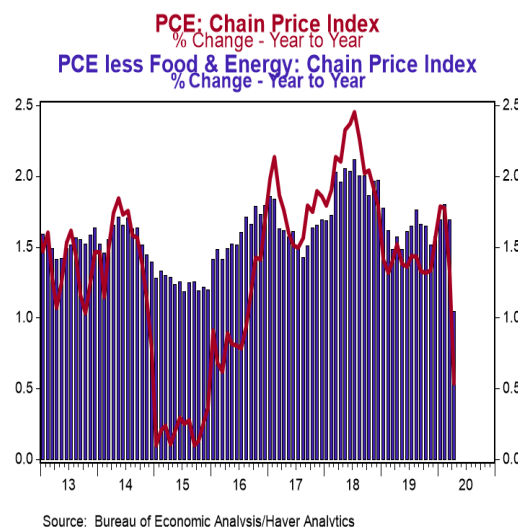
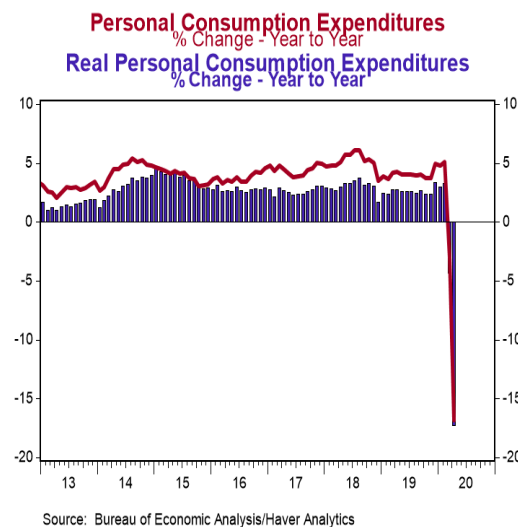


April Personal Income and Consumption

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- Personal income surged 10.5% in April, easily beating the consensus expected decline of 5.9%. Personal consumption declined 13.6% in April, narrowly lagging the consensus expected -12.8%. Personal income is up 11.7% in the past year, while spending has declined 16.9%.
- Disposable personal income (income after taxes) rose 12.9% in April and is up 14.4% from a year ago.
- The overall PCE deflator (consumer prices) declined 0.5% in April but is up 0.5% versus a year ago. The “core” PCE deflator, which excludes food and energy, declined 0.4% in April but is up 1.0% in the past year.
- After adjusting for inflation, “real” consumption declined 13.2% in April and is down 17.3% from a year ago.

Implications: Income rose faster in April than in any month since at least 1959, as unemployment insurance payouts surged and the \$1,200 CARES Act tax credits hit the books. In other words, the jump in April is largely temporary, and we are in store for a large decline in future months as the CARES act payments roll off. Outside of government transfer payments, personal income declined by 6.7% in April, led lower by a drop in wages in salaries, which came as little surprise given the reported 20.5 million jobs lost in April. Given continued job losses, look for another reduction in private-sector earnings in May, although not as steep as in April. On the spending side, personal consumption plunged 13.6% in April, the largest monthly decline in the report’s history (a record previously held by last month’s report). The drop was led by services, which fell 12.2%. The largest service decline, in dollar value, was for hospitals and outpatient services (-31.9%, combined). But some other lowlights include live entertainment and sporting events (down 100%), movie admissions (-99.5%), air transportation (-90.6%), casino gambling (-90.4%), public transportation (-81.4%), barbers/hair salons (-74.0%), hotels (-64.5%) and restaurants (-28.0%). On the goods side, the decline in outlays was led by groceries (-15.4%, excluding alcohol). Other big movers for goods included gas and other energy goods (-39.9%), apparel (-32.3%), and motor vehicles and parts (-15.7%). On the inflation front, PCE prices fell 0.5% in April but remain up 0.5% from a year ago. Core prices, which exclude food and, more importantly, the very volatile energy component, declined 0.4% in April, although core prices are up 1.0% from a year ago. We may see continued disinflation in the short term, but expect to see prices start moving gradually upward again later this year. The reopening of the economy, which we are living today, is bringing with it progress towards recovery, which will start making its way into the data in the months ahead. On the manufacturing front this morning, the Chicago PMI fell to 32.3 in May from 35.4 in April, a surprise decline to the lowest level since the early 1980s. Meanwhile, yesterday’s report on the Kansas City Fed index showed a rise to -19 in May from -30 in April. Plugging this into our models suggests next week’s national ISM index will show a rise to 42.4 versus 41.5 last month.



Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Apr-20	Mar-20	Feb-20	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
Personal Income	10.5%	-2.2%	0.5%	39.7%	21.4%	11.7%
Disposable (After-Tax) Income	12.9%	-2.1%	0.5%	52.5%	26.7%	14.4%
Personal Consumption Expenditures (PCE)	-13.6%	-6.9%	0.2%	-57.8%	-33.6%	-16.9%
Durables	-17.3%	-12.1%	-0.9%	-73.1%	-46.9%	-25.5%
Nondurable Goods	-16.2%	3.9%	-0.3%	-43.1%	-23.5%	-11.6%
Services	-12.2%	-9.3%	0.5%	-58.9%	-34.4%	-17.2%
PCE Prices	-0.5%	-0.2%	0.1%	-2.5%	-0.3%	0.5%
"Core" PCE Prices (Ex Food and Energy)	-0.4%	0.0%	0.1%	-1.2%	0.3%	1.0%
Real PCE	-13.2%	-6.7%	0.1%	-56.8%	-33.4%	-17.3%

Source: Bureau of Economic Analysis