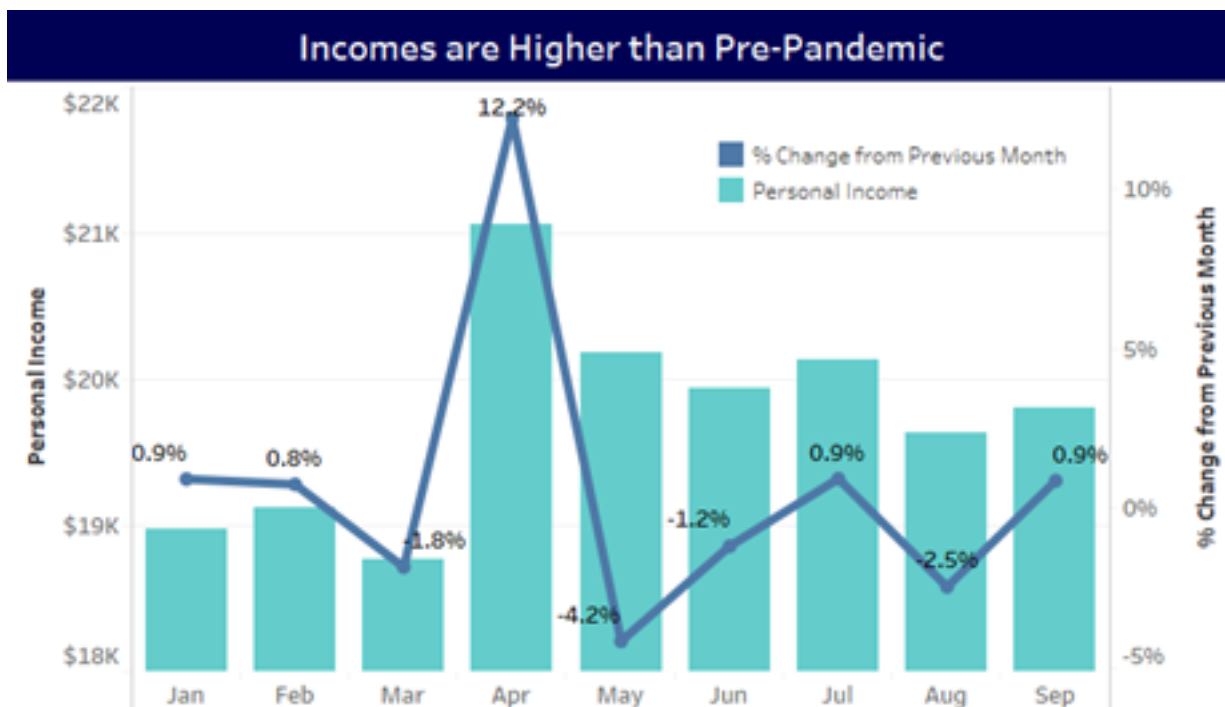


Incomes Increase in September

According to the [Bureau of Economic Analysis](#) (BEA), income rose 0.9% in September, or more than \$170 billion. That's after income had fallen three of the previous four months as government support wound down, so growth in September was somewhat unexpected. Many analysts expected income to continue to drop as a phase four relief bill languishes in Washington and the virus keeps the economy stuck in limbo.

In a further surprising twist, income was still *higher* (by 3.6%) in September than it was before COVID-19 struck. In fact, income has been higher than in February every month since April. This is doubly surprising because the economy was in solid shape before the virus wreaked havoc.



Why this is happening: This is highly unusual during economic downturns, especially one as severe as we went through. Usually during recessions workers' and businesses' income declines as workers lose jobs and businesses see sales drop. In the current pandemic-stricken economy, government assistance helped both groups' incomes while the virus took its course. The \$1,200 per person pandemic relief payments, the extra \$600 a week of unemployment benefits, and the Paycheck Protection Program for businesses boosted incomes April through July.

After those programs expired in late July, economic recovery has stepped in to keep wages elevated in August and September. Wages paid by the government to temporary Census workers helped push wages higher in September, but the main driver of growth was the ongoing economic recovery. According to the BEA release, "the increase in personal income in

September reflected increases in proprietors' income, compensation of employees, and rental income of persons that were partly offset by a decrease in government social benefits (the pandemic relief assistance).”

What's next: The continued growth of income is good news for the overall economy. As long as consumers are earning, they can keep spending. That should keep the economy afloat as the virus resurges, although a second lockdown could set back the progress. Savings will also allow consumers to keep spending, even if incomes fall because of the virus. Americans have saved almost \$2 trillion since the pandemic began. They can use those funds to buttress spending in the coming months if need be.

—Curtis Dubay, Senior Economist, U.S. Chamber of Commerce