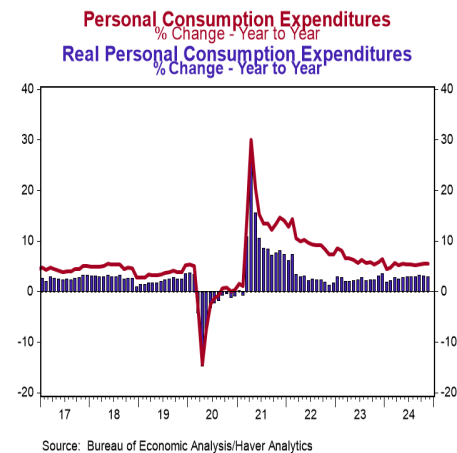
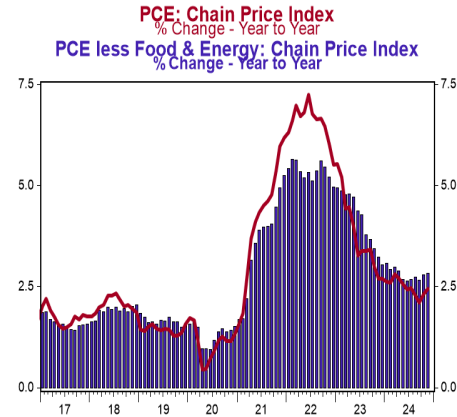


November Personal Income and Consumption

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- Personal income rose 0.3% in November (+0.5% including revisions to prior months), lagging the consensus expected +0.4%. Personal consumption rose 0.4% in November (+0.5% including revisions to prior months), versus a consensus expected +0.5%. Personal income is up 5.3% in the past year, while spending has increased 5.5%.
- Disposable personal income (income after taxes) rose 0.3% in November and is up 5.1% from a year ago.
- The overall PCE deflator (consumer prices) rose 0.1% in November and is up 2.4% versus a year ago. The “core” PCE deflator, which excludes food and energy, also rose 0.1% in November and is up 2.8% in the past year.
- After adjusting for inflation, “real” consumption rose 0.3% in November and is up 2.9% from a year ago.



Implications: We hope you are having a happy holiday season; consumers certainly are! Strong income gains and healthy spending continued in November, while headline inflation took a breather. Personal income rose 0.3% in November (and a more robust 0.5% when including upward revisions to prior months) and is up 5.3% in the past year. Private-sector wages and salaries represented the bulk of income gains in November, up 0.6% on the month and up 5.7% in the past year. That said, government activity continues to run hot as well, as government pay rose 0.5% in November and is up 6.4% in the past year, hovering near the largest twelve-month increase in decades. At the same time, government benefit payments to individuals are up 8.6% and are accelerating in the past year, the largest 12-month increase (excluding the COVID stimulus period) in more than a decade. We don’t think the growth in government pay – or massive government deficit spending – is either sustainable or good for the US economy, which is why we’re also hoping recent budget-related events in DC represent a shift in thinking on the growth of government. On the spending side, consumption rose 0.4% in November, led by outlays on goods which increased 0.8% and are up 3.0% in the past year. Spending on services rose 0.2% in November and up a strong 6.6% from a year ago. Arguably the best news for the consumer in November is that high inflation took the holidays off. PCE prices, the Fed’s preferred measure of inflation, rose 0.1% in November, so even when adjusting for inflation, consumption rose a comfortable 0.3%. PCE prices are up 2.4% in the past year, compared to a 2.7% increase in the year ending in November 2023. “Core” prices, which exclude the ever-volatile food and energy categories, also rose 0.1% in November and are up 2.8% versus a year ago, an improvement from the 3.2% reading for the twelve months ending November 2023. These numbers will be tracked closely by Fed policymakers in 2025, as their forecasts from Wednesday’s meeting showed they expect headline inflation to end next year slightly higher (2.5%) than it is today. While the Fed cut once again at their final meeting of 2024, they acknowledged that the path forward is more uncertain, and cuts are likely to move much more slowly in 2025. Risks remain that an overly aggressive path of cuts could also bring with it a pickup in the M2 measure of money, which would lead to a return of inflation pressure. We wish the Fed would acknowledge past faults and prioritize the money supply in their inflation analysis moving forward, but that would take a Christmas miracle.

Personal Income and Spending <i>All Data Seasonally Adjusted</i>	Nov-24	Oct-24	Sep-24	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % change
Personal Income	0.3%	0.7%	0.4%	5.4%	4.1%	5.3%
Disposable (After-Tax) Income	0.3%	0.7%	0.4%	5.6%	3.9%	5.1%
Personal Consumption Expenditures (PCE)	0.4%	0.3%	0.7%	6.0%	5.1%	5.5%
Durables	1.8%	0.2%	1.7%	16.0%	7.4%	4.5%
Nondurable Goods	0.2%	-0.4%	0.8%	2.7%	2.0%	2.1%
Services	0.2%	0.6%	0.5%	5.4%	5.7%	6.6%
PCE Prices	0.1%	0.2%	0.2%	2.1%	1.9%	2.4%
"Core" PCE Prices (Ex Food and Energy)	0.1%	0.3%	0.3%	2.5%	2.4%	2.8%
Real PCE	0.3%	0.1%	0.5%	3.8%	3.2%	2.9%

Source: Bureau of Economic Analysis