

U.S. Data Review

- Personal income: down in May, but still elevated by gov't support
- Personal spending: up in May, but still far below pre-virus levels

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Personal Income and Spending

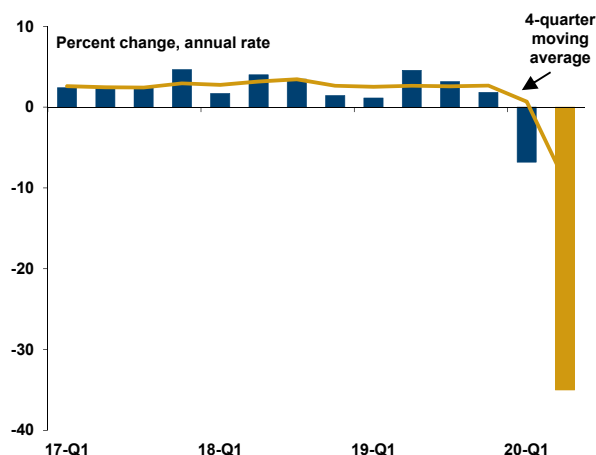
Consumer expenditures jumped 8.2 percent in May, shy of the expected increase of 9.3 percent but still sizeable. Higher prices accounted for only a sliver of the increase, as real outlays rose 8.1 percent. Spending on durable goods led the advance, posting broad-based real growth of 28.4 percent, and outlays for nondurable goods were strong as well (up 7.9 percent in real terms, led by clothing purchases). With individuals traveling less and avoiding crowds, spending on services lagged a bit (up 5.2 percent after adjusting for inflation).

Although spending rose sharply in May, the jump occurred from a low level after the sharp declines in the prior two months. The increase retraced approximately 37 percent of the decline and kept outlays well below pre-virus levels. With spending well below previous norms, the second quarter is still on track to register a marked decline in real consumer spending, probably off more than 30 percent (chart, left).

Total personal income fell 4.2 percent, better than the expected decline of 6.0 percent. The drop was largely driven by government transfer payments, which fell from an elevated level in April associated with enhanced unemployment benefits and the issuance of recovery rebate payments. Unemployment benefits registered another sharp gain in May, but the aggregate value of rebate checks was much lighter than the total in April. Although transfer payments declined, they were still far above the norm, indicating still-solid government support. When combined with wage growth of 2.7 percent in May, the sum of wages and transfer payments was still quite strong (chart, right).

Other income categories showed mixed results. Investment income dipped, reflecting low interest rates and light dividend payments. A decline in corporate profits in Q1 and efforts to preserve financial capital in an uncertain environment apparently influenced dividend decisions. Rental income rose 0.15 percent, lighter than the monthly average of 0.3 percent last year, but encouraging in the current environment. Many observers had expressed concern about individuals defaulting on rental payments while unemployed, but this did not appear to be a serious problem thus far.

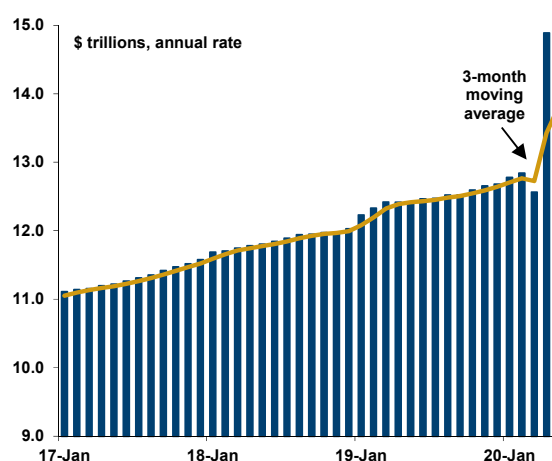
Real Personal Consumption Expenditures*



* The reading for 2020-Q2 (gold bar) is a projection based on data for April and May.

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

Personal Income*



* The sum of the wages and salaries and personal current transfer receipts.

Source: Bureau of Economic Analysis via Haver Analytics

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