# U.S. Data Review

- PCE price indexes: in line with consensus estimates in September; consistent with ongoing rate cuts
- Personal income and consumption: consumers remained active in September, in part facilitated by a drawdown in savings
- Employment cost index: slowing compensation growth suggests easing in previously tight labor market conditions
- Unemployment insurance: initial claims retreat to pre-hurricane levels; continuing claims ease from cycle high

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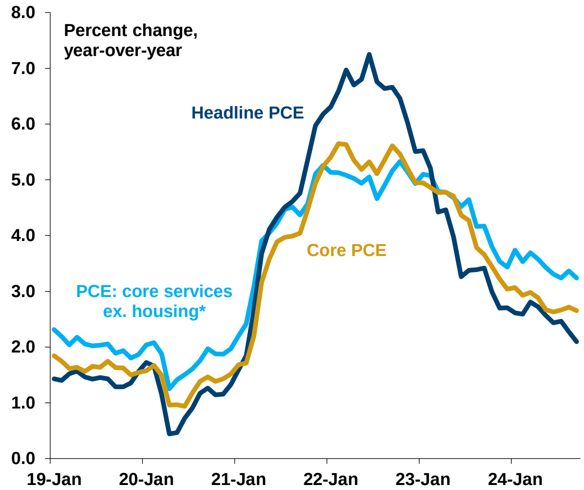
## PCE Price Index, Personal Income, and Consumption

- The final piece of inflation data ahead of the FOMC's meeting next week (the price index for personal consumption expenditures released with the Bureau of Economic Analysis' Personal Income & Consumption report) showed additional incremental progress in September toward the two percent inflation mandate, which in our view keeps the Committee on track to reduce the target range for the federal funds rate by 25 basis points to a range of 4.50 percent to 4.75 percent at its November gathering.

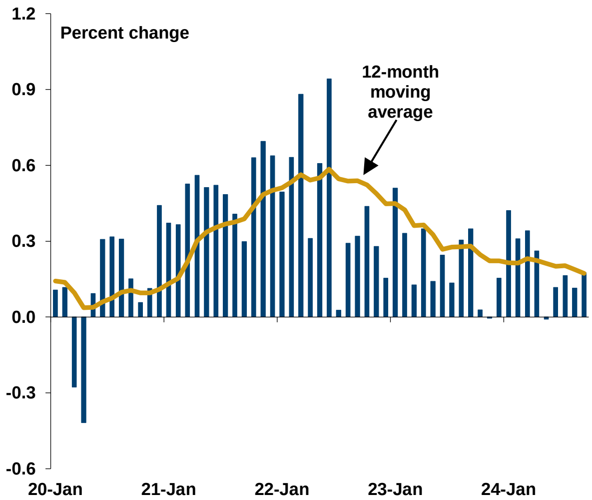
- The headline price index for personal consumption expenditures rose 0.2 percent in September (+0.175 percent with less rounding), and the core index rose 0.3 percent (+0.254 percent; charts, below). Both readings match the Bloomberg median expectations. On a year-over-year basis, the headline index rose 2.095 percent, down from 2.272 percent in August. The core measure rose 2.651 percent, close to the 2.718 percent reading in the prior month (chart, right).

