Maturing Stimulus Effects On US Consumption?

United States, Personal Income / Consumption, % m/m, September:
Actual: 0.2 / 0.4
Consensus: 0.4 / 0.4
Scotia: 0.4 / 0.6
Prior: 0.4 / 0.5 (revised from 0.3 / 0.3)

United States, PCE / core PCE deflators, y/y % change, September:
Actual: 2.0 / 2.0
Consensus: 2.0 / 2.0
Scotia: 2.0 / 2.0
Prior: Unrevised from 2.2 / 2.0

- The broad tone of the releases was broadly in line with expectations. Markets are not materially affected.
- The PCE and core PCE deflators were spot on with what we could infer from the Q3 GDP accounts released Friday. Headline and core PCE were up 0.1% m/m and 0.2% m/m respectively and as inferred from the Q3 tallies released on Friday. There were no revisions that affected the September estimates. That translated into unchanged core PCE in year-ago terms (2.0%) and a decline in headline PCE from 2.2% to 2.0% y/y.
- The spending figures were softer than expected for September, but that's fully explained by upward revisions to prior months. If not for such revisions, real spending would have been up 0.6% m/m but the prior month's 0.2% gain was doubled after revisions and ate into the September estimate. Meh. That still leaves consumption up 4% in Q3 over Q2 at a seasonally adjusted and annualized rate as per Friday's GDP release.
- Income growth met expectations based on the monthly inferences to Q3 GDP accounts and after taking account of revisions.
- The personal saving rate fell two-tenths to 6.2%. We're back down to exactly where it was late last year and before the transfer boost in Q1 that temporarily boosted the saving rate.
- The saving rate remains relatively high after multi-year revisions were made earlier in the year, but the effects of stimulus transfers during Q1 are definitely maturing. The first round effect involves hording (income growth up and saved at first) and the second round effects (saving down, consumption up) are beginning to mature. In order to get continued consumer strengths in future, we can't rely upon income transfer effects as they've been redeployed, so instead, we're left with relying upon either a) a continued decline in the saving rate to below where it was before stimulus; b) accelerating wage gains; or c) improved access to credit.
- As a reminder, see the chart below for what revisions to the saving rate earlier this year did to the current estimate compared to the old estimate. There is indeed more room for the saving rate to potentially move lower than was thought to be the case before the revisions.

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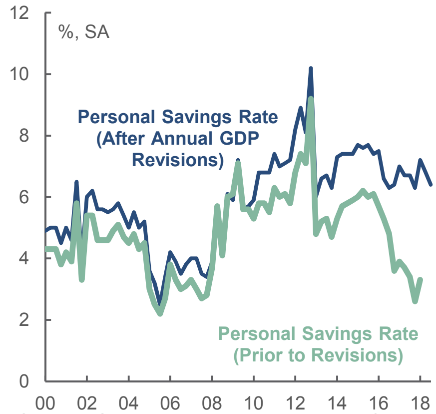
US Personal Saving Rate



Sources: Scotiabank Economics, Bureau of Economic Analysis.