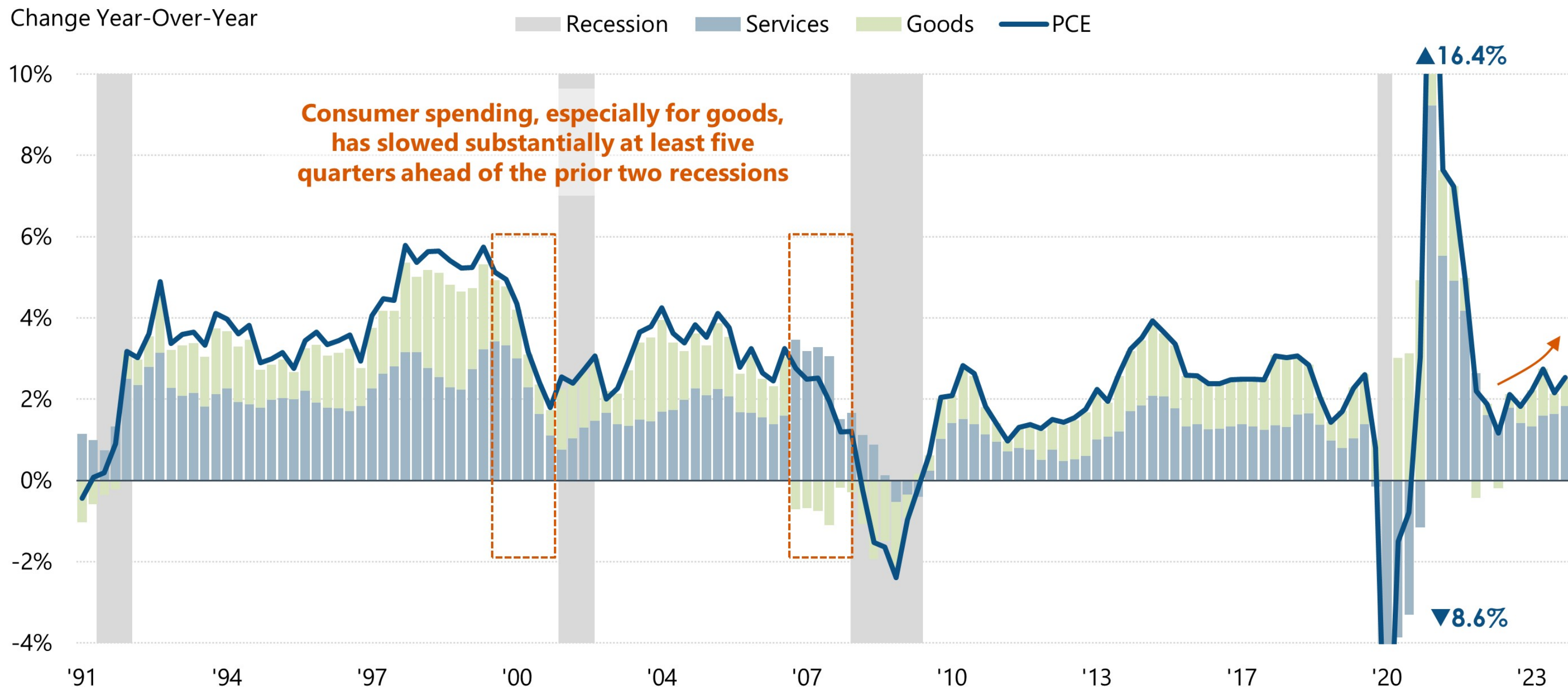


Consuming Narratives

Personal Consumption Expenditures By Component Contribution

For The Week Ending 07/26/2024



Source: Bureau of Economic Analysis, Payden Calculations

This week, the Bureau of Economic Analysis reported that the U.S. economy grew at a 2.8% annualized rate in the second quarter of 2024. While the popular narrative has been that the economy was slowing, Q2's growth represented a big pickup from 1.4% in Q1 and nearly a percentage point ahead of market expectations of 2%. Once again, personal consumption expenditures ("consumer spending") fueled overall growth, adding +1.6 percentage points. Moreover, goods spending bounced back in Q2 after detracting from growth in Q1. On a year-over-year basis, consumer spending has grown around 2.3% for six consecutive quarters! Historically, consumer spending tends to be inertial during expansions but then slow substantially at least five quarters preceding a recession—especially when we look at goods consumption. Bigger picture, while some investors tout the view that the Fed urgently needs to reduce rates to stave off an economic downturn, nobody seems to have told consumers.