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Macro Roundup Artcile

Headline: Why Goods Spending Isn't Falling

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Author(s)	Robert Armstrong and Ethan Wu
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Tweet: .@EthanYWu highlights a research note from GS's Spencer Hill, which finds that real wage levels for bottom 50 percent earners were almost 10% higher than in 2017, supporting sustainably higher levels of consumer spending.

Summary: In a note to clients published on Sunday, Spencer Hill of Goldman Sachs argues that something has changed. "Sustainably stronger consumer finances" have created fresh spending power for people at the bottom of the income distribution. After adjusting for composition effects, Hill estimates that real wage levels for the bottom 50 percent of earners were 6.2 percent higher in the first quarter of this year than in 2019 — and 9.6 percent higher than in 2017. That implies something like $150bn per year in additional spending power for the bottom half. The number rises to $250bn once you throw in other disposable income sources such as social security payments. This matters for two reasons: lower-income consumers spend more of each extra dollar earned, and they spend more of each extra dollar earned on goods, specifically. So long as bottom-half consumers have money to spend, goods consumption should stay high.

Primary Topic: Business Cycle

Topics: Business Cycle, Factoid, GDP, Inequality, Op-Ed/Blog Post, Wages/Income, Workforce

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