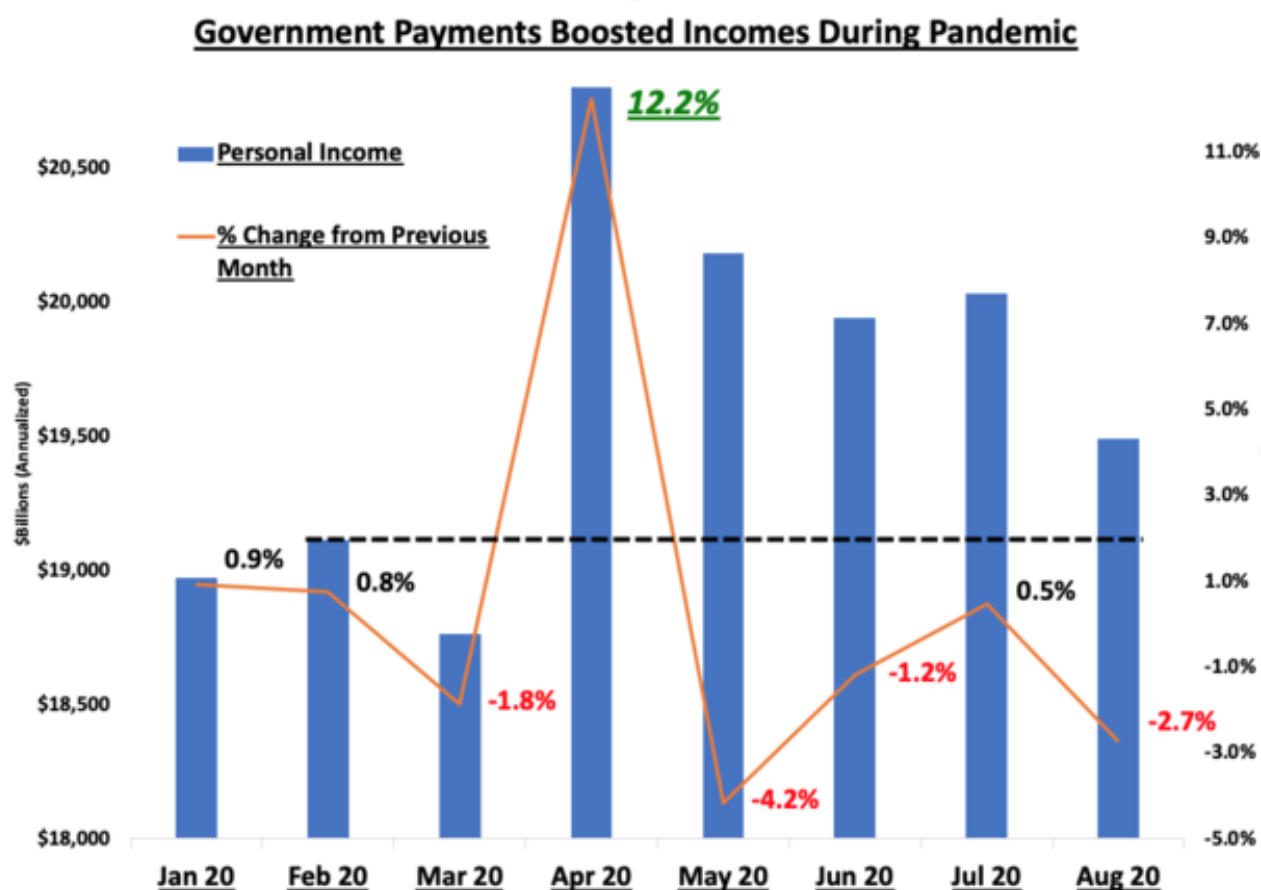


Incomes Fell in August, But the Story on Income is Complicated

Analysts have been watching income closely as the pandemic winds on, and government support wanes. Last week, the Bureau of Economic Analysis (BEA) [reported personal income](#) fell 2.7% in August after rising 0.5% in July. It fell 1.2% and 4.2% respectively in June and May.



