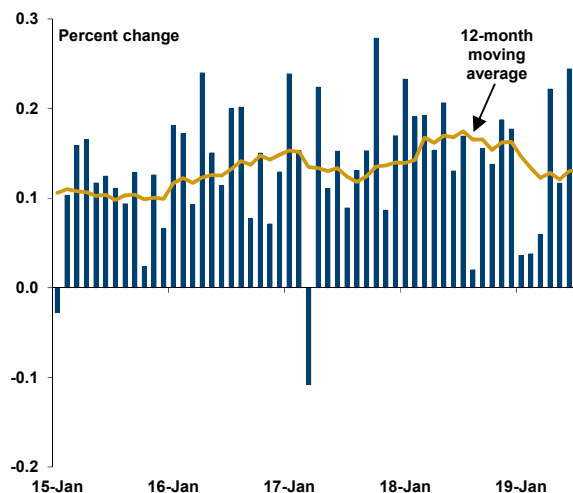
### Real Consumer Spending\*



\* The reading for 2019-Q3 (gold bar) is an estimate based on available data.

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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