

U.S. Data Review

- Personal income & consumption: strong wage growth boosts income; consumer spending moderate in Q3
- PCE price indexes: modest increase in core, but trend shows hints of acceleration
- Durable goods orders: both total bookings and orders ex.-transportation tick higher

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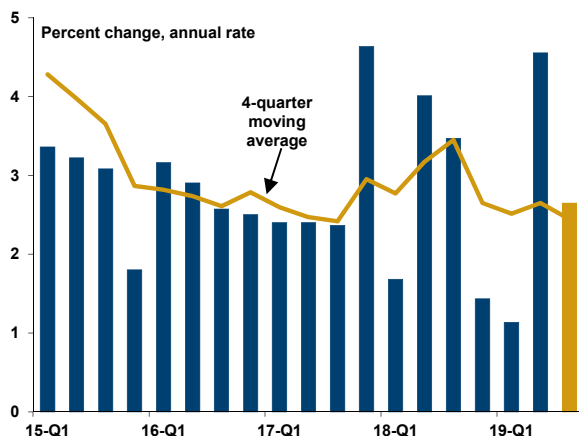
Personal Income, Consumption, Prices

Personal income rose 0.4 percent in August, in line with the consensus estimate. Wage growth contributed importantly to the advance, with an increase of 0.6 percent. Farm income provided a partial offset, falling 5.3 percent after dropping 5.5 percent in the prior month. Soft prices and weak demand for exported agricultural products likely are influencing farm income. Interest income fell for the second consecutive month (-0.6 percent after a drop of 1.8 percent), offsetting most of the gain in Q2.

Despite firm income growth, consumer spending rose modestly in August (0.1 percent). Outlays for durable goods rose 0.7 percent, boosted by a solid pace of sales of new vehicles, but spending on services rose only modestly with an increase of 0.2 percent and outlays for nondurable goods dipped 0.2 percent after a jump in the prior month. The advance translated to a gain of 0.1 percent after adjusting for inflation. Data for the third quarter thus far suggest that real consumer spending advanced at an annual rate of 2 ½ to 2 ¾ percent, slower than the robust pace of 4.6 percent in Q2 but in line with the annual advance in 2017 and a few ticks behind last year's pace (chart, left).

The price index for personal consumption expenditures was unchanged in August. A decline of 2.0 percent in energy prices was joined by a dip of 0.2 percent in food prices. The core component rose 0.1 percent, with the change rounding down to this reading (0.140 percent; chart, right). While the latest change was subdued, it followed firm increases in the prior two months (0.2 percent in July and 0.3 percent in June; chart, right). The latest changes left the year-over-year increase in the headline index unchanged at 1.4 percent, a reading in line with most observations this year but notably below the recent high of 2.5 percent from last July. The core component rose 1.8 percent, up one tick from last month and moving closer to the Fed's target of 2.0 percent.

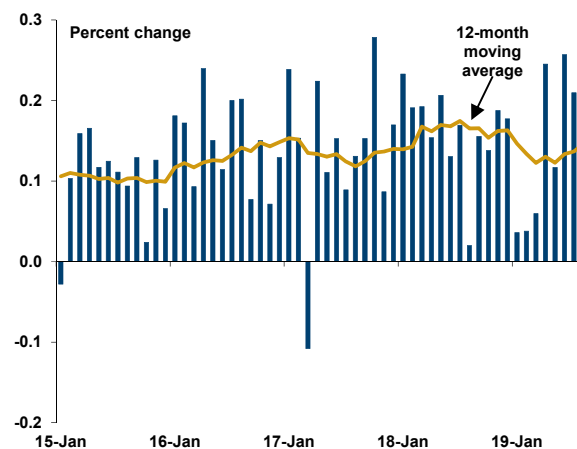
Real Consumer Spending*



* The reading for 2019-Q3 (gold bar) is an estimate based on monthly data for July and August.

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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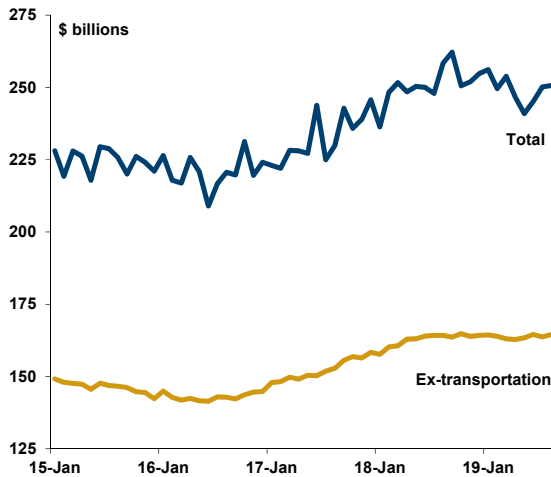
Durable Goods Orders

Durable goods orders rose 0.2 percent in August, firmer than the expected decline of 1.1 percent. Advances in the past three months reversed a portion of the weakness in the spring and left a flat trend in bookings. While the results cannot be described as robust, orders are holding their own despite downside risks from business capital spending and slowing growth abroad.

Results in August were constrained by downside volatility in bookings for civilian aircraft (-17.1 percent), which were influenced heavily by sluggish orders at Boeing. Bookings excluding transportation rose 0.5 percent, a reading in the upper end of the range of the past year or so (chart, left).

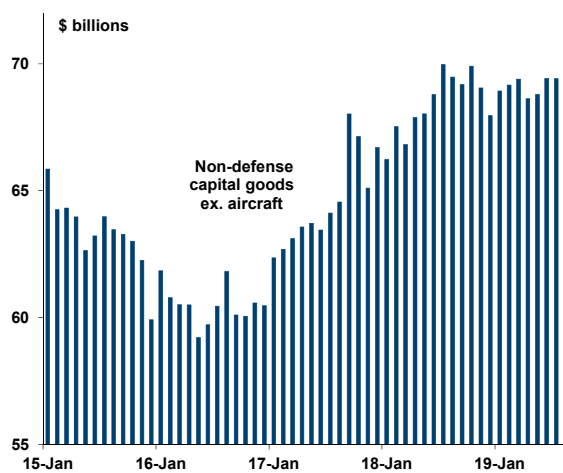
New orders for nondefense capital goods excluding aircraft, which provide insight into capital spending plans by businesses, slipped 0.2 percent. Moreover, results in the prior month were revised lower by 0.2 percent. The results for this component were mildly disappointing, as the recent trend lacks vigor (chart, right). However, while the sluggishness reflects the constraining influences on business investment from trade tensions and slowing growth abroad, it is not suggestive of a full-fledged retreat.

Durable Goods Orders



Source: U.S. Census Bureau via Haver Analytics

Durable Goods Orders



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