### PCE Inflation



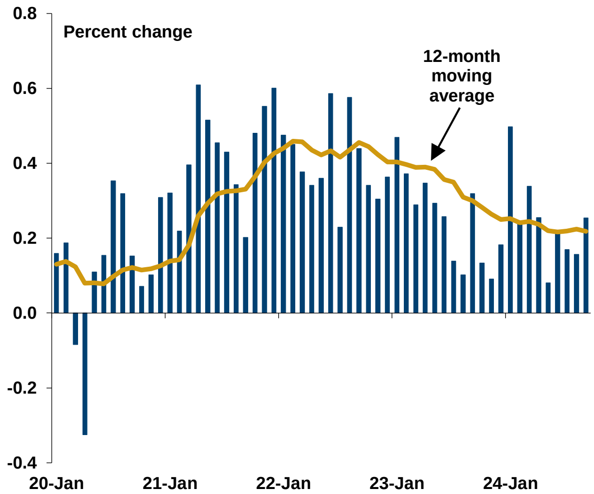

** Service prices excluding energy and housing services.*
*Source: Bureau of Economic Analysis via Haver Analytics*

### Headline PCE Price Index




*Source: Bureau of Economic Analysis via Haver Analytics*

### Core PCE Price Index



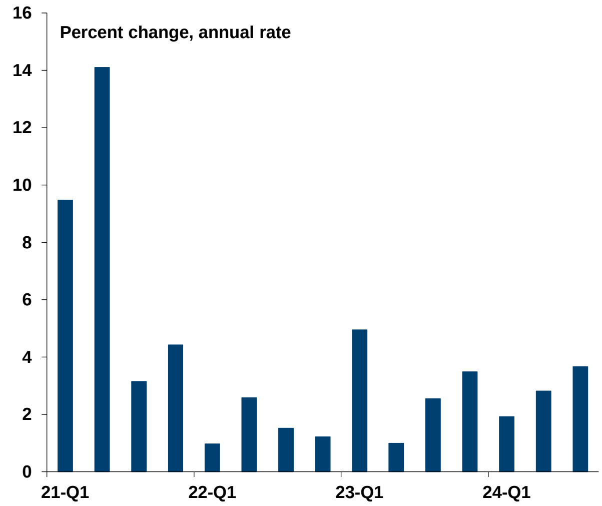

*Source: Bureau of Economic Analysis via Haver Analytics*

- In the latest month, the energy component fell 2.0 percent (-8.1 percent year-over-year). Food prices, in contrast, increased 0.4 percent – the firmest reading since January – although the average monthly gain in the prior 12 months was tame (+0.1 percent) and the year-over-year advance of 1.2 percent was off sharply from the cycle peak of 12.2 percent in August 2022 and in line with the subdued pre-pandemic trend.

- The advance of 0.3 percent in the core index tilted to the firm side of recent observations (trailing 12-month average of 0.2 percent, including back-to-back readings rounding up to that total in July and August; chart, prior page, right), although we view the disinflationary process back to two percent as well underway. Broadly speaking, trends in various areas remained favorable. Goods prices excluding food and energy rose 0.1 percent – a modest advance after back-to-back declines. Additionally, the year-over-year dip of 0.4 percent was consistent with the modestly deflationary pre-pandemic track. Moreover, both the rental of tenant-occupied nonfarm housing and imputed rent of owner-occupied nonfarm housing components increased 0.3 percent in September, both 0.1 percentage point slower than trailing 12-month averages, with the year-over-year changes easing to 4.8 percent and 5.2 percent from 5.0 percent and 5.4 percent, respectively. Trends remain above 12-month changes in the vicinity of 3.5 percent that prevailed prior to the pandemic, but significant progress has been made in recent months. Finally, core service inflation excluding housing, which is influenced by trends in compensation growth, rose 0.3 percent in September, with the year-over-year advance slowing to 3.238 percent from 3.364 percent in August.

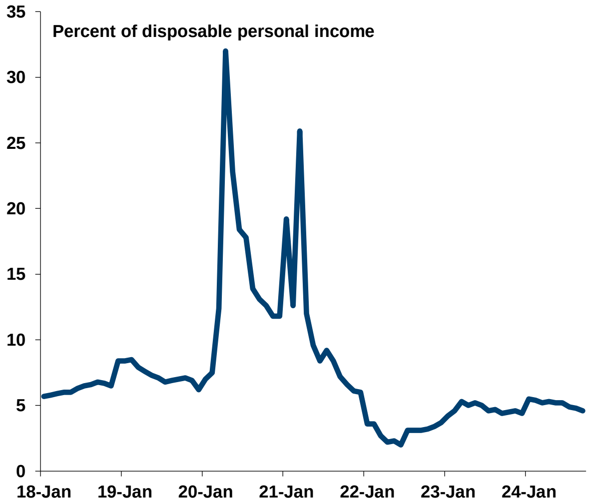
- Other pertinent data in the Income and Consumption release also were favorable. Outlays rose a brisk 0.5 percent (+0.4 percent after adjusting for inflation), consistent with highly favorable 3.7 percent annualized growth in Q3 – among the better readings in the past few years (chart, below left). Additionally, income growth remained solid (+0.3 percent; +0.1 percent after adjusting for inflation), including a brisk 0.5 percent gain in wages. Wage growth, in particular, while no longer contributing to undesirably rapid underlying inflation, appears still supportive enough to keep consumer spending performing well in coming quarters. With that said, however, the personal saving rate (saving as a share of disposable income) dipped 0.2 percentage point to 4.6 percent, below pre-pandemic trends (chart, below right). The drawdown is not terribly concerning, but it does indicate that at least a subset of consumers are depleting savings to facilitate spending. This development bears watching.

