



Economics Group

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Personal Income Rose Modestly in July

Personal income rose an anemic 0.2 percent in July, which was roughly in line with expectations. In real terms, spending rose a modest 0.2 percent. Increases in hours worked helped boost wage and salary growth.

Real PCE Still on Track

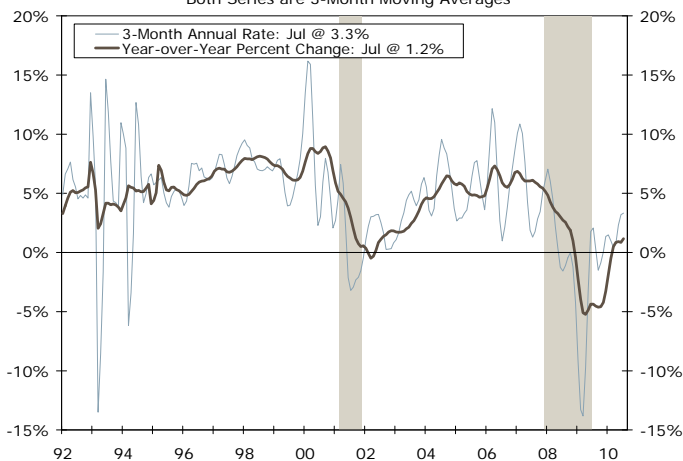
- Increases in hours worked and average hourly earnings helped push personal income up a modest 0.2 percent. Seasonal quirks likely distorted data due to fewer auto plants closing during the summer months. Third quarter real PCE seems off to a reasonable start. All things holding equal, we don't think real PCE will post a negative third quarter reading.
- Real disposable income edged down 0.1 percent.

Inflation Remains Benign

- The personal saving rate fell back a bit to 5.9 percent. Consumers remain very cautious due to a weak labor market.
- The core PCE deflator was unchanged at 1.4 percent in July on a year-ago basis. Much of the slowdown in the rate of inflation continues to be due to the oversupply of housing. Inflation remains a non-issue, which will give the Fed flexibility to keep short term interest rates low well into next year.

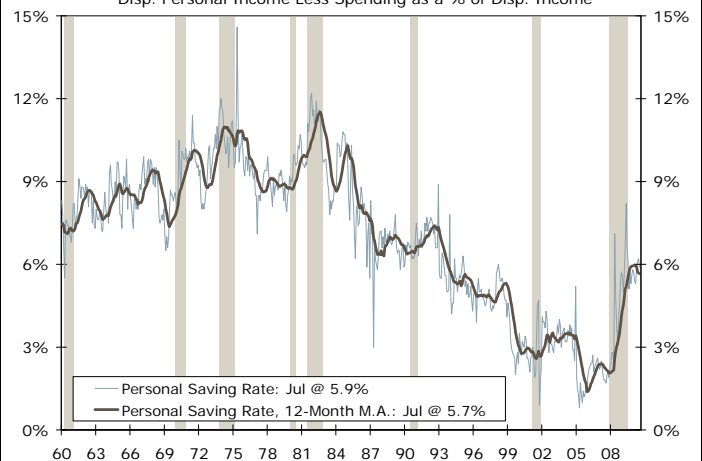
Wages and Salaries

Both Series are 3-Month Moving Averages



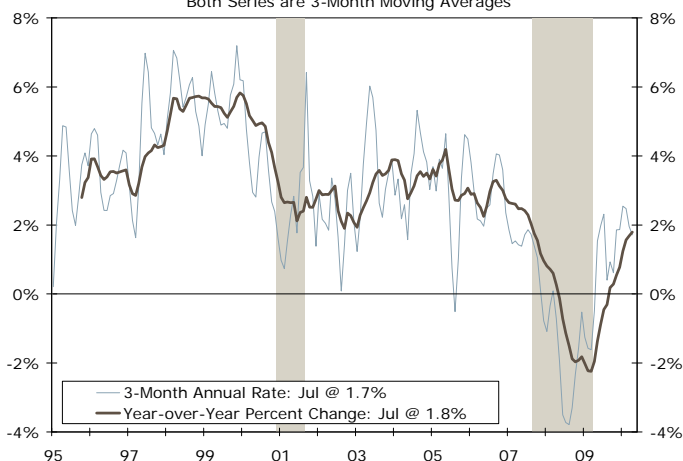
Personal Saving Rate

Disp. Personal Income Less Spending as a % of Disp. Income



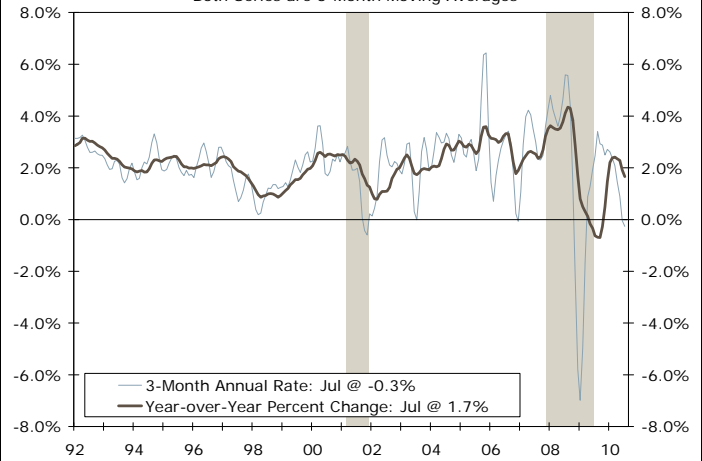
Real Consumer Spending

Both Series are 3-Month Moving Averages



PCE Deflator

Both Series are 3-Month Moving Averages



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