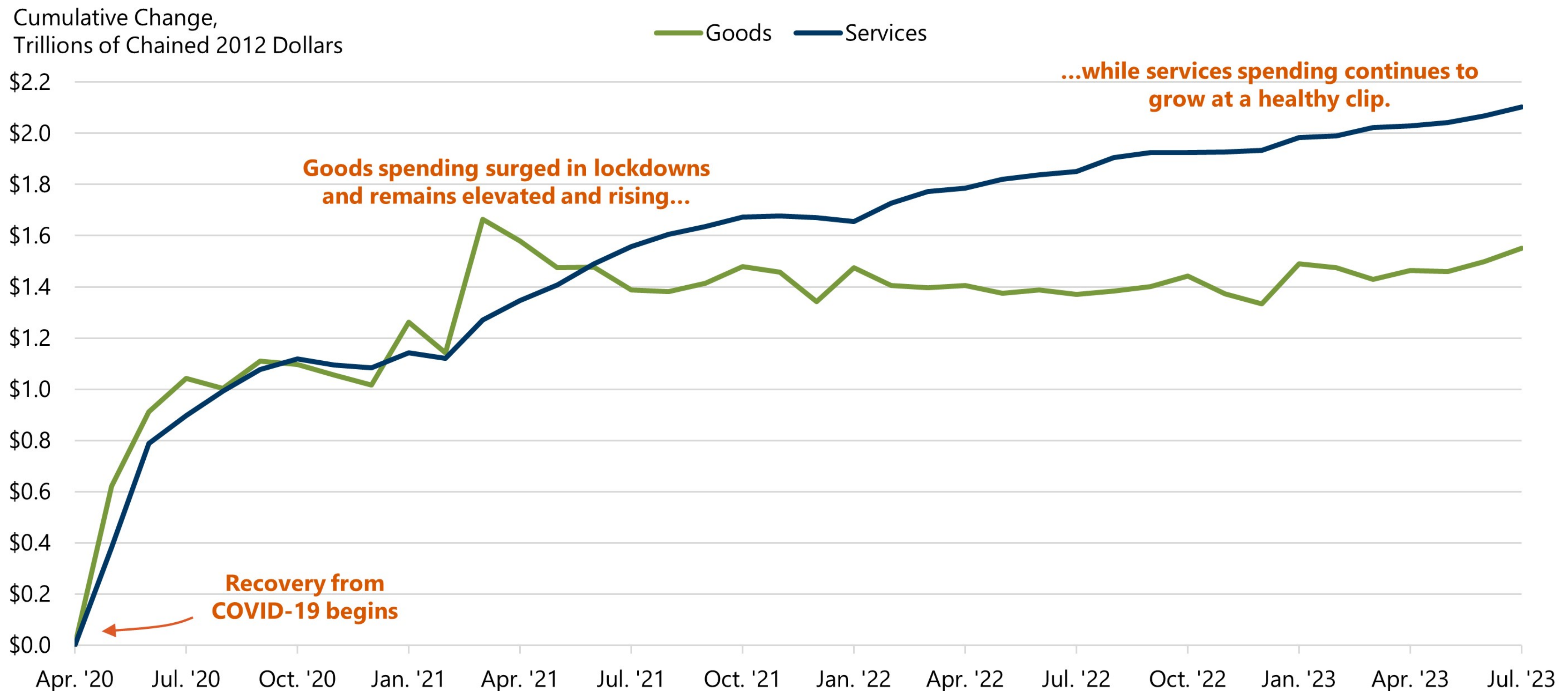


Cruel Summer Spending

Change In Real* Personal Consumption Expenditures Since April 2020

For The Week Ending 09/01/2023



Source: Bureau of Economic Analysis, Payden Calculations

*inflation-adjusted in constant 2012 U.S. dollars

Investors began the week concerned about weakness in the Conference Board’s Consumer Confidence Survey. Our response: "Don't trust what the consumer says they will do, but what they actually do." To that end, the Personal Income and Outlays Report from the Bureau of Economic Analysis continued to show robust consumer spending. Personal consumption expenditures (PCE) rose 0.8% month-over-month in July, higher than consensus expectations and at the fastest pace since January 2023. People paying for summer concerts and travel will lament that it's just a surge driven by higher prices. Not entirely; even after adjusting for inflation, consumer expenditures are way past their levels before COVID-19 for goods and, more importantly, services. While the Fed may find some solace that core PCE inflation index from the same report rose 0.2% for two consecutive months, policymakers will be more concerned that the oft-cited non-housing services prices are up 0.5% month-over-month. For consumers, it's a fun summer. For monetary policy, it's still a cruel summer.