### Growth of Real Consumer Spending




*Source: Bureau of Economic Analysis via Haver Analytics*

### Personal Saving Rate

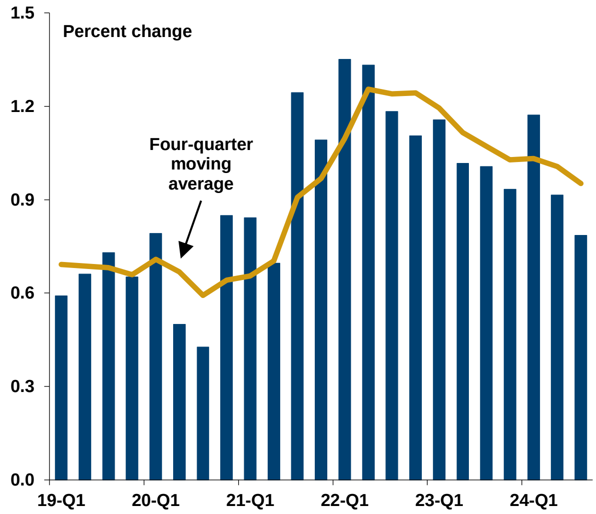



*Source: Bureau of Economic Analysis via Haver Analytics*

## Employment Cost Index

- Total compensation costs increased 0.8 percent (not annualized) in 2024-Q3, one tick below the Bloomberg median expectation of +0.9 percent. The latest reading was the slowest increase since 2021-Q2, with the decelerating trend suggesting that normalization of previously tight labor market conditions are contributing to easing compensation growth (chart). On a year-over-year basis, compensation costs rose 3.9 percent, down from 4.1 percent in the prior quarter and an expansion peak of 5.1 percent in 2022-Q2.

### Employment Cost Index: Total Compensation



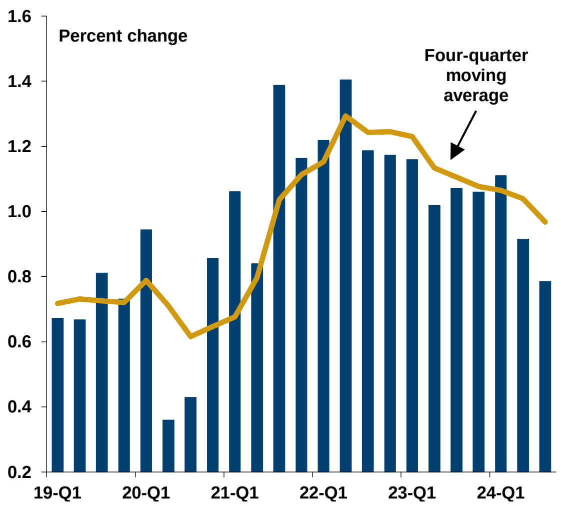

*Source: Bureau of Labor Statistics via Haver Analytics*

- The wages and salaries component rose 0.8 percent in the latest quarter, slower than the 0.9 percent advance in Q2 and cycle peak of 1.4 percent in 2022-Q2 (chart, below left). Year-over-year wage growth eased to 3.9 percent in Q3 from 4.2 percent previously; growth during the current expansion peaked at 5.3 percent in 2022-Q2.

- The advance in benefit costs matched that for wages (+0.8 percent), moderating from +1.0 percent in Q2 and an expansion high rate of +1.6 percent in 2022-Q1. The year-over-year gain of 3.7 percent eased from 3.8 percent in the prior quarter and cycle peak advance of 4.9 percent in 2022-Q3.

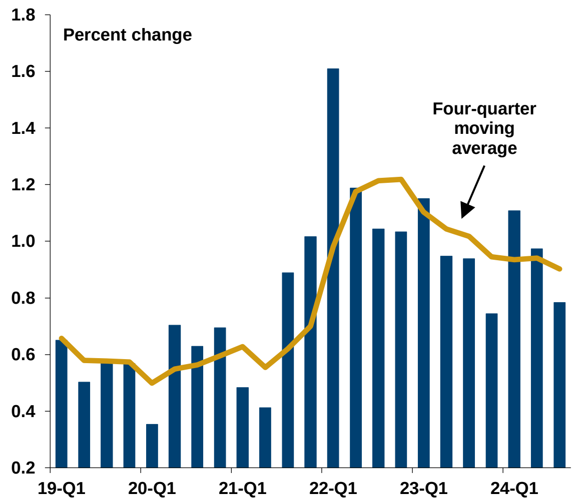
- All told, the latest ECI report-- which Fed officials view as the most reliable data on compensation trends -- supports the view that growth of labor costs has eased along with cooling in the job market. That, in turn, implies that formerly brisk compensation growth is no longer a meaningful impediment to inflation returning to a sustainable two percent trajectory.

