

## September 2018 Income & Spending

### *Income Growth Was Sluggish in September but Consumers Persevered*

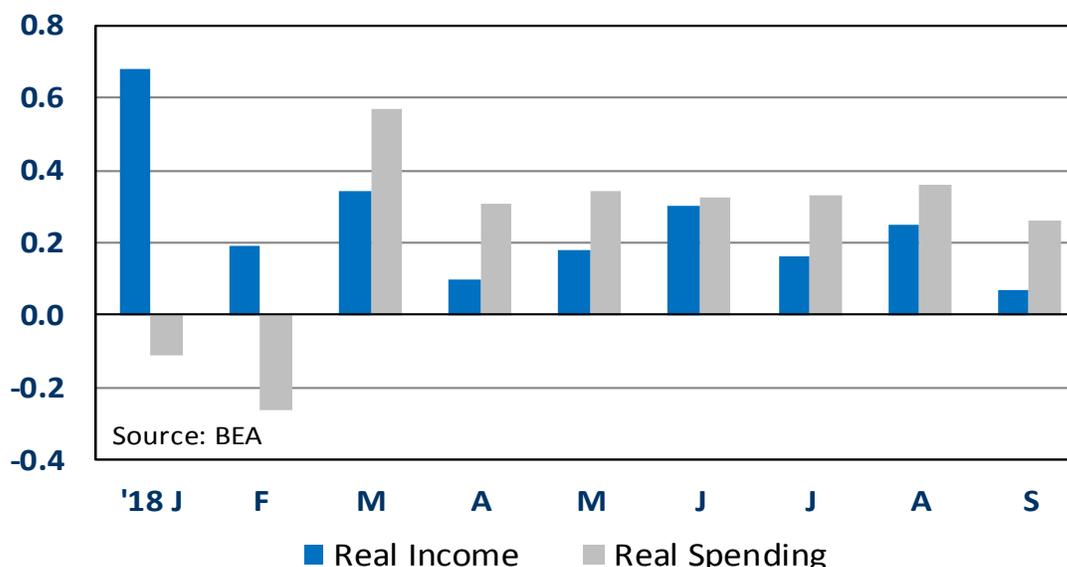
- U.S. Nominal Personal Income increased by just 0.2 percent in September.
- After inflation and taxes, Real Disposable Income was up by 0.1 percent.
- Real Consumer Spending increased by 0.3 percent in September.
- The Personal Consumption Expenditure Price Index gained 0.1 percent in September.

The September income and spending data shows sluggish real income growth at the end of the third quarter. Nominal personal income was up by 0.2 percent in September. Wages and salaries are the biggest part of personal income and they were only up by 0.2 percent, the weakest monthly gain since October 2017. Weaker-than-expected job growth in September was a contributing factor. After adjusting for inflation and taxes, real disposable income was up by just 0.1 percent in September, the weakest gain there since last April. Undaunted, consumers increased their spending by more than their incomes increased. Real consumer spending was up by a moderate-to-strong 0.3 percent in September. With spending increasing by more than income, the personal saving rate went down. It was as high as 7.4 percent in February this year, but in September the saving rate fell to 6.2 percent. That is not a bad number and the trend is unclear at this time. However, if the saving rate continues to decline, that would mean that consumers are leaning more on their credit cards. Inflation was calm again in September. The Personal Consumption Expenditure (PCE) Price Index increased by just 0.1 percent for the fourth consecutive month. Over the previous 12 months, the PCE Price Index was up by 2.0 percent and the core PCE Price Index (less food and energy) was also up by 2.0 percent over the year. This aligns with the Federal Reserve's near-2-percent inflation target. We look for moderate real consumer spending growth in the fourth quarter with overall GDP growth stepping down from a 3.5 percent annual rate in Q3 to something closer to 2.5 percent in Q4. We will be updating our U.S. Economic Outlook early next week.

**Market Reaction:** U.S. equity markets opened with gains. The yield on the 10-year Treasury bond is up to 3.10 percent. NYMEX crude is down to \$66.97/barrel. Natural gas futures are down to \$3.15/mmbtu.

## Income Growth Softer in September

### Monthly Change, percent



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