

Personal Income and Spending

Equity Research
Economics

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	Personal Income % Chg. on Month	Real Personal Disposable Income, % Chg. on Month	Real Per- sonal Consump- tion % Chg. on Month	Savings as a % of Per- sonal Disposable Income	PCE Price Index % Chg. on Month	Core PCE Price Index % Chg. on Month
Apr	0.4	0.0	0.5	4.1	0.4	0.4
Mar	0.3	0.2r(0.3)	0.0	4.5r(5.1)	0.1	0.3
Feb	0.3	0.2	-0.2	4.3r(4.8)	0.3	0.4r(0.3)
Jan	0.6	1.6r(1.5)	1.3r(1.4)	4.0r(4.5)	0.6	0.6
2022	0.5	-0.1	0.2	3.7	0.4	0.4
2021	0.9	0.3	0.6	11.8	0.5	0.4
2020	0.5	0.4	0.0	16.8	0.1	0.1
2019	0.3	0.1	0.2	8.8	0.1	0.1

Stronger Real Spending, Lower Savings, and Higher Inflation in April

Nominal personal income increased by 0.4%, which matched the expected 0.4% increase. Real personal disposable income was unchanged and follows a 0.2% reading in March. Aggregate real personal spending was 0.5% higher in April, after an unchanged reading in March. The 0.5% reading in real spending was the result of increases in spending on durable goods of 1.4% and nondurable goods of 0.4%, while spending on services also rose by 0.3%. As a result, the savings rate dipped to 4.1%.

Private sector wages and salaries (roughly 45% of personal income) were 0.5% higher in April (current dollars), following a 0.3% reading in March. Meanwhile, government sector wages and salaries were 0.4% higher and are now 5.3% higher annually. Private sector wages and salaries increased by 5.6% over the previous year (historical median was 6.4% for 1960-2016), which is extremely high but below the 11% pace at the start of the year.

Lastly, the PCE price index and the core price index rose by 0.4%. The annual changes were higher at 4.4% and 4.7%, respectively.

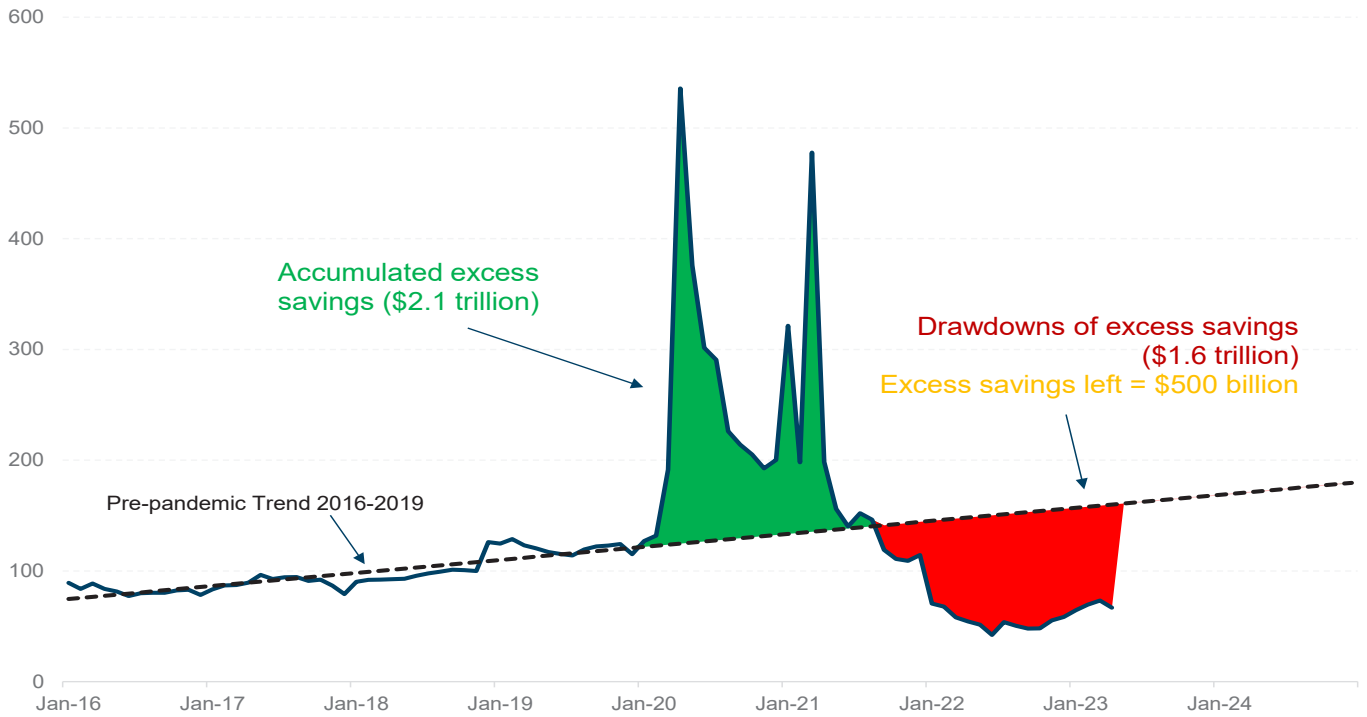
The reality is that the U.S. consumer continues to hold up quite well, and certainly better than many anticipated. This stability is likely a function of a number of factors, including low debt levels, the still extremely low unemployment rate, residual excess savings, falling inflation, and mortgage rates that have been locked in and therefore are slow to feel the impact from the sharp increase in rates. Today's data, for example, reveals that excess savings can still be estimated at about \$500 billion (see exhibit page 3). However, it is worth remembering that monetary policy acts with long and variable lags, and as we start to see more pressure on corporate profit margins due to slower growth, this in turn will put more pressure on companies to cut costs, including labor. The Fed's favorite inflation data in this report (exhibit on page 3) was clearly disappointing, and while the trend rate is still for disinflation, it raises some doubts about current expectations for a pause in June.

