



## January 2024

# Personal Consumption Expenditures

Released February 29, 2024

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### Headline personal income increased by 1.0 percent m/m (\$233.7B).

- Real disposable personal income (DPI) per capita fell by 0.05 percent m/m. That means prices rose faster than after-tax income.

### Real personal consumption expenditures (PCE) fell by 0.11 percent m/m (\$-17.7B).

### Headline PCE price index inflation rose by 0.34 percent m/m (4.2 percent annualized).

- All goods PCE price index inflation fell by 0.17 percent m/m.
  - Durable goods PCE price index inflation rose by 0.21 percent m/m.
  - Nondurable goods PCE price index inflation fell by 0.38 percent m/m.

### Core PCE inflation rose by 0.42 percent m/m (5.1 percent annualized).

- Core PCE price index inflation excludes the more volatile food and energy indices.

### Nominal personal savings increased 0.1 percentage points to 3.8 percent.

### Over the past 12 months:

- Core PCE price index inflation has risen by 2.85 percent.
  - The Federal Reserve's 2 percent target refers to core PCE price index inflation. Given y/y and m/m core PCE inflation exceeds 2 percent, inflation continues to run hot.

### Economic Context

- Although inflation has moderated over the last year, it's not going down without a fight.
  - The PCE price index [spiked in January](#) to levels not seen since September.
    - The spike mirrors a similar increase seen the Consumer Price Index ([see last month's release](#))
  - The most recent data bears close watching—perhaps the mild inflation at the end of 2023 was an aberration, or perhaps this spike is the outlier. Strong consumer demand that has fed economic growth (see next page) could also re-ignite inflation or keep it at higher-than-desired levels.

# Q4 2023 (2<sup>nd</sup> Estimate)

## Gross Domestic Product

Released February 28, 2024

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BEA's second estimate of 2023 4th Quarter GDP revised real GDP growth downward 0.1 percentage points to 3.2 percent.

- The downward revision was attributed to a downturn in private inventory investment, which was partly offset by upward revisions in state and local government spending and consumer spending.
- Major contributors to Q4 growth include increased exports and state and local government spending, as well as steady levels of consumer spending.
  - For context, state and local government employment is one of the few sectors still recovering to pre-pandemic levels.
- GDP growth was much higher than expected in the last half of 2023. This was a surprise to some economists who at the beginning of 2023 expected the economy to be slipping into a recession by the end of the year.
  - Annual real GDP growth in 2023 was 2.5 percent after increasing 1.9 percent in 2022. This reflects strengthening consumer spending and increased spending at the federal and state and local level.

**Table 1. Income & Consumption Indicators**

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After seasonal adjustment

	<b>Jan 2024</b>	<b>Dec 2023</b>	<b>Difference</b>
Income and Outlays (m/m growth)			
Real Disposable Personal Income (DPI)	-0.02%	0.18%	<b>-0.20pp</b>
Real Personal Consumption Expenditures (PCE)	-0.11%	0.55%	<b>-0.66pp</b>
PCE Price Index (m/m growth)			
Headline	0.34%	0.12%	<b>0.23pp</b>
Core (ex. food and energy)	0.42%	0.14%	<b>0.27pp</b>
PCE Price Index (y/y growth)			
Headline	2.40%	2.62%	<b>-0.22pp</b>
Core (ex. food and energy)	2.85%	2.94%	<b>-0.09pp</b>

**Source:** Bureau of Economic Analysis, JEC Republican Calculations

\* Discrepancy from monthly figures due to rounding

**Table 2. Inflation Forecast Error**

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	<b>Actual</b>	<b>Cleveland Fed Forecast</b>	<b>Error</b>
PCE Price Index (m/m growth)			
Headline	0.34%	0.26%	<b>0.08pp</b>
Core (ex. food and energy)	0.42%	0.32%	<b>0.10pp</b>
PCE Price Index (y/y growth)			
Headline	2.40%	2.30%	<b>0.10pp</b>
Core (ex. food and energy)	2.85%	2.74%	<b>0.11pp</b>

**Source:** Bureau of Economic Analysis, JEC Republican Calculations

### Upcoming Data Releases

<b>Date</b>	<b>Time (EST)</b>	<b>Release</b>	<b>Source</b>
Mar 08	8:30 AM	Employment Situation	Bureau of Labor Statistics
Mar 12	8:30 AM	Consumer Price Index	Bureau of Labor Statistics
Mar 20	2:00 PM	Federal Reserve Announcement	Federal Reserve
	2:30 PM	Chairman Powell Presser	
Mar 29	8:30 AM	Personal Income and Outlays	Bureau of Economic Analysis

#### Legend

m/m = month over month; q/q = quarter over year; y/y = year over year  
SA = seasonally adjusted; SAAR = seasonally adjusted annual rate  
pp = percentage points