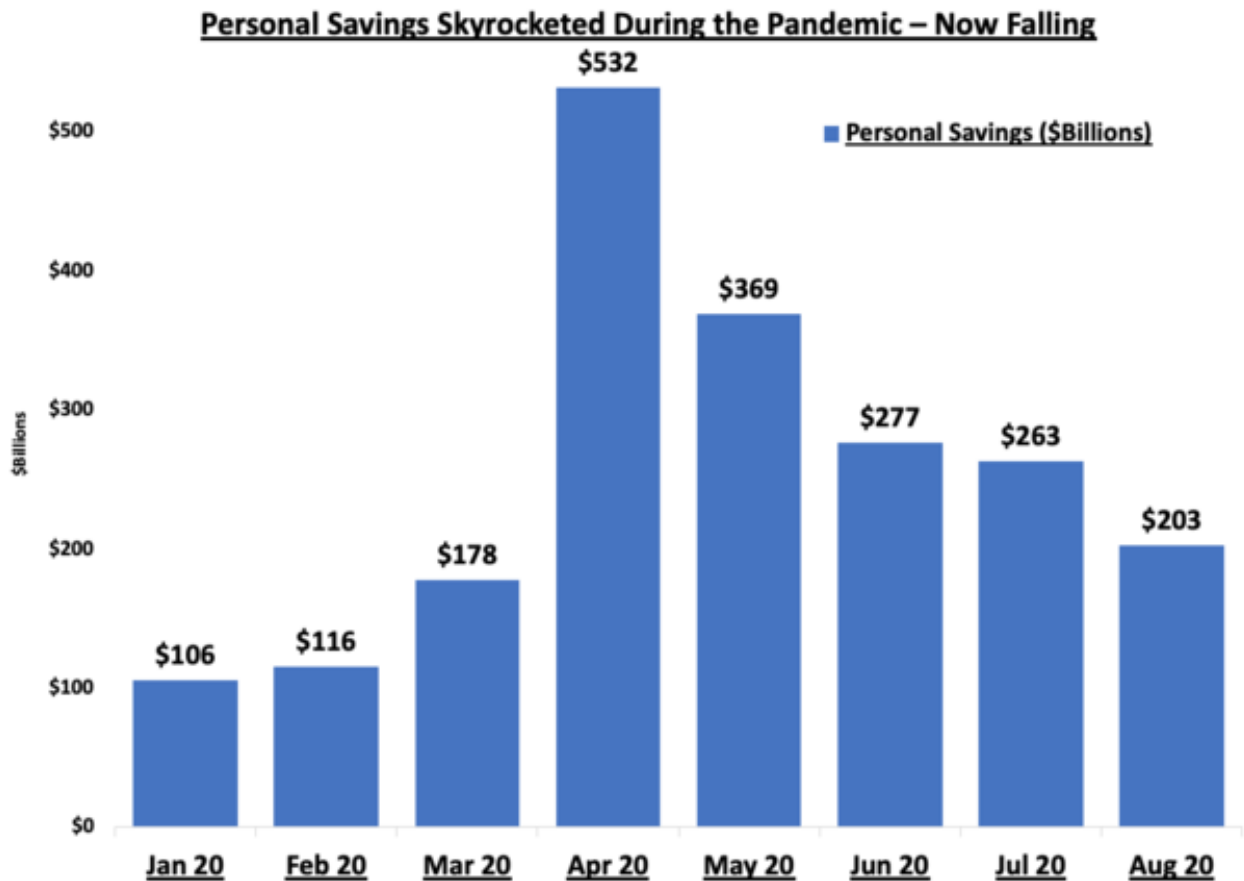
What that means: While it is never good when income falls, the current story on income is complicated—like all economic data—by the pandemic. Despite falling for three of the last four months, income was still 2% greater in August than it was in February—before the pandemic shocked the economy. Income has been higher than its February level every month except March. Government support in the form of the \$1,200 per person pandemic relief payments and the \$600 extra per week in unemployment benefits boosted incomes April through July.

A rapid rise in employment in May through August, when job gains averaged more than 2.7 million, also supported income even though employment remains well below its pre-pandemic

level. Income did not fall more in August as most of those benefits ran out because of the rise in employment.

What's next: Income is likely to continue to fall in the coming months because of the expiration of government support and the slowing labor market. Employment is likely to grow closer to the 661,000 jobs added in September than the May through August pace.

Even though incomes may fall, spending will likely remain steady because savings increased sharply in recent months as consumers were unable to spend as they usually do. In April alone, Americans saved more than \$532 billion. That is more than five times the usual monthly savings amount. The money saved when consumers could not spend as normal during the pandemic can be spent in the coming months.



What's needed: The help from recent savings will not last forever, though. That is why Congress and the administration must work together on a phase 4 relief bill to help those families and businesses still hurting deeply because of the pandemic.

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