

Economic Analysis

# Income and saving increase in March, spending not so much

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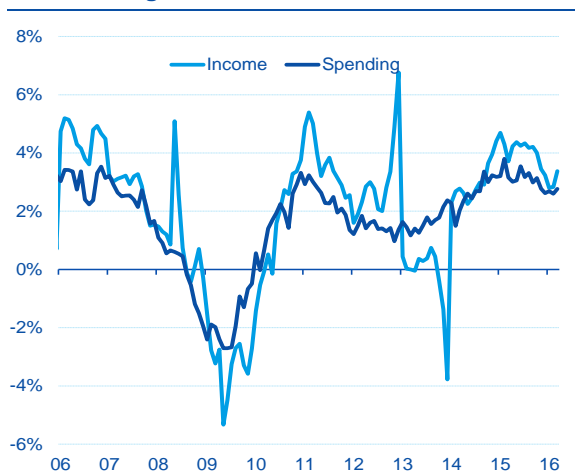
- Personal income increased 0.4% MoM and the saving rate hit 5.4%, the highest in 13 months
- Consumer spending increased 0.1% MoM in March, the lowest in 14 months
- Core PCE inflation dropped to 1.6% due to lower goods prices

The latest personal income and outlays report by the BEA showed a moderate increase in income (0.4% MoM) but a disappointing increase in spending (0.1% MoM) in March. The increase in income was slightly above consensus expectations, while the consumer spending increase was lower. Consumer spending growth was the lowest in 14 months.

Personal income in March was 4.2% higher YoY with the monthly gains broadly based, the largest being in wages and salaries in private service industries. Spending was 3.5% higher YoY in nominal terms. In real terms, it was almost flat (2.6% YoY) after increasing 0.3% MoM in February (Chart 1). The gains in spending were led by an increase in services spending and spending on nondurable goods. Durable goods spending in March declined 0.6% MoM, to a large part reflecting lower prices for this category, but also coinciding with the decline in consumer confidence and sentiment. Personal saving increased 5.6% MoM (12.8% YoY), bringing the saving rate to 5.4%, the highest level since February 2015 (Chart 2). Inflation remains low, and core PCE inflation took the wrong turn in March, down to 1.6% YoY from 1.7% in February.

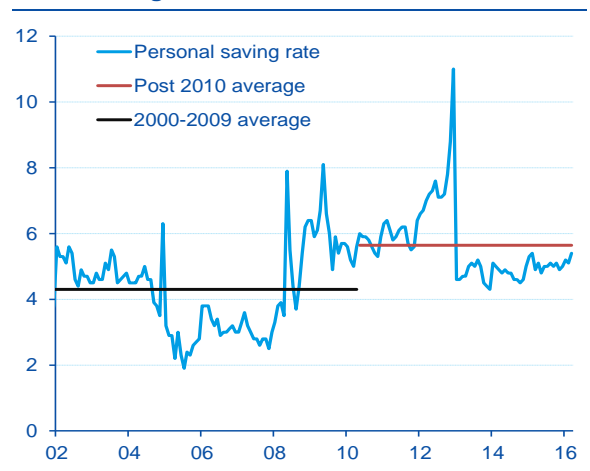
The improvements in employment have started to translate into increases in income, and we expect both trends to continue throughout the year, which should help improve consumer confidence and accelerate consumer spending going forward.

Chart 1  
Real personal income and spending  
YoY % change



Source: Bureau of Economic Analysis and BBVA Research

Chart 2  
Personal saving as share of disposable income  
YoY % change



Source: Bureau of Economic Analysis and BBVA Research

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