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Income and Consumption

June personal income rises a weaker-than-expected 0.1% (Consensus:+0.2%; Decision Economics: +0.3%), and personal consumption fell 0.2% (Consensus:+0.2% Decision Economics: +0.1%).

Constant-dollar consumption was unchanged after declining 0.1% in April and May, as spending on durable goods dropped for a fourth consecutive month (-0.6%), and spending on services was little-changed. Vehicle sales reports due later today will help to flesh out the potential strength of a rebound in that category.

The headline PCE price index fell 0.2% while the core index rose 0.1%, following results of +0.2% and +0.3% in April and May. The year-over-year core rate remained steady at 1.3%.

The combination of the drop in consumption and slight rise in income had consumers saving greater percentage of their income despite the fall in prices, as the saving rate rose to 5.4%, the highest rate since last September.

Overall results fill in the full-quarter details released last week, but the evolution of the monthly series leaves the quarter-end print below the Q2 average, starting Q3 off on a weak footing. Even so, that does little to materially alter perceptions around the consumer, with attention very much focused on the more timely employment numbers to come later this week, and vehicles numbers to come throughout the day.
Hints of further stagnation in wage growth in the jobs report - today's numbers showed a nominal decline in wage and salaries in June (the first decline since November, and following very soft growth in May) - will leave Q3 consumer spending forecasts to the weak side.

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