



Economics Group

Mark Vitner, Senior Economist
mark.vitner@wellsfargo.com • (704) 383-5635
 Anika R. Khan, Economist
anika.khan@wellsfargo.com • (704) 715-0575

Consumer Spending Rose Less than Expected in May

Personal income rose 0.3 percent in May, while consumer spending was flat. Real outlays fell 0.1 percent. The core PCE deflator rose 1.2 percent and is still well within the Fed's implicit comfort zone.

Transfer Payments Continue to Boost Income

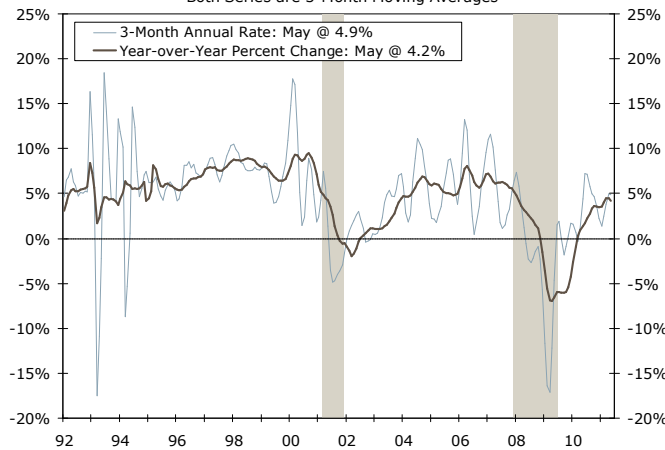
- Personal income rose 0.3 percent in May from a downward revision in the previous month. Much of the increase was due to personal income receipts on assets and transfer payments, which rose 0.5 percent and 0.4 percent, respectively. Personal income excluding transfer payments rose a modest 0.1 percent on the month. Private sector wages and salaries rose 0.2 percent and are up 0.4 percent over the past three months.

Consumers Remain Cautious

- Consumer spending rose only 0.2 percent in May. The weakness in spending is likely due to the drop in auto sales affected by supply chain disruptions and a weak labor market. The saving rate increased to 5.0 percent. The personal consumption deflator rose 2.5 percent in May, with energy prices increasing 22.1 percent and food prices climbing 3.5 percent. Excluding food and energy prices, the core PCE deflator rose 1.2 percent.

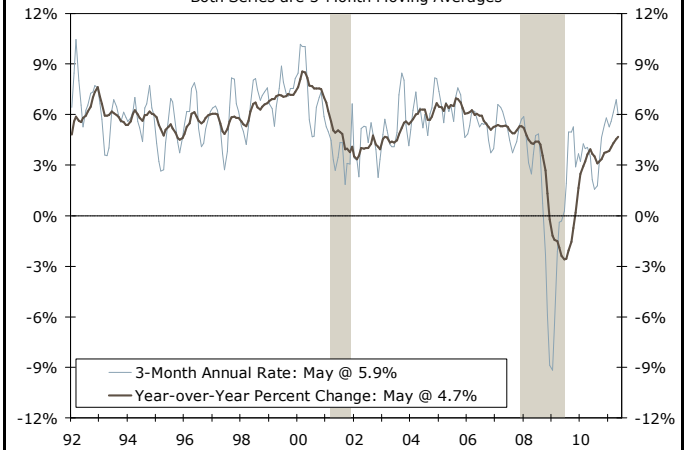
Private Wages and Salary Growth

Both Series are 3-Month Moving Averages



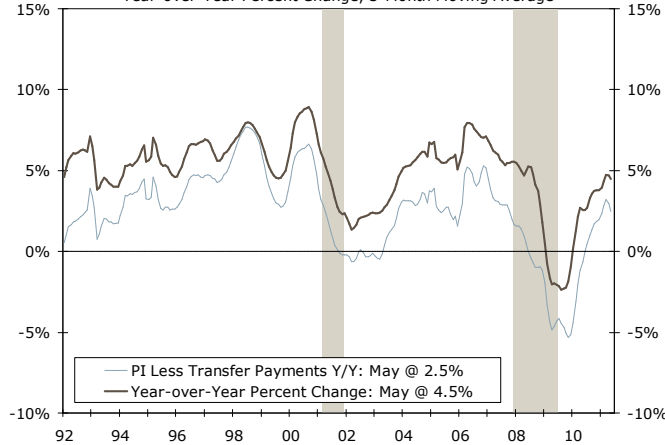
Personal Consumption Expenditures

Both Series are 3-Month Moving Averages



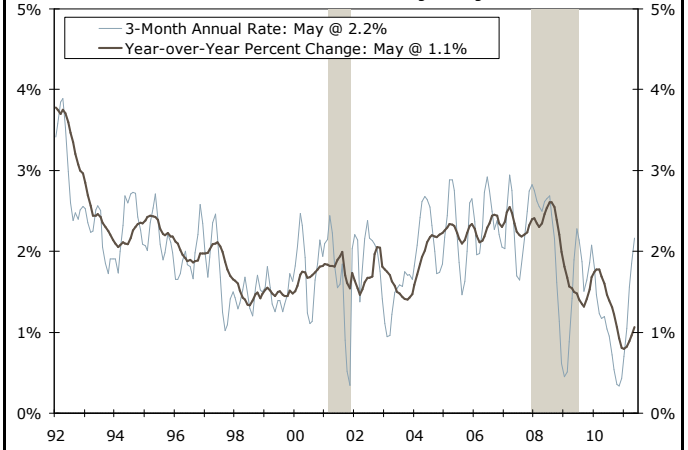
PI vs. PI Less Transfer Payments

Year-over-Year Percent Change, 3-Month Moving Average



"Core" PCE Deflator

Both Series are 3-Month Moving Averages



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

Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research & Economics	(704) 715-8437 (212) 214-5070	diane.schumaker@wellsfargo.com
Paul Jeanne	Associate Director of Research & Economics	(443) 263-6534	paul.jeanne@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 374-7034	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 383-5635	mark.vitner@wellsfargo.com
Jay Bryson, Ph.D.	Global Economist	(704) 383-3518	jay.bryson@wellsfargo.com
Scott Anderson, Ph.D.	Senior Economist	(612) 667-9281	scott.a.anderson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(704) 715-0314	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Senior Economist	(704) 383-7372	sam.bullard@wellsfargo.com
Anika Khan	Economist	(704) 715-0575	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wellsfargo.com
Ed Kashmarek	Economist	(612) 667-0479	ed.kashmarek@wellsfargo.com
Tim Quinlan	Economist	(704) 374-4407	tim.quinlan@wellsfargo.com
Michael A. Brown	Economist	(704) 715-0569	michael.a.brown@wellsfargo.com
Tyler B. Kruse	Economic Analyst	(704) 715-1030	tyler.kruse@wellsfargo.com
Joe Seydl	Economic Analyst	(704) 715-1488	joseph.seydl@wellsfargo.com
Sarah Watt	Economic Analyst	(704) 374-7142	sarah.watt@wellsfargo.com

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