



## TD Economics

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### Data Release: Spending Falls While Incomes Rise

- Spending was flat in December, disappointing the market's expectation for a 0.1% increase. After accounting for price changes, real personal spending declined 0.1% on the month.
- This decline was widespread, as spending on both goods and services contracted 0.1%.
- On a more positive note, personal income rose 0.5% in December, slightly more than the market's 0.4% forecast.
- Wages and salaries increased 0.4%, and real personal disposable income increased a respectable 0.3%.
- The savings rate rose sharply in December to 4.0% from 3.5% in November.

### Key Implications

- This report was a mix of good and bad news, but ultimately revealed the soft underbelly of the U.S. economy.
- On the upside, job growth is translating into higher incomes, evidenced by a 0.4% increase in wages and salaries. This is important, because without income growth, increases in spending can only be achieved by dipping into savings.
- On the downside, negative spending growth will hurt the handoff for Q1 growth. It is also discouraging to see spending on both goods and services contract. That said, at least some of the weak service spending can be chalked up to soft utility demand as a result of this winter's mild weather.
- As the European economy continues to struggle and government spending remains a drag on growth, the fate of the U.S. economy increasingly lies in the hands of American consumers. Today's weak spending number is a reminder that households still face challenges of their own, and that growth is likely to remain sluggish for the foreseeable future.

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