### Employment Cost Index: Wages




*Source: Bureau of Labor Statistics via Haver Analytics*

### Employment Cost Index: Benefits



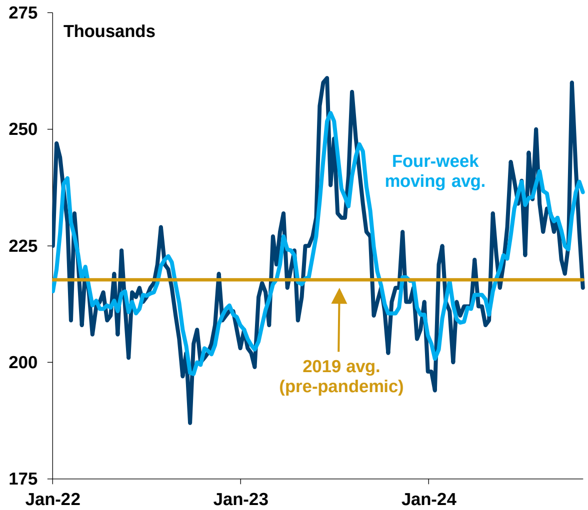

*Source: Bureau of Labor Statistics via Haver Analytics*

## Unemployment Claims

- Initial claims for unemployment insurance fell for the third consecutive week (off 12,000 to 216,000 in the week ended October 26), the lowest level observed since an equivalent reading in the week of May 18. The four-week moving average, a measure used to smooth week-to-week volatility, also declined, dipping 2,250 to 236,500 (chart, below left). While this average is notably above the current weekly reading, we anticipate it to continue drifting lower in coming weeks as the hurricane-related volatility fades in the distance. On that point, weather effects from Helene and Milton in the Southeast had introduced a fair amount of noise to claims in early-to-mid October, but those impacts appeared to have peaked with conditions in the most affected states normalizing fairly quickly. According to not seasonally adjusted data, since peaking in the week ending October 5, filings in Florida, North Carolina, and Tennessee have since declined by 1,448, 8,101, and 1,603, respectively, on balance.

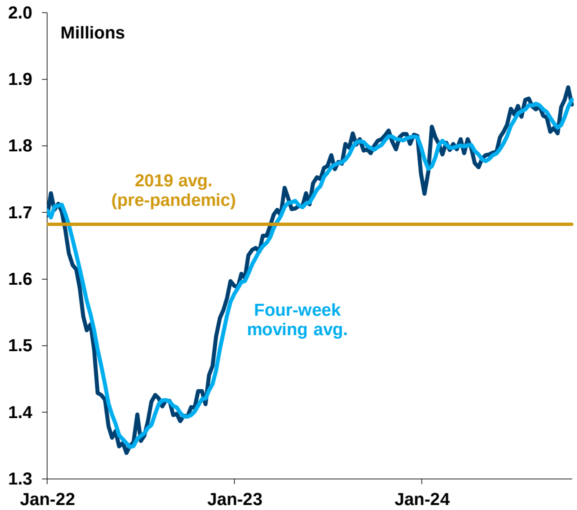
- After reaching a cycle peak of 1.888 million in the prior week, continuing claims eased a bit in the week ending October 19, decreasing 26,000 to 1.862 million. The four-week moving average, however, rose 10,750 to a new cycle high of 1.869 million (chart, below right). That said, the deterioration in claims over the past few weeks didn't necessarily come as a surprise as individuals in hurricane-impacted areas could remain out of work for at least some time. In our view, data on claims do not indicate concerning deterioration in underlying labor market conditions.

### Initial Claims for Unemployment Insurance




*Source: U.S. Department of Labor via Haver Analytics*

### Continuing Claims for Unemployment Insurance




*Source: U.S. Department of Labor via Haver Analytics*