December 23, 2015

TD Economics

Data Release: Personal spending kicks into higher gear in November

- Personal income rose 0.3% in November, beating the survey estimate for 0.2%. Controlling for inflation and taxes, real disposable income was up 0.2%.

- Consumer spending rose 0.3% in both nominal and real terms (as prices were flat in the month). Real spending was led by durable goods (+1.1%), followed closely by non-durables (+0.9%). Services spending was down ever so slightly (-0.02%) and has been roughly steady for the past two months.

- Inflation as measured by the price index for personal consumption accelerated to 0.4% year-on-year (from 0.2%), while the core measure remained flat at 1.3%.

- The saving rate inched down to 5.5% from 5.6% in October.

Key Implications

- The acceleration in spending growth in November alongside continued robust income growth is encouraging, suggesting consumers have what it takes to lead economic growth.

- Some of the softness in services spending is weather related, due to reduced consumption of utilities. This is nothing to worry about and is likely to make its way into other spending in the months ahead.

- On a quarterly basis, we are tracking real personal spending growth of 2.2%. This is down slightly from our previous expectation for 2.4% (due to downward revision to October's data). Nonetheless, taken alongside other revisions that came out with the BEA's GDP release yesterday, our forecast for 2.0% (annualized) GDP growth in the fourth quarter is still in good shape.

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