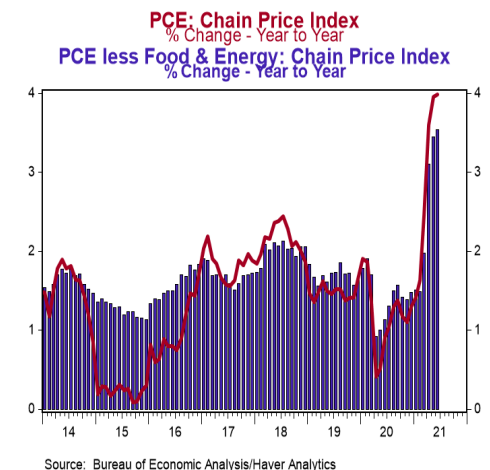
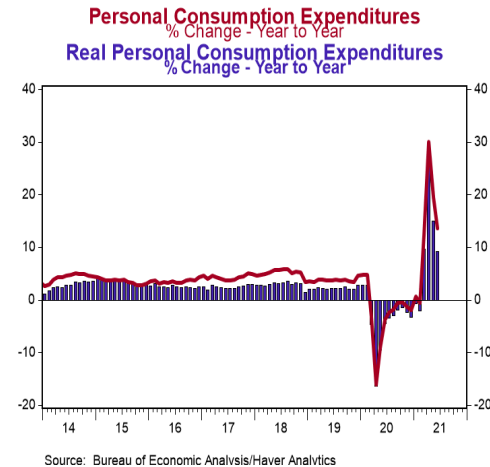


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## June Personal Income and Consumption

- Personal income rose 0.1% in June, beating the consensus expected -0.3%. Personal consumption rose 1.0% in June, beating the consensus expected +0.7%. Personal income is up 2.3% in the past year, while spending has increased 13.6%.
- Disposable personal income (income after taxes) was unchanged in June but is up 0.8% from a year ago.
- The overall PCE deflator (consumer prices) rose 0.5% in June and is up 4.0% versus a year ago. The “core” PCE deflator, which excludes food and energy, rose 0.4% in June and is up 3.5% in the past year.
- After adjusting for inflation, “real” consumption increased 0.5% in June and is up 9.2% from a year ago.

**Implications:** Personal income and spending surprised to the upside in June, as rising private-sector wages and salaries more than offset a decline in government transfer payments. This will be an ongoing battle in the months ahead. Come September 6th, two programs are set to expire nationally: Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC). These two programs, which expanded access beyond traditional state-level benefits, have just under 9.5 million recipients according to yesterday’s unemployment insurance release from the Department of Labor. While these benefits, plus tax rebates, caused a surge in income in 2020 even as people lost jobs, the expiration of benefits will put some downward pressure on incomes in the months to come. The key question in the second half of 2021 surrounds how quickly people return to work, bringing the far more sustainable wages and salaries component of income – which rose a healthy 0.7% in June – back to the spotlight. With the June increase, private-sector wages and salaries are up a massive 11.2% in the past year, but, more importantly, also stand 4.8% above pre-COVID levels. It was always going to take getting back to normal – getting back to work – to fully recover from the wounds of 2020; stimulus was simply an opioid to hide the pain until the real healing could take place. Following income higher in June, spending rose 1.0% in June. With spending rising at a faster pace than income, the saving rate declined to a still elevated 9.4%. On the inflation front, PCE prices grew 0.5% in June, and are up 4.0% from a year ago. Core prices, which exclude food and energy, rose 0.4% in June and are up 3.5% from a year ago. While the massive impact of shutdowns last year muddy the inflation picture, a look at price pressures over the past six months (which reduces the “base effect” impact), shows an even more profound rise in inflation, with overall PCE prices up at a 5.6% annualized rate. In other words, inflation also reflects the loose stance of monetary policy in addition to the imbalance in supply and demand. Since February 2020 (pre-COVID), PCE prices are up at a 2.9% annual rate, which is above the Fed’s 2.0% long-term target. In other news this morning, the Chicago PMI – a measure of factory sentiment in that area – surged to 73.4 in July from 66.1 in June, suggesting an increase in the national ISM index for manufacturing, which will be reported Monday morning.



Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Jun-21	May-21	Apr-21	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
<b>Personal Income</b>	<b>0.1%</b>	-2.2%	-13.6%	-48.9%	8.9%	2.3%
<b>Disposable (After-Tax) Income</b>	<b>0.0%</b>	-2.7%	-15.3%	-54.0%	8.1%	0.8%
<b>Personal Consumption Expenditures (PCE)</b>	<b>1.0%</b>	-0.1%	1.1%	8.3%	20.1%	13.6%
<b>Durables</b>	<b>-1.5%</b>	-4.2%	1.4%	-16.0%	39.8%	21.3%
<b>Nondurable Goods</b>	<b>1.8%</b>	-0.8%	-0.1%	3.4%	27.3%	13.3%
<b>Services</b>	<b>1.2%</b>	1.0%	1.5%	16.0%	14.5%	12.2%
<b>PCE Prices</b>	<b>0.5%</b>	0.5%	0.6%	6.6%	5.6%	4.0%
<b>"Core" PCE Prices (Ex Food and Energy)</b>	<b>0.4%</b>	0.5%	0.6%	6.7%	4.9%	3.5%
<b>Real PCE</b>	<b>0.5%</b>	-0.6%	0.5%	1.6%	13.7%	9.2%

Source: Bureau of Economic Analysis