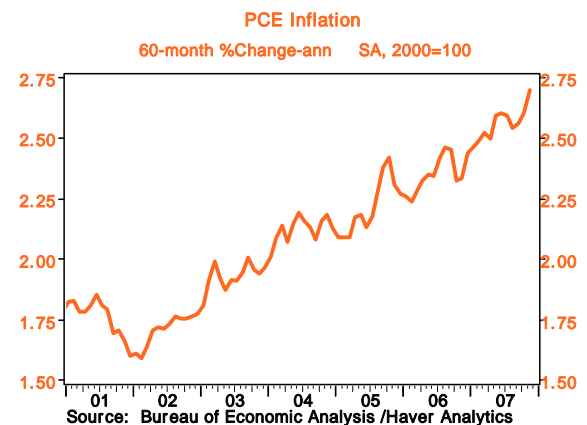
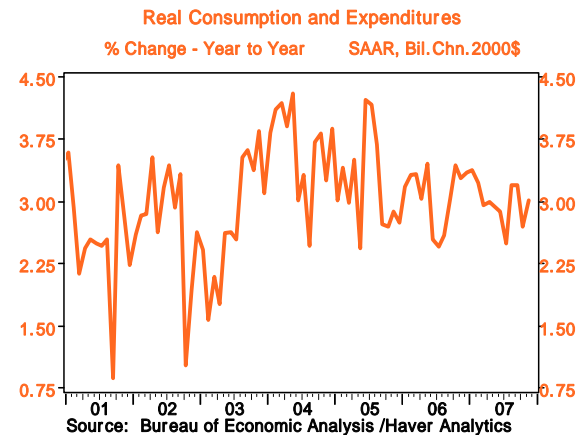


## NOVEMBER PERSONAL INCOME AND CONSUMPTION

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- Personal income increased 0.4% in November, slightly less than the consensus expected gain of 0.5%. Personal consumption increased 1.1% in November, much greater than the consensus expected gain of 0.7%.
- Disposable personal income (income after taxes) increased 0.3% in November and is up 5.8% versus a year ago.
- The overall PCE deflator (consumer price inflation) rose 0.6% in November and is up 3.6% versus a year ago. The “core” PCE deflator, which excludes food and energy, increased 0.2% in November and is up 2.2% versus a year ago. Both year-to-year price increases are higher than the consensus expected.
- After adjusting for inflation, real consumption was up 0.5% (0.546% unrounded) in November and was revised up for both September and October.

**Implications:** Today’s report on income and spending shows the US economy is full of Christmas cheer. Real (inflation-adjusted) consumer spending increased at the fastest rate in more than a year. In the three full months since the credit market turmoil began, real spending is up at a 3.4% annual rate, which is faster than the three months before the “crisis” started and faster than the 3% trend in the past year. Today’s data suggest Q4 real consumer spending will grow at a 3%+ rate and Q4 real GDP will grow at about a 2.5% rate. Although the headline increase in personal income was only 0.4%, a temporary decline in government transfer payments artificially reduced incomes. Private sector wages and salaries were up 0.7%. The slim 0.3% increase in after-tax income was also affected by the dip in transfer payments as well as an unusually large increase in tax payments. Despite the holiday cheer, we have not been perfect boys and girls and so received one lump of coal, in the form of higher inflation. Consumption prices increased 0.6% in November. Except for the month of Hurricanes Katrina and Rita, that’s the largest 1-month spike since 1990. Compared to last year, PCE prices are up 3.6% - the largest increase since 1991 (excluding the period following the 2005 hurricanes).



<b>Personal Income &amp; Spending</b> <i>All Data Seasonally Adjusted</i>	<b>Nov-07</b>	<b>Oct-07</b>	<b>Sep-07</b>	<b>3-mo % ch.</b> <b>annualized</b>	<b>6-mo % ch.</b> <b>annualized</b>	<b>Yr to Yr</b> <b>% Change</b>
<b>Personal Income</b>	<b>0.4%</b>	0.2%	0.5%	4.2%	5.1%	6.1%
<b>Disposal (After-Tax) Income</b>	<b>0.3%</b>	0.2%	0.5%	3.8%	5.1%	5.8%
<b>Personal Consumption Expenditures (PCE)</b>	<b>1.1%</b>	0.4%	0.5%	8.4%	6.2%	6.7%
<b>Durables</b>	<b>0.3%</b>	0.0%	0.9%	4.9%	2.3%	4.3%
<b>Nondurable Goods</b>	<b>2.0%</b>	0.7%	0.8%	14.9%	6.6%	9.0%
<b>Services</b>	<b>0.8%</b>	0.4%	0.3%	6.0%	6.8%	6.1%
<b>PCE Prices</b>	<b>0.6%</b>	0.3%	0.3%	4.8%	2.9%	3.6%
<b>"Core" PCE Prices (Ex Food and Energy)</b>	<b>0.2%</b>	0.2%	0.3%	2.9%	2.4%	2.2%
<b>Real PCE</b>	<b>0.5%</b>	0.1%	0.2%	3.4%	3.3%	3.0%

Source: Bureau of Economic Analysis

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