



Daily Economic Update

May 1, 2017

US consumer spending volumes higher in March

Nominal consumer spending was flat in March but largely due to falling prices, flagged in the earlier-released March CPI numbers. A 0.3% tick increase in spending in volume terms provides the first sign that spending is bouncing back after a weak 0.3% (annualized) increase in all of Q1 (already reported in last Friday's advance Q1 GDP report) that looks decidedly out of line with underlying strength in labour markets, rising consumer confidence, and still extremely low interest rates. Part of the Q1 disappointment was related to weak spending on utilities as warmer-than-usual temperatures reduced the need for home heating (a good thing for consumers) and the reversal as temperatures returned to normal will also support stronger spending growth in Q2. We continue to view the fundamental backdrop for consumer spending as solid, supported by ongoing improvement in labour markets (including rising wages) and the stimulative stance of monetary policy. Today's report is in line with our monitoring that consumer spending growth will bounce back to a 2.8% rate in the second quarter which, along with continued growth in business and residential investment is consistent with a 2.9% rise in GDP after the weaker-than-expected 0.7% Q1 gain.

Highlights:

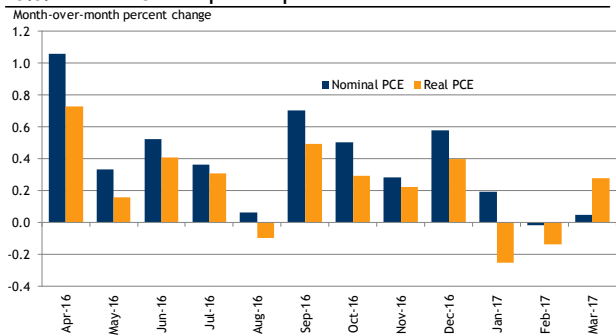
- US personal consumption expenditures (PCE) were unchanged for a second consecutive month in nominal terms in March but the volume of spending (real PCE) rose 0.3%.
- Personal incomes rose 0.2% and the monthly saving rate rose to 5.9% from 5.7% in February and up from 5.2% at the end of last year.
- PCE inflation declined 0.2% with core (ex-food and energy) prices also slipping 0.1%. The dip in the core price measure was the first decline since 2001 (led by weaker telecom services) although on a year-over-year basis, prices were still up 1.6%.

U.S. Monthly Personal Income and Spending Summary

	m/m % change					y/y % change
	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Mar-17
Personal Spending (PCE)	0.3	0.6	0.2	0.0	0.0	4.7
Durables	-1.0	1.7	-0.8	0.1	-1.4	4.2
Nondurables	0.2	0.7	1.0	-0.2	-0.3	5.0
Services	0.5	0.4	0.1	0.0	0.4	4.7
Personal Income	0.2	0.3	0.4	0.3	0.2	4.5
Disposable income	0.2	0.3	0.3	0.3	0.2	4.3
Saving rate (% and y/y ppt change)	5.5	5.2	5.4	5.7	5.9	-0.3
Real PCE	0.2	0.4	-0.3	-0.1	0.3	2.8
Real personal disposable income	0.1	0.1	-0.1	0.2	0.5	2.4
PCE Deflator	0.1	0.2	0.4	0.1	-0.2	1.8
Ex-food & energy (core)	0.0	0.1	0.3	0.2	-0.1	1.6

Source: Bureau of Economic Analysis, RBC Economics Research

U.S. Personal Consumption Expenditures



Source: Bureau of Economic Analysis, RBC Economics Research

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