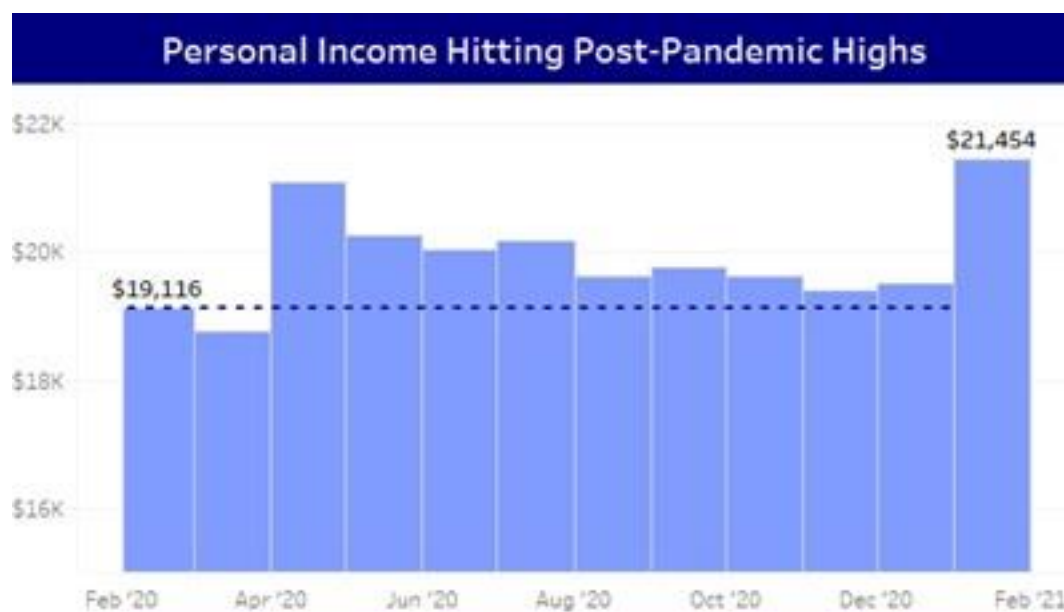


Personal Income is Higher Than It Was Pre-Pandemic

In a year full of economic data outliers, personal income stands out. It is supposed to fall during periods of economic contraction and remain down for some time after. And yet, according to the Bureau of Economic Analysis' [release of income in January](#), it is now more than 12% higher than it was pre-pandemic. Keep in mind, the economy was doing really well back then. The tremendous rise in income is stunning.

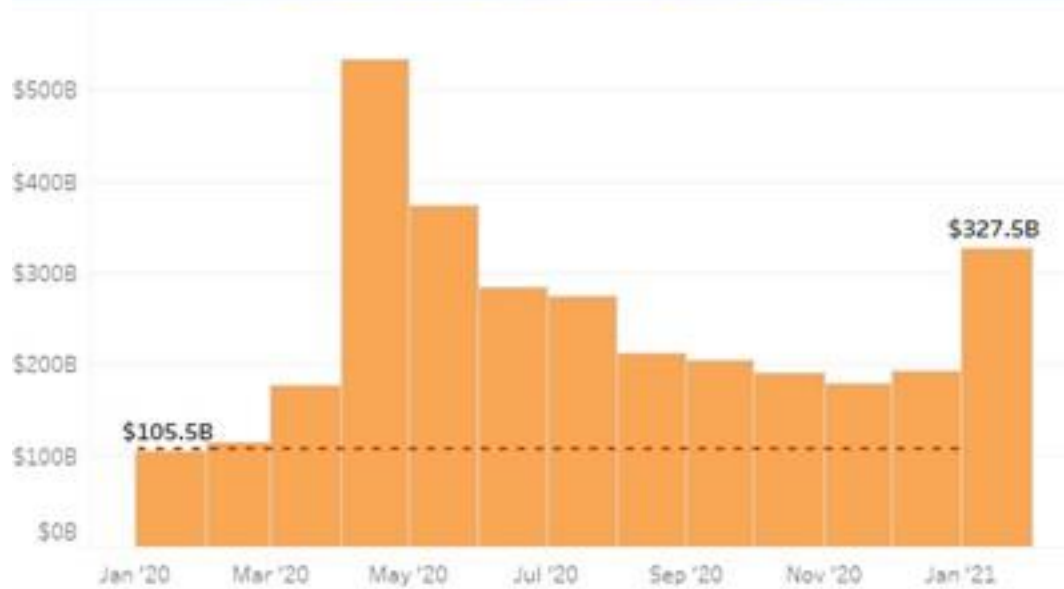


By the numbers: Driving the year-over-year increase was a 10% increase in January alone. That is the second highest monthly increase on record, coming in behind only a 12.4% increase in April 2020. The economy is doing well, all things considered, and the underlying data show that. Wages and salaries of workers rose \$7.2 billion, or 0.7%, in January compared to December. In normal times, this would be a large increase. The overwhelming reason income jumped so much last month was government transfers though. They rose \$140 billion, representing more than 86% of the total monthly increase.

The government transfers were almost all the latest round of pandemic relief payments, the \$600 per person checks that mostly went out in January. Supplemental unemployment insurance benefits also contributed to the rise in income. They increased about \$20 billion in January.

Higher income led to a 2.4% increase in spending, after consecutive declines in November and December. Spending should continue to rise because Americans were unable to spend all the additional income last month. Savings increased \$328 billion in January alone. Americans have compiled more than \$1.8 trillion in savings above normal in the last 11 months. Those savings are available to boost spending in the coming months.

Personal Savings Remain Elevated



Looking ahead: February is likely to see a pullback in income because of the end of the relief payments, but March could see another strong rebound if Congress passes another round of payments it is considering now. The economy is poised for major growth starting in earnest when vaccines drive the virus to levels that allow close-to-full reopening.

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