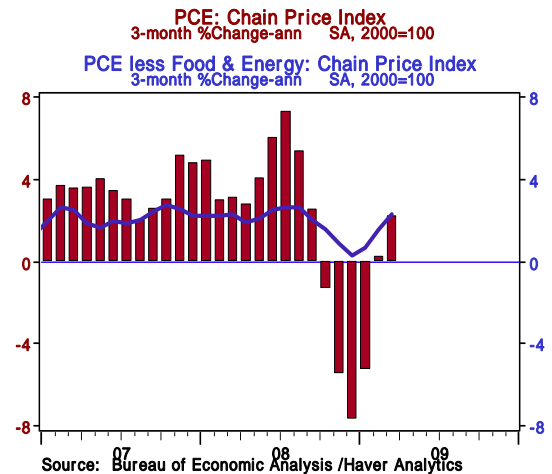
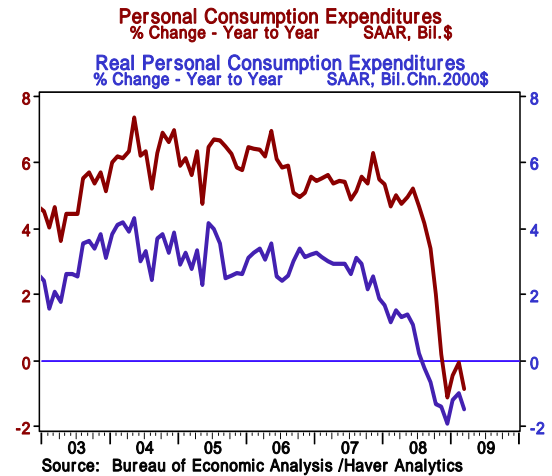


MARCH PERSONAL INCOME AND CONSUMPTION

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- Personal income declined by 0.3% in March, versus a consensus expected decline of 0.2%. Personal consumption decreased 0.2% versus a consensus expected -0.1%. Personal income is up 0.3% in the past year while personal consumption is down 0.9%.
- Disposable personal income (income after taxes) was unchanged in March but is up 3.0% versus last year. The largest drags on the growth of disposable income in March were wages and salaries in the private sector (down 0.6%) and income receipts on assets (interest/dividends, down 1.1%). The largest contributions to disposable income growth were lower tax payments (down 2.5%) and higher government transfer payments (social security/medicare/medicaid/unemployment insurance, up 1.0%)
- The overall PCE deflator (consumer inflation) was unchanged in March and is up 0.6% versus a year ago. The “core” PCE deflator, which excludes food and energy, was up 0.2% in March and is up 1.8% versus a year ago.
- After adjusting for inflation, real consumption was down 0.2% in March, but revisions to January/February added 0.4%. Real consumption is down 1.5% versus last year.



Implications: Just like last month, the key to understanding today’s report on spending is to look at the upward revisions for previous months. Although inflation-adjusted spending fell 0.2% in March, upward revisions of 0.4% to January/February mean the level of spending in March was both higher than the consensus expected and higher than *last month’s* report on February spending. These figures support other evidence that the US economy is on the verge of an economic recovery. Meanwhile, on the inflation front, although overall consumption prices were unchanged in March, these prices are up at a 2.2% annual rate in the first three months of 2009 versus a decline at a 7.7% rate in the last three months of 2008. In other news this morning, new claims for unemployment insurance fell 14,000 to 631,000 last week. The four-week moving average of claims is now down to 637,000 versus a peak of 659,000 only three weeks ago. Although continuing claims for jobless benefits increased 133,000 to 6.271 million, this indicator tends to lag shifts in initial claims by several weeks. Also, the Chicago Purchasing Managers Index, a measure of manufacturing in that region, increased to 40.1 in April from 31.4 in March. That’s the largest one-month increase in more than 20 years and the highest level for the index since the collapse of Lehman Brothers in September.

Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Mar-09	Feb-09	Jan-09	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
Personal Income	-0.3%	-0.2%	0.1%	-1.5%	-2.5%	0.3%
Disposal (After-Tax) Income	0.0%	0.0%	1.6%	6.5%	1.8%	3.0%
Personal Consumption Expenditures (PCE)	-0.2%	0.4%	1.1%	5.1%	-3.5%	-0.9%
Durables	-0.7%	-0.4%	2.7%	6.7%	-7.9%	-10.1%
Nondurable Goods	-0.8%	1.3%	2.0%	10.5%	-13.7%	-5.5%
Services	0.1%	0.1%	0.4%	2.5%	2.5%	3.0%
PCE Prices	0.0%	0.3%	0.2%	2.2%	-2.9%	0.6%
"Core" PCE Prices (Ex Food and Energy)	0.2%	0.2%	0.2%	2.3%	1.3%	1.8%
Real PCE	-0.2%	0.1%	0.9%	2.8%	-0.7%	-1.5%

Source: Bureau of Economic Analysis

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