

Economics Group

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Personal Income & Spending Started Year with Gains

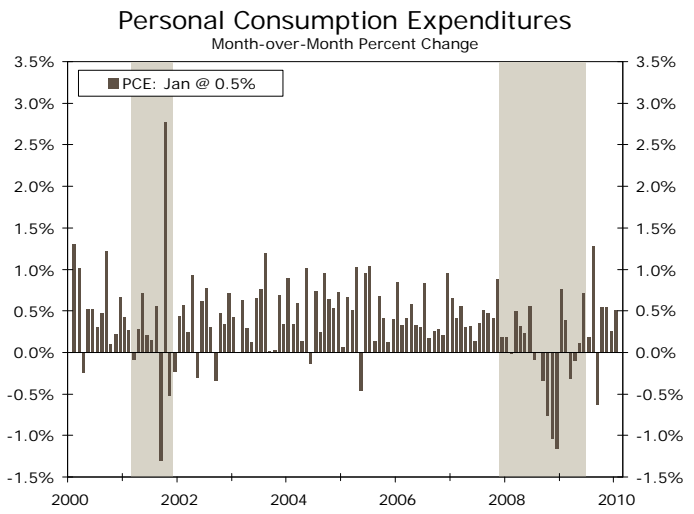
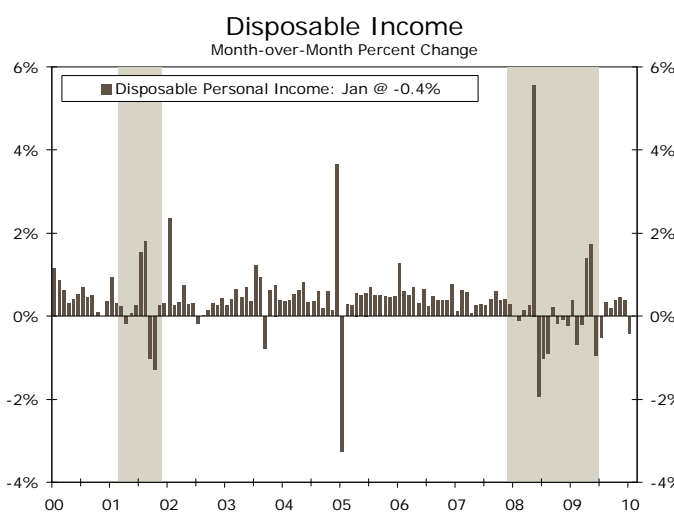
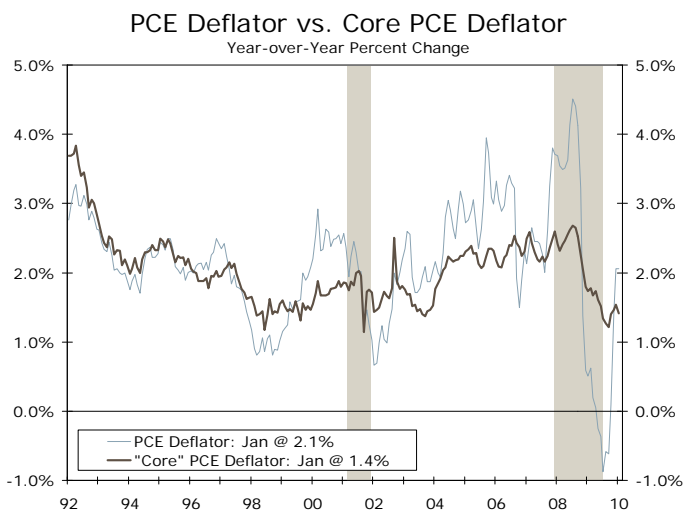
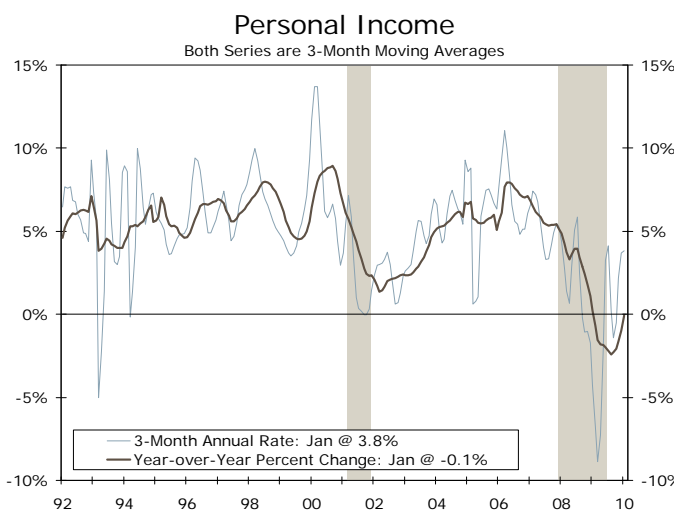
Personal income and spending both rose—up 0.1 and 0.5 percent respectively. While personal income made only a small gain on the headline, underlying details were better with compensation up 0.5 percent.

Wage and Salary Gains Relatively Strong

- Wage and salary income climbed 0.4 percent, the best gain in nine months. The labor market remains weak, but sustained hiring may be coming by spring and increases in workers' hours should also help boost income this year.
- Income weakness was concentrated in declines in income from assets and farm proprietors' income. Disposable income fell sharply on a large increase in non-withheld income taxes.

Inflation Remained a Non-Issue

- Core inflation was flat in January and is now up just 1.4 percent over the past year. We do not expect core inflation to accelerate this year, which would let the Fed keep its easy monetary policy in place through the third quarter.
- Consumers started 2010 on a relatively strong note with consumption climbing 0.5 percent. We expect real consumption will rise roughly 2 percent in Q1 before slowing in Q2.



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

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