Solid Personal Income Gain Amid Measured Spending Growth

**Spending Solid, Help from COLA and Compensation**
- Amid pandemic fears gripping financial markets this week, a run of solid economic news continued this morning with a report that personal income rose a solid 0.6% in January.
- Cost of living adjustments (COLA) in Social Security payments played a role. A $24 billion increase there accounted for about a fifth of the overall $116 billion increase in the month. Compensation rose solidly as well adding $54 billion in January.

**Soft Spending, Inflation Well Below Target**
- Personal spending was a little softer than expected in January, rising 0.2% compared to the 0.3% consensus expectation. After adjusting for price, real consumption rose a scant 0.1% in January, suggesting a slowing trend going into the first quarter.
- The core PCE deflator came in at 1.6%, which remains comfortably below the Fed’s target. Inflation would not be an impediment to any potential Fed response to the current crisis.

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