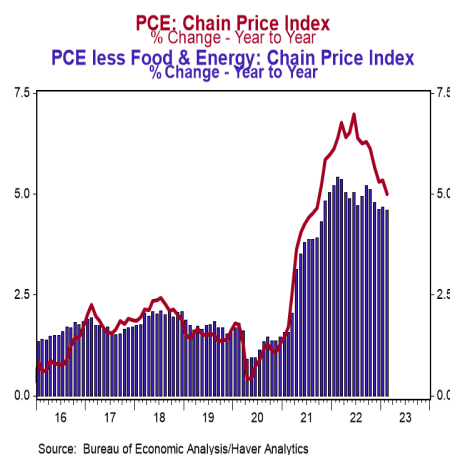
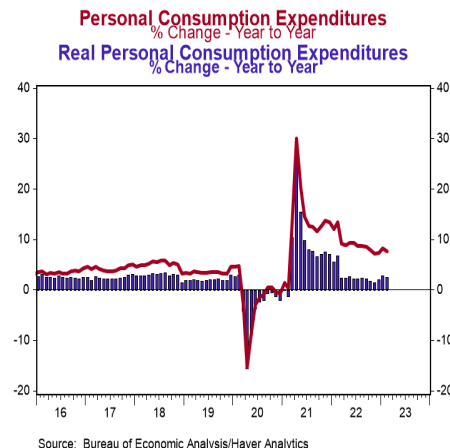


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## February Personal Income and Consumption

- Personal income rose 0.3% in February (+0.4% including revisions to prior months), matching consensus expectations. Personal consumption rose 0.2% in February, versus a consensus expected +0.3%. Personal income is up 6.2% in the past year, while spending has increased 7.6%.
- Disposable personal income (income after taxes) increased 0.5% in February (+0.6% including revisions) and is up 8.4% from a year ago.
- The overall PCE deflator (consumer prices) rose 0.3% in February and is up 5.0% versus a year ago. The “core” PCE deflator, which excludes food and energy, also rose 0.3% in February and is up 4.6% in the past year.
- After adjusting for inflation, “real” consumption declined 0.1% in February (+0.2% including revisions) and is up 2.5% from a year ago.

**Implications:** Income and spending rose at a moderate rate in February, while inflation remained a problem. The best news in today’s report was that incomes rose 0.3% largely due to a 0.3% increase in private-sector wages & salaries, which outstripped inflation for the eighth consecutive month. Meanwhile, overall consumer spending rose 0.2% in February, due to an increase in services; spending on goods was unchanged. This continues the pattern of the recovery from COVID, when services were shut down. However, with PCE prices – the Federal Reserve’s preferred measure – up 0.3% for the month, “real” (inflation-adjusted) consumer spending was down slightly. PCE prices are up 5.0% from a year ago, while “core” prices, which exclude food and energy are up 4.6% from a year ago. While goods prices have been moderating (up 3.6% from a year ago versus 10.6% back in June), service inflation remains stubbornly high and has shown little sign of easing (up 5.7% from a year ago versus 5.1% back in June). Note that the Fed is now closely watching a subset of inflation dubbed the “SuperCore,” which is services only (no goods), excluding food, energy, and housing. That measure rose 0.2% in February, the smallest monthly increase since July. However, those prices are still up 4.6% versus a year ago, the same as last month. When we plug all these figures into our models they suggest moderate economic growth in the first quarter of the year, with a Real GDP growth estimate at a 2.0% annual rate. However, inflation continues to take a toll on the economy, which will also soon feel more of the effect of the slowdown in the money supply over the past year. The economy was still growing in recent months, but we think tougher times are ahead.



Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Feb-23	Jan-23	Dec-22	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
<b>Personal Income</b>	<b>0.3%</b>	0.6%	0.3%	4.9%	6.2%	6.2%
<b>Disposable (After-Tax) Income</b>	<b>0.5%</b>	2.0%	0.4%	12.3%	10.6%	8.4%
<b>Personal Consumption Expenditures (PCE)</b>	<b>0.2%</b>	2.0%	0.0%	9.1%	6.7%	7.6%
<b>Durables</b>	<b>-1.4%</b>	7.0%	-1.5%	16.9%	5.1%	3.4%
<b>Nondurable Goods</b>	<b>0.9%</b>	1.7%	-1.1%	6.1%	4.3%	6.3%
<b>Services</b>	<b>0.2%</b>	1.2%	0.6%	8.7%	7.7%	8.8%
<b>PCE Prices</b>	<b>0.3%</b>	0.6%	0.2%	4.2%	4.0%	5.0%
<b>"Core" PCE Prices (Ex Food and Energy)</b>	<b>0.3%</b>	0.5%	0.4%	4.9%	4.5%	4.6%
<b>Real PCE</b>	<b>-0.1%</b>	1.5%	-0.2%	4.7%	2.5%	2.5%

Source: Bureau of Economic Analysis