



## Economics Group

Eugenio J. Alemán, Senior Economist  
[eugenio.j.aleman@wellsfargo.com](mailto:eugenio.j.aleman@wellsfargo.com) • (704) 410-3273  
 Michael A. Brown, Economist  
[michael.a.brown@wellsfargo.com](mailto:michael.a.brown@wellsfargo.com) • (704) 410-3278

## Personal Income Steady, Spending a Bit Weaker

**Personal income increased at a better-than-expected 0.4 percent in June even though May's number was revised down to 0.4 percent. Spending increased 0.2 percent after a revised 0.7 percent gain in May.**

### Personal Income Growth Remained Strong in June

After growing 0.4 percent in May, revised from a 0.5 percent increase, personal income improved another 0.4 percent in June. This was the third consecutive monthly 0.4 percent increase in personal income. Disposable personal income was a bit stronger, growing 0.5 percent in June after two consecutive prints of 0.4 percent. In real terms, disposable personal income increased 0.2 percent in June after posting a 0.3 percent increase in April and 0.1 percent in May.

Wages and salaries growth was lower in June than in May, increasing \$18.3 billion versus \$32.0 billion. Meanwhile, proprietors' income was up \$11.0 billion compared to only \$7.4 billion in May while growth in rental income of persons was almost unchanged at \$7.4 billion, compared to \$7.7 billion in May. The biggest positive, compared to May, was an increase of \$20.2 billion in personal income receipts on assets, that is, personal interest income plus personal dividend income, compared to an increase of only \$8.4 billion in May.

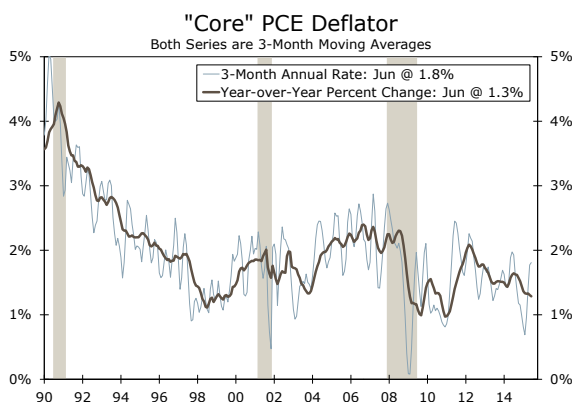
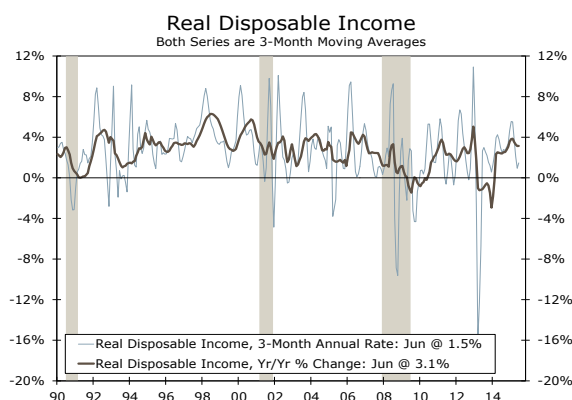
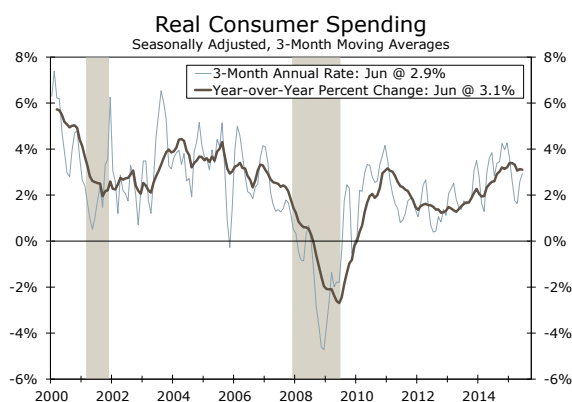
### Personal Spending Growth Weak But Positive

Personal spending increased according to market expectations, up 0.2 percent, after a strong posting in May. However, the original increase of 0.9 percent was dialed down to only 0.7 percent. The more disappointing news of this report was the flat reading for real personal spending after a downwardly revised 0.4 percent increase in May from an original print of 0.6 percent.

Weakness in spending included a drop of 1.1 percent in real purchases of durable goods in June after an increase of 1.3 percent in May. According to the report, most of the decrease in June was accounted for by a drop in the purchase of motor vehicles parts. Meanwhile, the purchase of non-durable goods decreased less than 0.1 percent in June after surging 0.9 percent in May. Services, meanwhile, continued to increase in June, this time by 0.2 percent compared to a 0.1 percent increase in May.

In terms of prices, the PCE deflator increased an expected 0.2 percent in June after posting a 0.3 percent increase in May. Thus, overall price pressures softened in June compared to May. Furthermore, the core price deflator was also tame at 0.1 percent in June, a similar increase as in the previous month. The core PCE deflator remained stable on a year-over-year basis at 1.3 percent.

This report does not add much to last week's release on second quarter GDP. Perhaps the most important information was that although income growth remained relatively stable during the second quarter of the year, consumption growth has remained relatively volatile.



## Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 410-3275	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Eugenio J. Alemán, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Anika R. Khan	Senior Economist	(704) 410-3271	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Eric Viloría, CFA	Currency Strategist	(212) 214-5637	eric.viloria@wellsfargo.com
Sarah House	Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Michael T. Wolf	Economist	(704) 410-3286	michael.t.wolf@wellsfargo.com
Erik Nelson	Economic Analyst	(704) 410-3267	erik.f.nelson@wellsfargo.com
Misa Batcheller	Economic Analyst	(704) 410-3060	misa.n.batcheller@wellsfargo.com
Michael Pugliese	Economic Analyst	(704) 410-3156	michael.d.pugliese@wellsfargo.com
Alex Moehring	Economic Analyst	(704) 410-3247	alex.v.moehring@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com
Cyndi Burris	Senior Admin. Assistant	(704) 410-3272	cyndi.burris@wellsfargo.com

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