

Macro Roundup Article

Headline: [Are Consumers Retrenching?](#)

Article Link: <https://theovershoot.co/p/are-consumers-retrenching>

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Tweet: The pace of consumer spending has slowed to 4% the slowest rate since the pandemic. @M_C_Klein argues that this pace may allow for an "immaculate disinflation," a return to target inflation without a major hit to labor markets.

Summary: Since the end of 2023, the total amount of dollars earned as labor income net of social insurance taxes has grown at a yearly rate of 6%. Over the same period, nominal consumer spending has grown at a yearly rate of just 4%. (Capital income has grown by 3% annualized.) Focus specifically on the subset of consumer spending that excludes imputations as well as volatile food and energy prices, and nominal spending growth year-to-date has been slower than in any five-month period since the great reopening. In fact, the annualized growth rate in the dollar value of core "market-based" consumer spending so far this year is about half a percentage point slower than the January 2018-February 2020 yearly average of 4.4%. By contrast, net labor income is currently rising about 1 percentage faster than the pre-pandemic pace.

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Primary Topic: Inflation

Topics: Business Cycle, GDP, Inflation, Op-Ed/Blog Post

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