

Macro Roundup Article

Headline: [Inflation Is Still Hot, But Could Incomes Be Slowing?](#)

Article Link: <https://theovershoot.co/p/inflation-is-still-hot-but-could>

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Tweet: [. @ C_Klein](#) notes that as of Q3 2023, growth in the total cash compensation paid to workers had reverted to pre-pandemic norms, consistent with slowing underlying inflation in 2024, though PCE inflation remains 1.5pp over the pre-pandemic level.

Summary: The measure of underlying inflation that Fed officials have highlighted in the past—PCE services excluding energy and housing (I modify it slightly by also excluding imputations)—was rising about 1.5 percentage points faster than it was before the pandemic in December 2023 and it is still rising about 1.5pp faster as of January. The latest personal income data would appear to support the argument that U.S. inflation has re-accelerated. Total pre-tax income jumped by 1% month on month! But there is less here than meets the eye. Of the total \$19.5 billion/month increase in personal income, only \$3.6 billion can be attributed to wages and salaries, which is what matters most for consumer spending. By contrast, \$6.3 billion is due to a spike in dividends that may or may not be a one-off. Either way, those extra dividends are unlikely to finance purchases of goods and services in ways that boost jobs, incomes, and price pressures. Related: [How Fast Can the Fed Ease?](#) [The Private Sector Response to Easier Conditions Will Be a Key Factor](#) and [U.S. Inflation Surged in January. Is It a Fluke?](#) and [Macro Outlook 2024: The Hard Part Is Over](#)

Primary Topic: Business Cycle

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

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