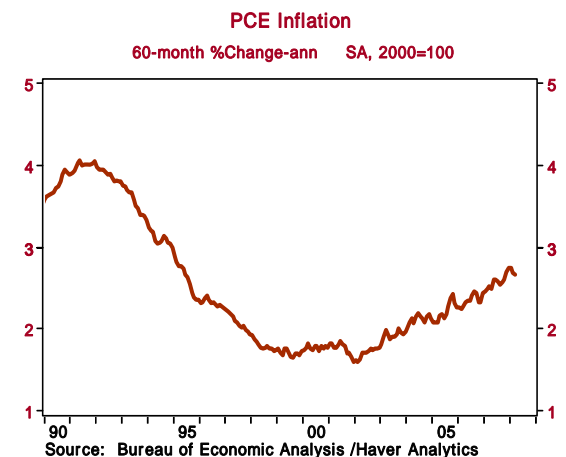
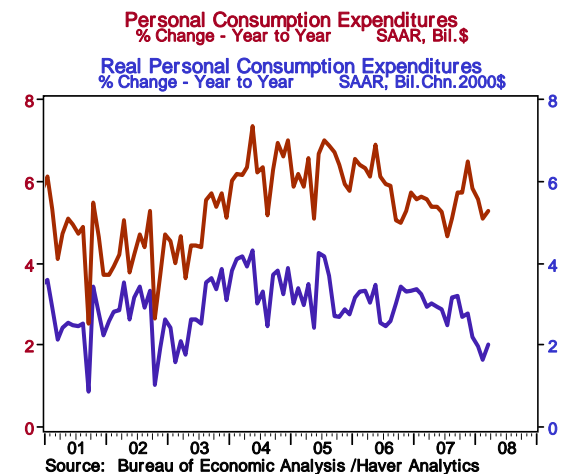


MARCH PERSONAL INCOME AND CONSUMPTION

Chief Economist – Brian S. Wesbury
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- Personal income increased 0.3% in March versus a consensus expected gain of 0.4%. Personal consumption grew 0.4% versus a consensus expected gain of 0.3%.
- Disposable personal income (income after taxes) increased 0.3% in March and is up 4.1% versus a year ago.
- The overall PCE deflator (consumer inflation) rose 0.3% in March and is up 3.2% versus a year ago. The “core” PCE deflator, which excludes food and energy, increased 0.2% in February and is up 2.1% versus a year ago.
- After adjusting for inflation, real consumption was up 0.1% in March and is up 2% versus a year ago.

Implications: Real (inflation-adjusted) consumption is still growing, which is inconsistent with the US being in a consumer-led recession. Also, as the top chart on the right shows, nominal spending is still growing at a robust pace. The reason the growth of real spending is slower than a year ago is that inflation is taking a bigger bite out of each dollar spent. Overall PCE prices are up 3.2% versus a year ago. Although many analysts focus on the relatively benign readings on “core” inflation – up only 2.1% versus last year – these figures are masking the underlying inflation trend by always ignoring food and energy. In other news this morning, new claims for unemployment insurance increased 35,000 last week to 380,000, a rebound from the previous week’s drop of 30,000. However, if the US were in recession, jobless claims would have to be at least 400,000 for a prolonged period of time. Continuing claims increased 74,000 to 3.019 million, a bounce after a 54,000 drop in the previous week.



Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Mar-08	Feb-08	Jan-08	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
Personal Income	0.3%	0.5%	0.3%	4.4%	4.2%	4.0%
Disposal (After-Tax) Income	0.3%	0.5%	0.4%	4.8%	4.4%	4.1%
Personal Consumption Expenditures (PCE)	0.4%	0.1%	0.4%	3.9%	5.1%	5.3%
Durables	-0.4%	0.2%	-0.6%	-3.3%	-5.9%	-1.0%
Nondurable Goods	0.4%	-0.1%	0.5%	3.4%	6.8%	5.9%
Services	0.6%	0.2%	0.6%	5.5%	6.4%	6.2%
PCE Prices	0.3%	0.1%	0.3%	2.9%	3.9%	3.2%
"Core" PCE Prices (Ex Food and Energy)	0.2%	0.1%	0.2%	2.0%	2.2%	2.1%
Real PCE	0.1%	0.0%	0.1%	1.0%	1.2%	2.0%

Source: Bureau of Economic Analysis

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