



Household Income Trends Series: February 2012

Household Income in February 2012 Statistically Unchanged from January 2012

Summary of Key Findings

According to new data derived from the monthly Current Population Survey (CPS), real median annual household income in February 2012 (\$50,065) was not significantly different from January 2012 (\$50,241). The measured decline of \$176, or 0.4 percent, was not statistically significant at the 90-percent confidence level.

These findings come from a report issued today by Sentier Research, titled “Household Income Trends: February 2012,” which presents monthly trends in household income from January 2000 to February 2012.

This is the second month in a row that real median annual household income has failed to increase. (Between December 2011 and January 2012, real median annual household income decreased by 1.3 percent.) This development follows four consecutive monthly increases in real median annual household income that occurred between August 2011 and December 2011.

According to Gordon Green of Sentier Research, “We are watching this household income series closely as the economy continues to struggle. The labor market has shown some progress in recent months, but continues to remain in a weakened state. An important factor impeding the recovery of real median annual household income has been the recent up tick in inflation. The monthly Consumer Price Index (CPI) increased by more than 0.4 percent between January 2012 and February 2012. This follows an increase of more than 0.4 percent between December 2011 and January 2012. These two monthly increases in the CPI follow three consecutive monthly declines that occurred between September 2011 and December 2011.”

Highlights

- Among three major labor market indicators we examined, the only one to show significant progress between January 2012 and February 2012 was the median duration of unemployment:
 - The unemployment rate in February 2012 was 8.3 percent, the same as in January 2012.
 - There was some improvement in the median duration of unemployment, which fell from 21.1 weeks in January 2012 to 20.3 weeks in February 2012.
 - A broader measure of employment hardship, which includes the unemployed, marginally attached (or discouraged) workers, and persons working part-time for economic reasons, declined slightly from 15.1 percent in January 2012 to 14.9 percent in February 2012.
- The median annual household income in February 2012 can be put into broader perspective by a comparison with previous levels of household income dating back to the start of the last decade:
 - The February 2012 median annual household income of \$50,065 was 5.7 percent lower than the median of \$53,085 in June 2009, the end of the recent recession and beginning of the “economic recovery.”
 - The February 2012 median was 8.1 percent lower than the median of \$54,481 in December 2007, the beginning month of the recession that occurred just over four years ago.
 - The February 2012 median was 9.0 percent lower than the median of \$55,031 in January 2000, the beginning of this statistical series.
- The Household Income Index (HII) shows the value of real median annual household income in any given month as a percent of the base value at the beginning of the last decade (January 2000 = 100.0 percent):
 - The HII for February 2012 stood at 91.0, down from 91.3 in January 2012 and 92.5 in December 2011.
 - Prior to these declines, the HII had increased steadily from August 2011 to December 2011: 89.5 in August, 90.5 in September, 91.4 in October, 92.1 in November, and 92.5 in December (see Figure 1 below).

This report updates the estimates presented in our earlier reports on “Household Income Trends During the Recession and Economic Recovery,” issued on October 10, 2011, and “Household Income Trends: January 2012,” issued on March 1, 2012. It is a monthly report that does not include any information on the characteristics of households.

Income amounts in this report are before-tax money income and have been adjusted for inflation; income amounts are expressed in February 2012 dollars and have been seasonally adjusted, unless otherwise noted.

Estimates of median annual household income and the Household Income Index (HII) will provide the only measures of change in household income until the Fall of 2012 when the U.S. Census Bureau issues its report on income and poverty for calendar year 2011.

The estimates in the report are based on the Current Population Survey (CPS), the monthly household survey that provides official estimates of the unemployment rate. The CPS samples approximately 50,000 households and 135,000 household members each month. As is the case with all surveys, the estimates are subject to sampling and nonsampling errors. All comparisons made in the report have been tested and found to be statistically significant at the 90-percent confidence level, unless otherwise noted.

