Personal Income & Spending: Say Hello to the Safety Net

*Thanks to a massive surge in government transfer payments, April 2020 goes down in the history books as the largest monthly increase in personal income on record. Spending, however, absolutely crashed.*

**Economic Impact Payments Offset Drop in Other Areas**

Government transfer payments increased $3 trillion in April—can that be right? Recall that these are annualized figures, so when you add up the $1,200/individual or $2,400/household and then factor in the $600 weekly additional unemployment benefits...then annualize it, you get a stunning number. The result was the largest ever increase in income, and a reminder why the NBER excludes transfers when dating recessions.

**Unprecedented Drop in Spending**

- We have been vocal about the impact of the drop in services spending, which is evident in the top right chart. The sudden stoppage of spending in many key services industries resulted in a never-before seen 12.0% monthly decline in real services.
- Real consumer spending is heading into the second quarter falling at three-month annualized rate of 56.8%. Forecast for Q2 consumer spending will likely be revised sharply lower.

Source: U.S. Department of Commerce and Wells Fargo Securities