

## Recession Fears?? US Consumption Continues To Rip!

### United States, Personal Income / Consumption, % m/m, November:

Actual: 0.2 / 0.4

Consensus: 0.3 / 0.3

Scotia: 0.3 / 0.4

Prior: 0.5 / 0.8 (revised from 0.5 / 0.6)

### United States, PCE / core PCE deflators, y/y % change, November:

Actual: 1.8 / 1.9

Consensus: 1.8 / 1.9

Scotia: 1.8 / 1.9

Prior: Unrevised from 2.0 / 1.8

- US inflation and consumer data was broadly in line with expectations and slightly hawkishly so. Core inflation picked up to 1.9% y/y which modestly suspends the deceleration that had been in place over the post-July period. Consumption grew strongly and is supportive of another strong quarter for GDP growth. The recessionistas cannot simply ignore that the alarm bells they were ringing about recession risk looming 12-18 months ahead coming into the start of this past year put them enormously offside growth for the year as a whole; doing so amounts to one of the year's biggest forms of confirmation bias within that tail of the forecasting community. While there are risks aplenty ahead, it is appropriate for the Fed to describe the economy as strong.
- **Consumer spending is rising at a 3.6% q/q clip in Q4** at a seasonally adjusted and annualized rate. That is similar to the 3.5% clip in Q3 over Q2 and the 3.8% rise in Q2 over Q1. **Nothing about the state of consumer finances portends recession in what amounts to 70% of the US economy. Wage growth is at a 10+ year high, debt payments as a share of incomes are at a record low and the saving rate is robust.**
- Core PCE inflation increased to 1.9% y/y as expected.
- Headline PCE inflation moved down a couple tenths to 1.8% y/y as expected on energy prices.
- Consumption was strong with a gain of 0.4% m/m that slightly exceeded consensus expectations and it was revised up by two-tenths to 0.8% the prior month.
- This came at the slight expense of the saving rate that slipped to 6% from 6.1% the prior month but that remains about triple the pre-GFC low. That indicates plenty left in the tank for US consumers versus past warning signs when saving has sharply declined and the debt payment burden has sharply risen. Those conditions don't exist today.
- The small decline in the saving rate occurred because income growth was a little soft at +0.2% m/m, but following a strong prior month gain of 0.5%.

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### Fed's Preferred Core Inflation Will Likely Follow Core CPI Higher



Sources: Scotiabank Economics, Bloomberg.

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