Real Personal Consumption Expenditures, % Change on Previous Month

	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
Personal Consumption Expenditures	0.07	0.20	0.00	0.48	0.26	0.27	-0.41	-0.19	1.33	-0.18	-0.02	0.47
Goods	-0.55	0.23	-0.33	0.23	0.33	0.77	-1.25	-0.71	2.82	-0.25	-0.54	0.77
Durable Goods	-1.64	0.43	0.24	-0.10	-0.34	2.16	-2.64	-1.27	6.90	-1.11	-1.09	1.41
Motor Vehicles and Parts	-5.53	0.77	-2.18	0.32	0.21	5.56	-5.35	-3.06	15.69	-1.47	-1.38	2.25
Furnishings and Durable Household Equipment	1.54	-0.15	0.60	-0.19	-0.69	1.25	-0.86	-0.67	2.78	-1.59	-1.23	1.34
Recreational Goods and Vehicles	0.38	0.31	2.36	-0.60	0.02	0.36	-1.65	0.43	2.18	-0.16	-0.73	1.06
Other Durable Goods	-1.75	0.86	0.92	0.17	-1.81	-0.46	-1.18	-1.72	3.97	-1.41	-0.86	0.10
Nondurable Goods	0.09	0.12	-0.65	0.42	0.72	-0.04	-0.44	-0.39	0.52	0.26	-0.21	0.40
Food and Beverages for Off-Premises Consumption	-0.53	0.72	-1.01	-0.21	0.35	0.13	-0.29	-0.29	0.10	0.13	-0.32	0.35
Clothing and Footwear	0.33	-0.50	0.73	0.63	1.49	-0.17	-0.80	-1.03	1.87	-1.37	-1.37	-0.20
Gasoline and Other Energy Goods	0.33	-0.76	-3.21	3.65	1.62	-0.85	-1.45	-0.23	-1.22	2.71	2.44	-0.59
Other Nondurable Goods	0.41	0.13	0.10	-0.19	0.47	0.16	-0.10	-0.31	0.92	0.21	-0.49	0.91
Services	0.39	0.19	0.16	0.61	0.22	0.01	0.02	0.07	0.58	-0.14	0.24	0.32
Household Consumption Expenditures	0.35	0.18	0.18	0.70	0.19	0.11	0.13	0.08	0.65	-0.10	0.30	0.36
Housing and Utilities	-0.22	-0.14	0.19	-0.06	-0.10	0.31	0.39	0.16	-0.88	0.22	0.89	-0.18
Health Care	-0.03	0.46	0.55	0.69	0.14	0.66	0.65	0.62	0.65	0.65	0.45	0.22
Transportation Services	1.06	-1.06	-0.74	1.50	0.18	-0.35	-1.51	0.21	0.23	0.30	-0.70	1.31
Recreation Services	0.08	0.26	-0.16	1.07	0.39	0.08	0.30	0.67	0.77	-0.63	-0.59	1.34
Food Services and Accommodations	-0.24	0.54	-0.25	1.33	0.98	0.00	-0.61	-0.35	3.26	-2.24	-0.39	0.15
Financial Services and Insurance	0.10	0.21	1.00	0.70	-1.02	-0.34	0.46	-0.15	0.74	0.27	0.04	1.09
Other Services	2.92	0.42	-0.37	1.27	1.24	-0.63	-0.44	-0.82	1.62	-0.54	0.43	0.48
Communication	0.39	0.29	0.61	0.85	0.69	-0.60	-0.32	0.03	-0.34	-0.08	0.18	0.23
Education	0.54	0.31	1.37	0.36	-0.04	-0.25	-0.05	-0.22	0.50	0.11	0.03	0.18
Professional and Other	-0.88	-0.82	0.38	0.68	-0.57	-0.21	-0.05	0.71	-0.84	-0.86	-0.07	-0.08
Nonprofit Institutions Serving Households	1.31	0.41	-0.23	-1.22	0.77	-2.03	-2.34	-0.15	-1.00	-0.97	-1.17	-0.43