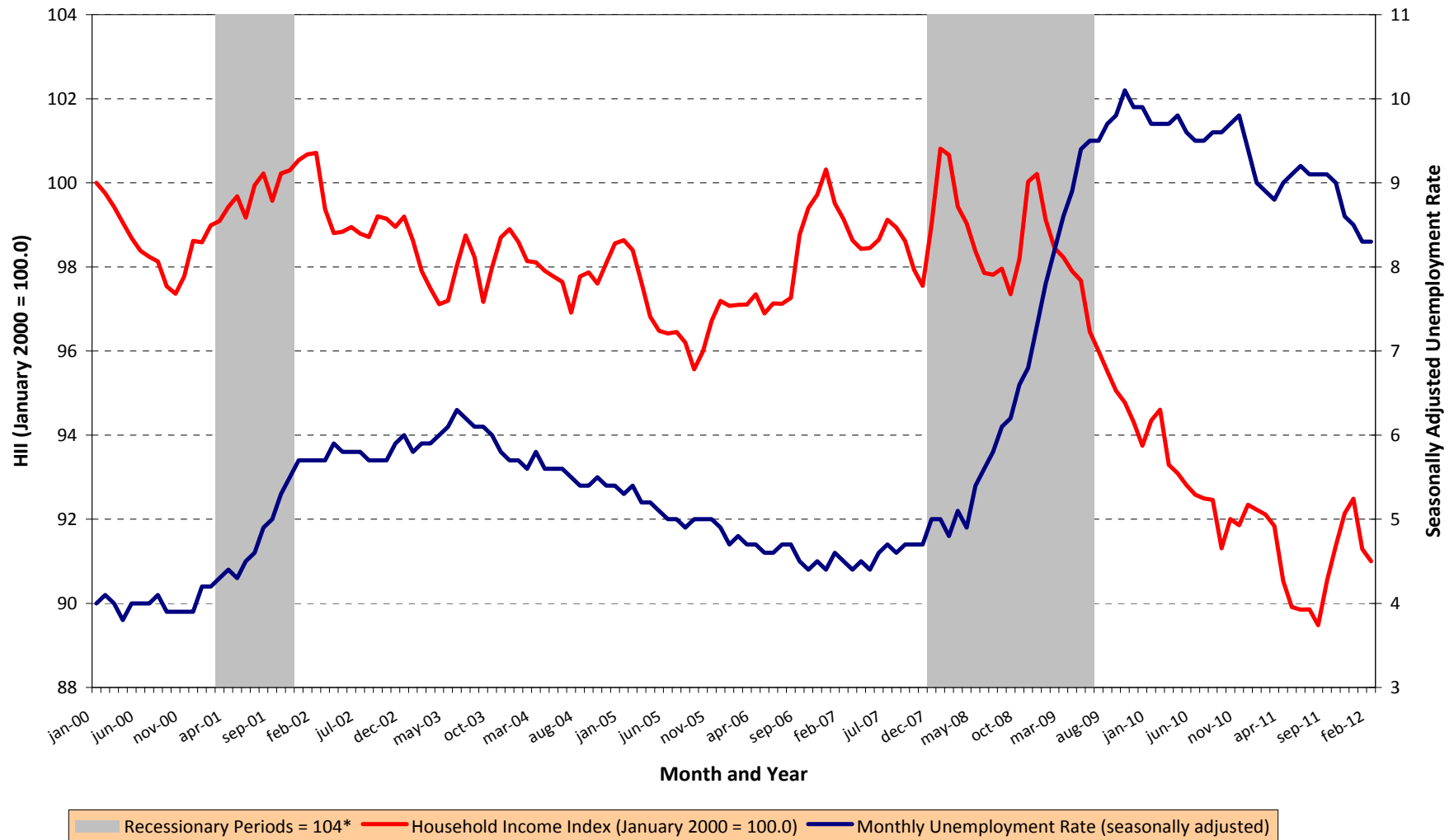
Household income is defined as the sum of the incomes of all household members. Income refers to all sources of money income including earnings from work, Social Security, interest, dividends, cash welfare, retirement pensions, unemployment compensation, veterans’ benefits, etc. Income **excludes** capital gains and losses, and lump-sum, one-time amounts. Household income is measured before federal and state income taxes and payroll taxes.

Copies of the report, *Household Income Trends: February 2012* (10 pages as .pdf), issued on March 29, 2012, can be obtained from the Sentier Research, LLC website at www.sentierresearch.com and are available to the public free of charge. It is permissible for media organizations to link directly to the report or to our website in their articles.

The authors of the new report are Gordon Green and John Coder, both former officials at the U.S. Census Bureau. All media inquiries should be addressed to Gordon Green at the email address gordonwgreen@sentierresearch.com, or by telephone on (703) 764-0249.

Figure 1.

Median Household Income Index (HII) and Unemployment Rate by Month: January 2000 to February 2012



Sources: For income data: Sentier Research, LLC estimates of annual household income derived from the monthly Current Population Survey (CPS) conducted by the U.S. Census Bureau; for the unemployment rate and the CPI-U: the U.S. Bureau of Labor Statistics.