

## Economics Group

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### Personal Income Roughly Flat While Spending Made Gains

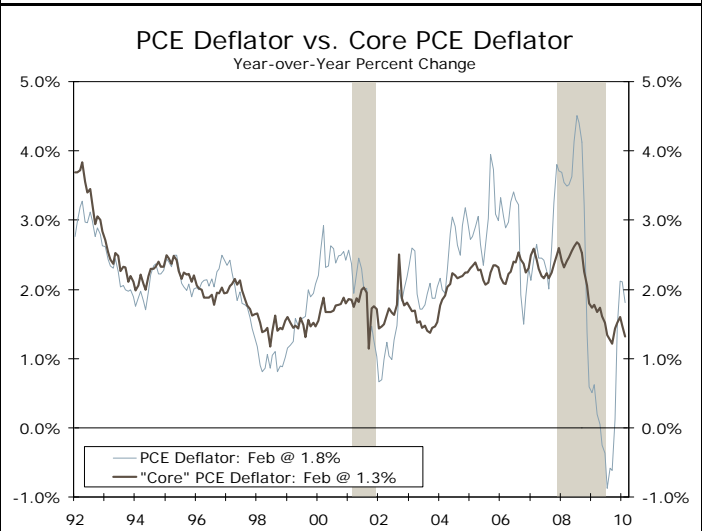
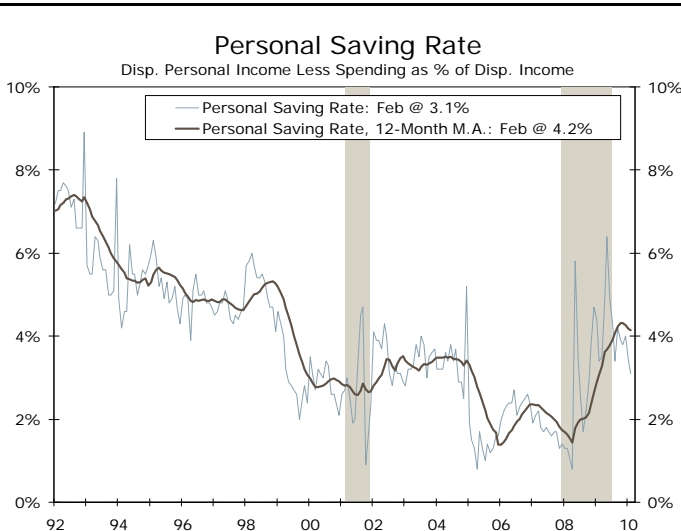
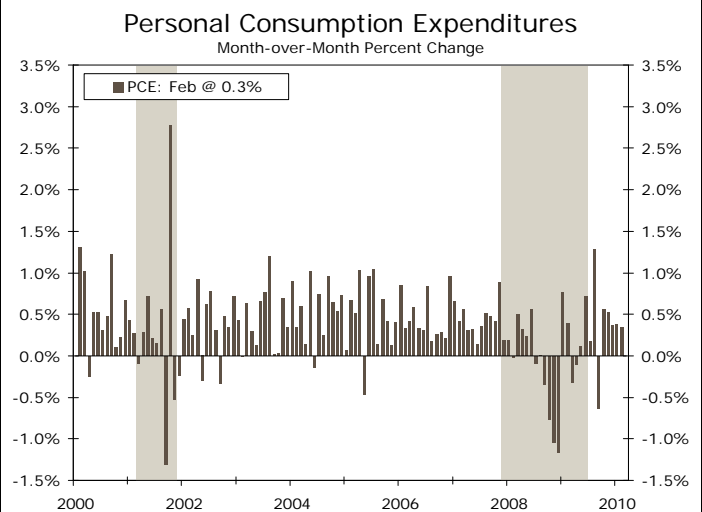
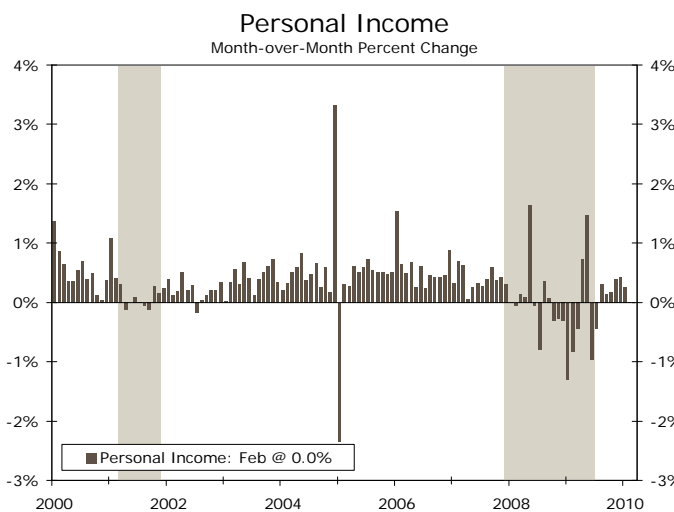
*Personal income was roughly flat in February as declines in dividend and farm income offset a small gain in compensation income and another gain in transfer payments. Spending climbed 0.3 percent.*

#### Income Ever so Slightly Higher

- Personal income was roughly flat in February, but January data were revised higher. Still this is the weakest gain in income since last summer. Compensation income edged slightly higher, but the major gain for the month was in government transfer payments.
- The personal saving rate dropped back for the second month to 3.1 percent as income gains have not kept up with spending.

#### Inflation Remains a Non-Issue

- Spending gained 0.3 percent in February with gains in both nondurable goods and services consumption more than offsetting the second straight drop in durable goods spending.
- Inflation remains a non-issue, with the core deflator flat in February and up just 1.3 percent over the past year. The Fed has room to remain accommodative on monetary policy. We do not expect an increase in the federal funds rate before Q4.



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