

U.S. Data Review

- Income & consumption: shrinking income support; moderate spending led by services
- ISM: off slightly; still firm

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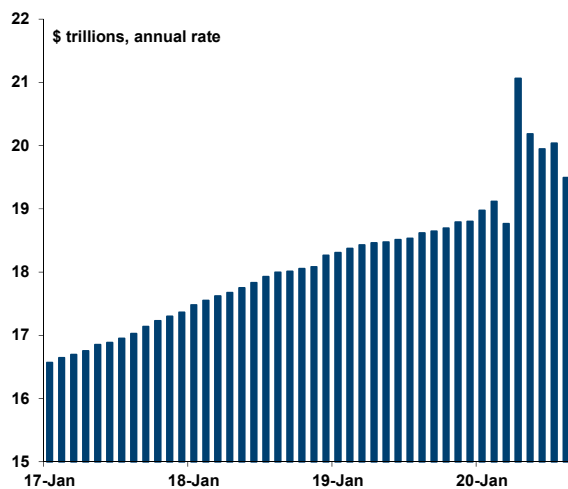
Income, Consumption, Prices

Personal income fell 2.7% in August, a touch softer than the expected drop of 2.5%. Several income categories posted fine performances (wages and salaries = 1.3%, rent = 1.2%, nonfarm proprietors = 1.1%, interest = 0.9%), but a drop in transfer payments more than offset these advances. Weak transfer payments, in turn, reflected fading in support from the federal government (lower unemployment compensation and fewer rebate checks). The sizeable drop in income represented the third retreat in the past four months, but the easing began from an elevated level in April when transfer payments surged. The level of income in August was in line with where the underlying trend would have taken it in the absence of the pandemic (chart, left).

With income well maintained despite recent declines, spending remained on an upward trend, increasing 1.0% in August and marking the fourth consecutive increase. Total outlays have now recouped 82% of the ground lost during the spring (chart, right; spending has retraced 78% of the drop after adjusting for inflation). The composition of spending in August was interesting. In prior months the pickup in outlays was led by spending on goods, which had moved above pre-virus levels in June. Outlays for services also have been increasing since April, but at a slower pace than that for goods. In August, the rolls reversed, with expenditures on goods rising only 0.2% (-0.2% after adjusting for inflation) while spending on services rose 1.4% (1.1% after adjusting for inflation). Results for service consumption in August were encouraging, but this area is still lagging, having recovered 63% of the slide in the spring (59% in real terms; goods consumption has been above pre-virus levels since June).

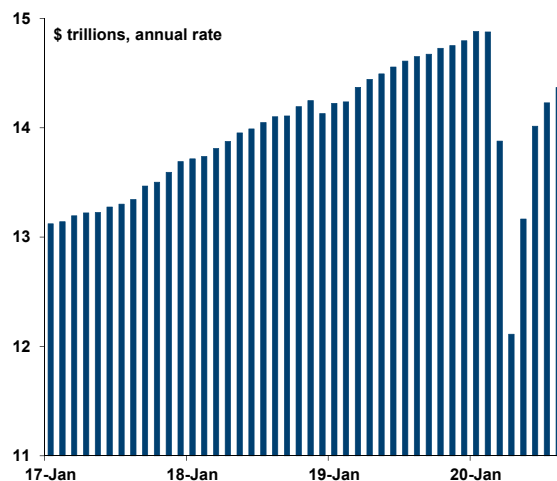
The price index for personal consumption expenditures matched expectations with an increase of 0.3%, as did the core measure. August marked the third consecutive month of firm increases in these measures, but much of the pressure simply represented the reversal of discounting that occurred during the worst of the pandemic. The performance from a longer-term perspective remained subdued, as the year-over-year change in the headline index totaled only 1.4%, while the core index rose 1.6% in the past year (chart, next page).

Personal Income



Source: Bureau of Economic Analysis via Haver Analytics

Personal Consumption Expenditures



Source: Bureau of Economic Analysis via Haver Analytics

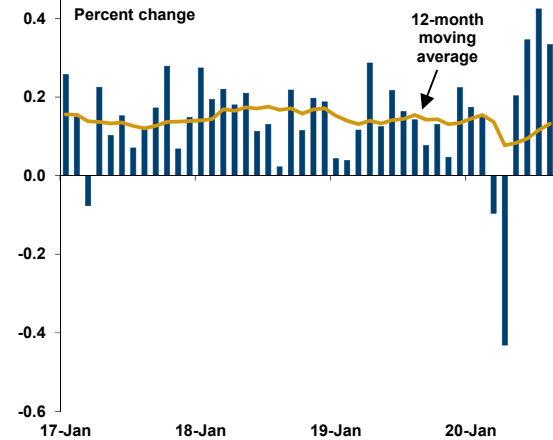
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ISM Manufacturing Index

The ISM manufacturing index eased 0.6 percentage point in September to 55.4%. The dip contrasted with an expected increase of 0.4 percentage point, but the difference was not large and the new level of the index remained firm.

The new orders component led the decline in the headline index with a drop of 7.4 percentage points. However, the change occurred from an unusually high level and the new reading of 60.2% remained strong relative to historical standards. With orders easing, the production index softened a bit. However, it also remained elevated at 61.0%. The employment index had been lagging, but it showed a notable increase in September (up 3.2 percentage points to 49.6%). Although the measure remained below 50%, it was the best reading since July 2019.

Core PCE Price Index



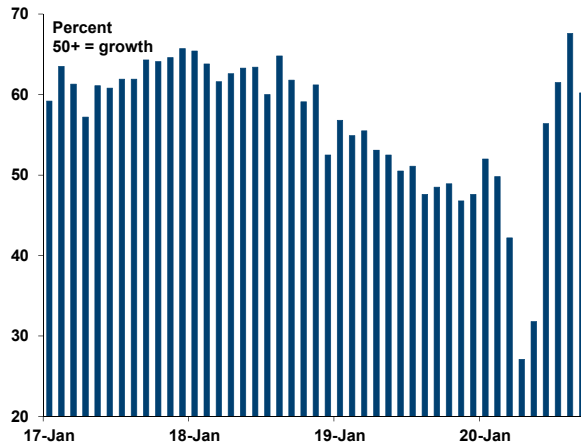
PCE = personal consumption expenditures
Source: Bureau of Economic Analysis via Haver Analytics

ISM Manufacturing -- Monthly Indexes

	May-20	Jun-20	Jul-20	Aug-20	Sep-20
ISM Mfg. Composite	43.1	52.6	54.2	56.0	55.4
New orders	31.8	56.4	61.5	67.6	60.2
Production	33.2	57.3	62.1	63.3	61.0
Employment	32.1	42.1	44.3	46.4	49.6
Supplier deliveries	68.0	56.9	55.8	58.2	59.0
Inventories	50.4	50.5	47.0	44.4	47.1
Prices paid*	40.8	51.3	53.2	59.5	62.8

* The prices paid index is not seasonally adjusted. The measure is not part of the ISM manufacturing composite index.
Source: Institute for Supply Management via Haver Analytics

ISM Manufacturing: New Orders Index



Source: Institute for Supply Management via Haver Analytics