

Economics Group

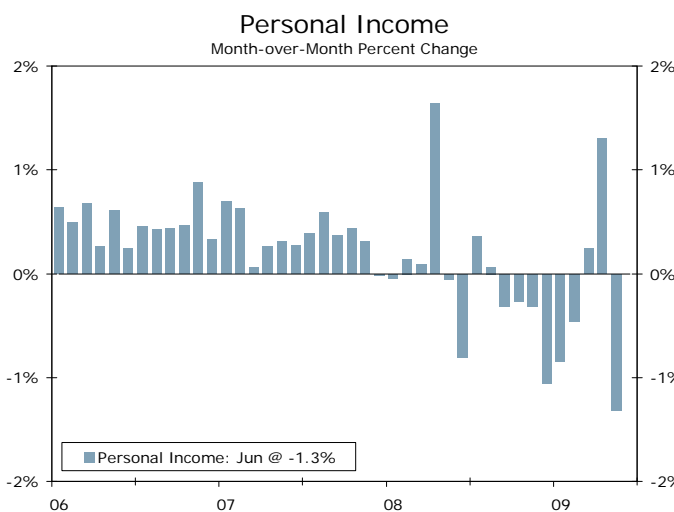
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Personal Income Fell While Spending Rose in June

Personal income dropped 1.3 percent in June due to a large drop in government transfer payments combined with a drop in compensation. Spending rose, while the saving rate retreated. Inflation remained benign.

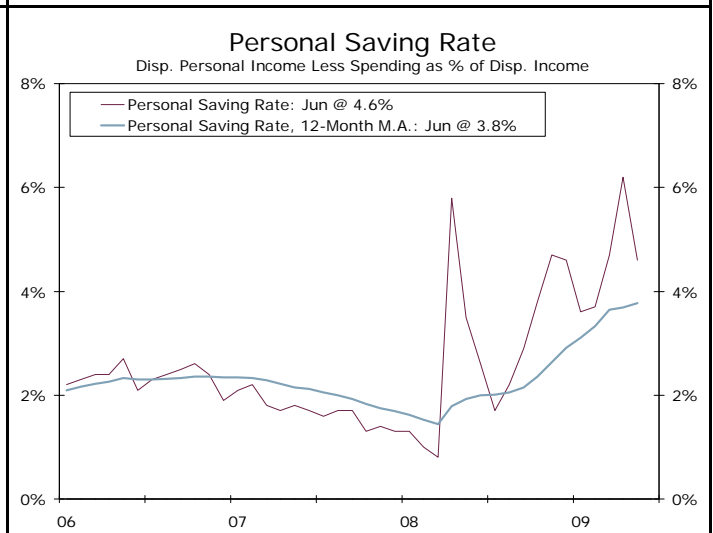
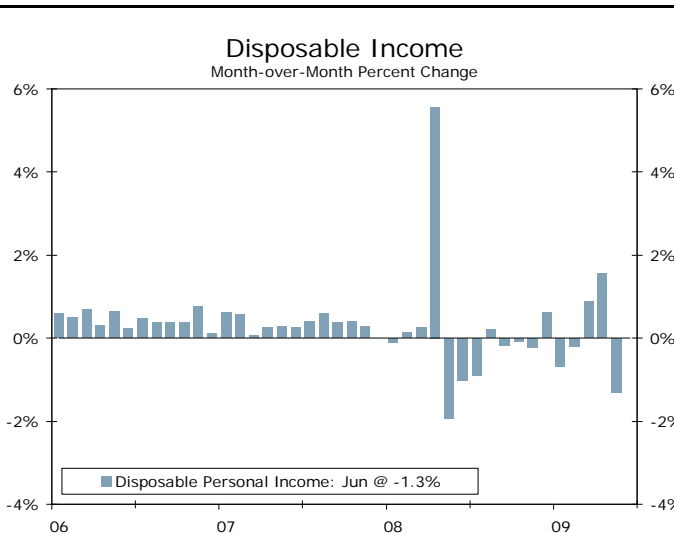
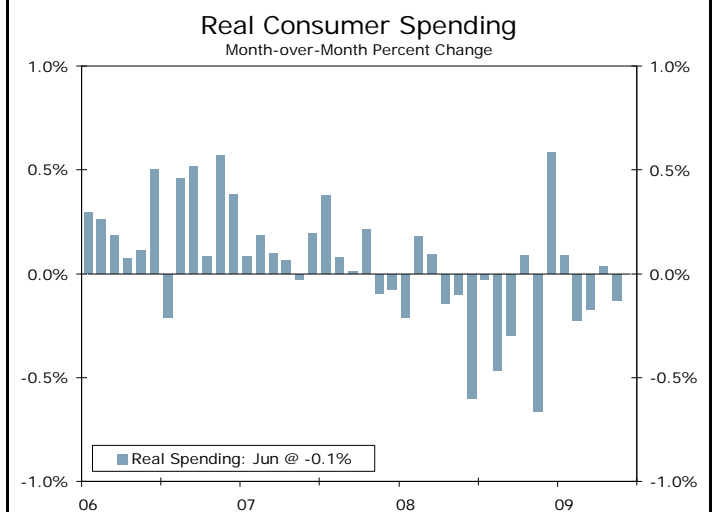
Income Fell Back

- Income fell 1.3 percent in June after rising a similar amount in May. One-time government transfer payments to retirees in May artificially boosted last month's reading, consequently much of the decline in June reflects this reversal.
- Wage & salary payments fell 0.4 percent, their largest decline since March. With the continued weakness in the labor market we do not expect strong gains to return for some time.



Spending Climbed on Price Gains

- Spending rose 0.4 percent, but after accounting for changes in prices, real spending fell 0.1 percent. Consumption was clearly weak in the second quarter, but the third quarter may prove stronger as consumers flocked to auto dealers in July.
- The saving rate reversed May's gains, and fell back to 4.6 percent. Still we expect the saving rate will trend higher over the medium term as consumers work to repair their balance sheets.



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