Sources: Bureau of Economic Analysis, William Blair Equity Research

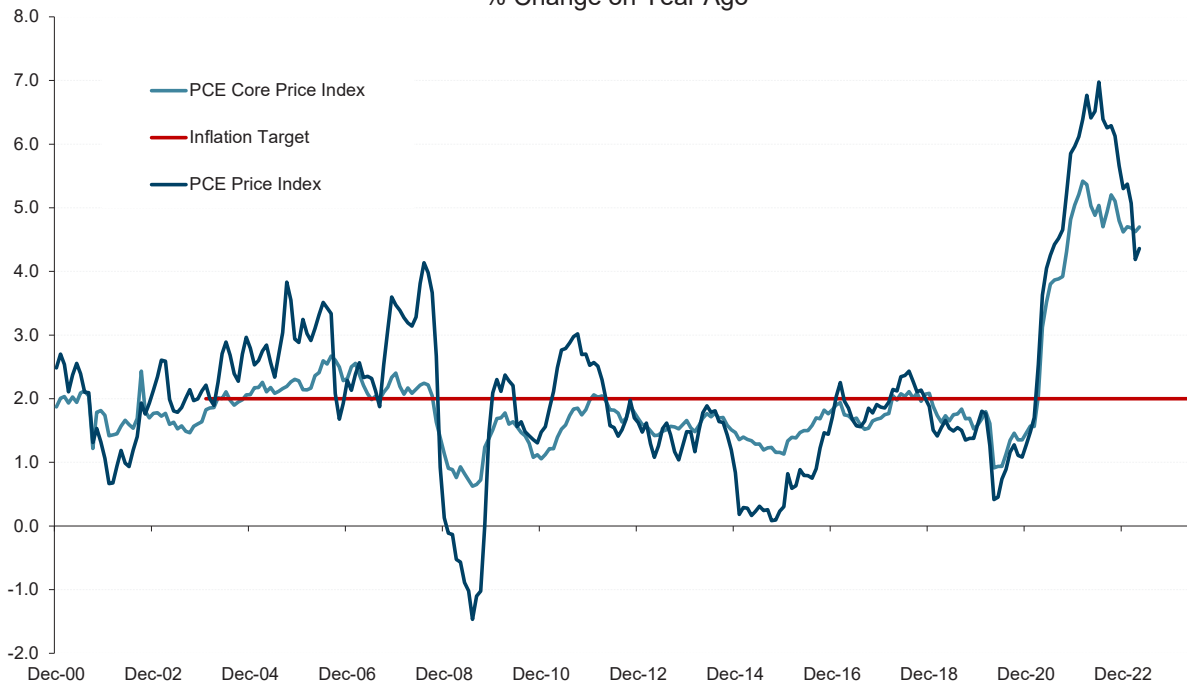
Aggregate Personal Savings vs Pre-Pandemic Trend



Source: BEA, San Francisco Federal Reserve, William Blair Equity Research

Personal Consumption Expenditure Price Deflator & Excluding Food & Energy

% Change on Year Ago



Source: Bureau of Economic Analysis, William Blair Equity Research

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DOW JONES: 32764.70
 S&P 500: 4151.28
 NASDAQ: 12698.10

Additional information is available upon request.

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