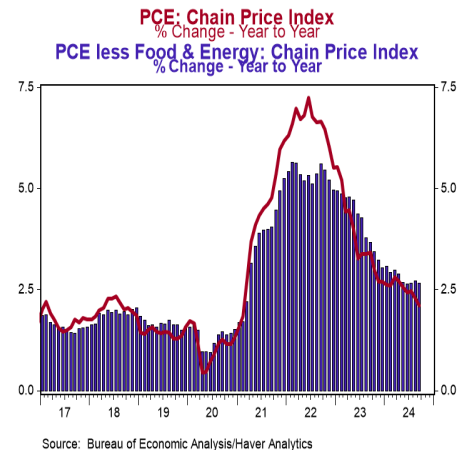


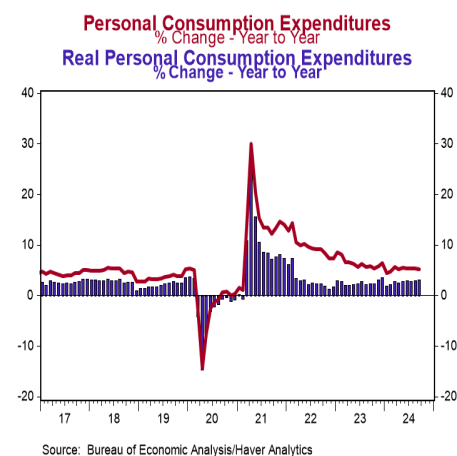
September Personal Income and Consumption

Andrew Opdyke, CFA – Senior Economist
 Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist

- Personal income rose 0.3% in September (+0.4% including revisions to prior months), matching consensus expectations. Personal consumption rose 0.5% in September (+0.6% including revisions), beating the consensus expected +0.4%. Personal income is up 5.5% in the past year, while spending has increased 5.3%.
- Disposable personal income (income after taxes) rose 0.3% in September and is up 5.3% from a year ago.
- The overall PCE deflator (consumer prices) rose 0.2% in September and is up 2.1% versus a year ago. The “core” PCE deflator, which excludes food and energy, rose 0.3% in September and is up 2.7% in the past year.
- After adjusting for inflation, “real” consumption rose 0.4% in September and is up 3.1% from a year ago.



Implications: Before we dive into incomes and spending, today’s report includes the Fed’s last key look at inflation before the meetings next week. PCE prices rose 0.2% in September and are up 2.1% in the past year compared to a 3.4% gain in the year ending in September 2023. “Core” prices, which exclude the ever-volatile food and energy categories, rose 0.3% in September and are up 2.7% versus a year ago, a notable improvement from the 3.7% reading for the twelve months ending September 2023. The slowing in the pace of inflation in the past year — prices are still going up but at a slower rate — reflects the tightening of monetary policy in 2023-24. But while year-ago comparisons have improved, it’s important to note that the pace of inflation in September – both headline and core – still represent prices rising at a faster than 2.0% annualized rate. While the Fed believes they have room to continue cutting rates at the meetings ahead, the battle against inflation has not been won, and risks remain that an overly aggressive path of cuts could bring with them a pickup in the M2 measure of money, and with it a return of inflation pressures. In the meantime, consumers had a solid September. Personal income rose 0.3% in September and is up 5.5% in the past year. Private-sector wages and salaries led the way, up 0.4% on the month and up 6.4% in the past year. Unfortunately, government activity continues to run hot as well, as government pay rose 0.5% in September and is up 6.7% in the past year, hovering near the largest twelve-month increase in decades. We don’t think the growth in government pay – or massive government deficit spending – is sustainable or good for the US economy. On the spending side, consumption rose 0.5% in September, led by outlays on services which increased 0.5% on the month and are up 7.0% in the past year. Goods spending also rose 0.5% in September but are up a more modest 1.6% from a year ago. When adjusting for inflation, consumption rose 0.4% in September. In other news this morning, initial jobless claims fell 12,000 last week to 216,000. Meanwhile, continuing claims fell 26,000 to 1.862 million. On the housing front, pending home sales, which are contracts on existing homes, surged 7.4% in September following a 0.6% gain in August. Plugging these figures into our model suggests existing home sales, which are counted at closing, will rise in October, although they’ll remain low by historical standards.



Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Sep-24	Aug-24	Jul-24	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
Personal Income	0.3%	0.2%	0.3%	3.4%	3.9%	5.5%
Disposable (After-Tax) Income	0.3%	0.2%	0.3%	2.9%	3.4%	5.3%
Personal Consumption Expenditures (PCE)	0.5%	0.3%	0.6%	5.7%	4.9%	5.3%
Durables	0.8%	-0.4%	1.3%	6.6%	3.7%	1.4%
Nondurable Goods	0.4%	-0.1%	0.8%	4.5%	2.6%	1.7%
Services	0.5%	0.5%	0.4%	6.0%	5.8%	7.0%
PCE Prices	0.2%	0.1%	0.2%	1.8%	1.7%	2.1%
"Core" PCE Prices (Ex Food and Energy)	0.3%	0.2%	0.2%	2.3%	2.3%	2.7%
Real PCE	0.4%	0.2%	0.4%	3.8%	3.2%	3.1%

Source: Bureau of Economic Analysis