



Joint Economic Committee

Republicans

Representative David Schweikert • Vice Chairman

October 2023 PCE Inflation Report

Republican Staff Commentary

KEY TAKEAWAYS

At 8:30am, BEA [announced](#) that in October:

- Personal income increased by 0.2 percent m/m (\$57.1B).
 - Real DPI (disposable personal income) per capita increased by 0.2 percent m/m. This means that income rose faster than prices.
- Real PCE (personal consumption expenditures) rose by 0.2 percent m/m (\$26.3B).
- Headline PCE inflation printed at 0.0 percent m/m (0.049 was rounded down to zero).
 - This is a substantial change from the 0.4 percent m/m increases that had been seen in August and September.

The negligible increase in headline inflation will likely be highlighted in media covering this data release, but it should be taken with a grain of salt. Core inflation excludes highly variable energy and food prices, and is a better indicator of long-run inflationary pressures.

Core PCE inflation printed at 0.2 percent m/m, similar to prior monthly changes. The difference between headline and core inflation was driven by a sharp decrease in energy prices, -2.6 percent m/m.

Over the previous 12 months headline PCE inflation registered at 3.0 percent.

Over the previous 12 months core PCE inflation registered at 3.5 percent.

The Federal Reserve's annual inflation target is 2 percent, suggesting that while inflation is slowing, it remains above the Fed's target.

Q3 GDP REVISION

Yesterday BEA updated its estimate of Q3 real GDP to 5.2 percent, an increase from the advance estimate of 4.9 percent. The net change of +0.3 percent was primarily due changes in the estimates of private domestic investment (+0.35pp), government expenditures and investment (+0.25pp) and personal consumption expenditures (-0.25pp).

In this update, BEA also estimated that real GDI (gross domestic income) was 1.5 percent in Q3. In principle, both GDP and GDI should be equal, because my income is your spending, and vice versa. In practice they differ due to measurement error.

The average of GDP and GDI is called real GDO (gross domestic output). By this arguably more accurate measure, economic growth was 3.3 percent in Q3.

TAKEAWAYS

While there are risks that inflation could re-accelerate, core inflation has been falling while the U.S. economy continues to expand. This outcome is consistent with the JEC chief economist's longstanding view that tighter fiscal and monetary policy could reduce inflation w/o triggering a recession.

All percent growth rates are expressed at a seasonally adjusted annualized rate (SAAR).

Table 1. Income & Consumption Indicators

11/30/2023

After seasonal adjustment

	Oct 2023	Sep 2023	Change
Income and Outlays (m/m growth)			
Real DPI	0.26%	0.03%	0.23%
Real PCE	0.17%	0.34%	-0.17%
PCE Price Index (m/m growth)			
Headline	0.05%	0.37%	-0.32%
Core (ex. Food and Energy)	0.16%	0.31%	-0.15%
PCE Price Index (y/y growth)			
Headline	3.01%	3.42%	-0.41%
Core (ex. Food and Energy)	3.46%	3.65%	-0.19%
Personal Savings Rate	3.80%	3.70%	0.10%

Source: Bureau of Economic Analysis, JEC Republicans

* Discrepancy from monthly figures due to rounding.

Table 2. Inflation Forecast Error

11/30/2023

	Actual	Forecast	Error
PCE Price Index (m/m growth)			
Headline	0.05%	0.11%	-0.06
Core (ex. Food and Energy)	0.16%	0.22%	-0.06
PCE Price Index (y/y growth)			
Headline	3.01%	3.09%	-0.08
Core (ex. Food and Energy)	3.46%	3.55%	-0.09

Source: Bureau of Economic Analysis, Cleveland Fed, JEC Republicans**Econ Calendar****Date Time (ET) Release**

Dec 08 08:30AM Employment Situation Report

Dec 12 08:30AM Consumer Price Index

Dec 13 02:00PM Federal Reserve Announcement

02:30PM Fed Chairman Powell Presser

Dec 22 8:30 AM Personal Income and Outlays

10:00AM State-level Unemployment

Legend

m/m = month over month; q/q = quarter over year; y/y = year over year

SA = seasonally adjusted; SAAR = seasonally adjusted annual rate

% = percentage points; bps = basis points (1/100ths of a %)