

BBVA Research Flash

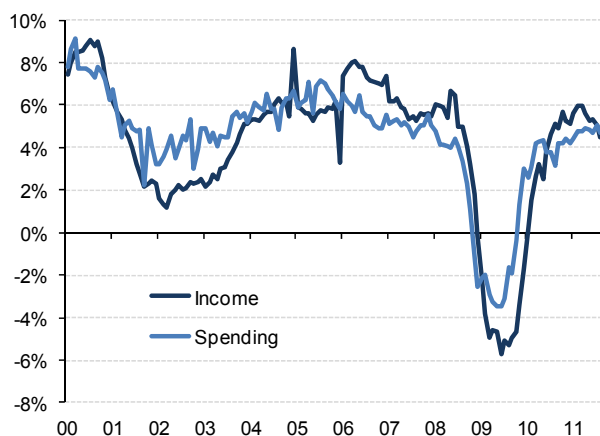
U.S.

Modest gain in personal spending, decline in income

- **Personal income declined 0.1% MoM in August, mostly due to a drop in wages and salaries**
- **As expected, spending slowed to 0.2% MoM growth following a 0.7% jump in July**

Personal income and outlays data for August were consistent with the discouraging employment situation and other weak economic reports for the month. Income dropped 0.1% MoM despite consensus expectations for 0.1% growth. Much of the decline was due to a 0.2% drop in wages and salaries that is consistent with a decline in earnings suggested by the month's employment report. In regards to consumer activity, continued declines in confidence and flat retail sales suggested conservative spending for the month. As expected, personal spending slowed to 0.2% growth in August following a revised 0.7% jump in July. Consumption was led by a 0.3% rise in nondurable goods and a 0.2% increase in services, both of which decelerated from the previous month. Despite higher food and energy prices in August, the PCE price index slowed to 0.2% from 0.4% in July, with prices up 2.9% YoY. Overall, today's data are in line with current slowdowns in economic activity and unfortunately do not reflect a much-needed boost in consumer demand and activity. Although the data is not overly encouraging, we maintain our baseline scenario for moderate gains in momentum for the remainder of 2011 and 2012.

Chart 1
Personal Income and Outlays
YoY % Change



Source: Bureau of Economic Analysis

Chart 2
Wages and Salaries
YoY % Change



Source: Bureau of Economic Analysis

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