



Economics Group

Tim Quinlan, Senior Economist
tim.quinlan@wellsfargo.com • (704) 410-3283
Shannon Seery, Economic Analyst
shannon.seery@wellsfargo.com • (704) 410-1681

Personal Income & Spending: Say Hello to the Safety Net

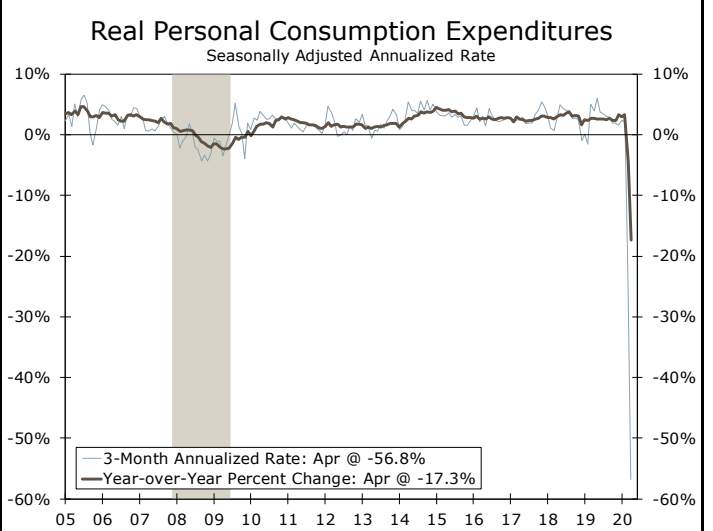
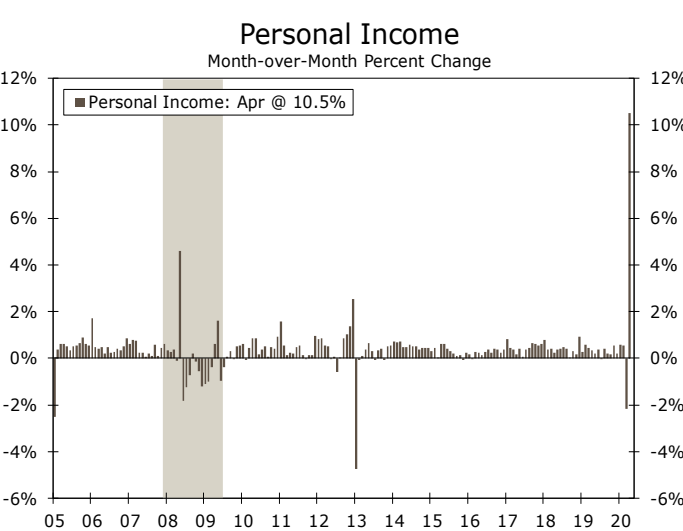
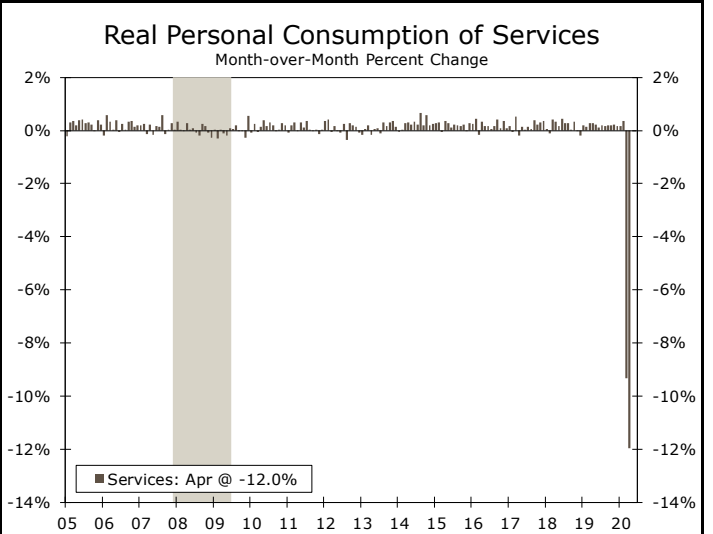
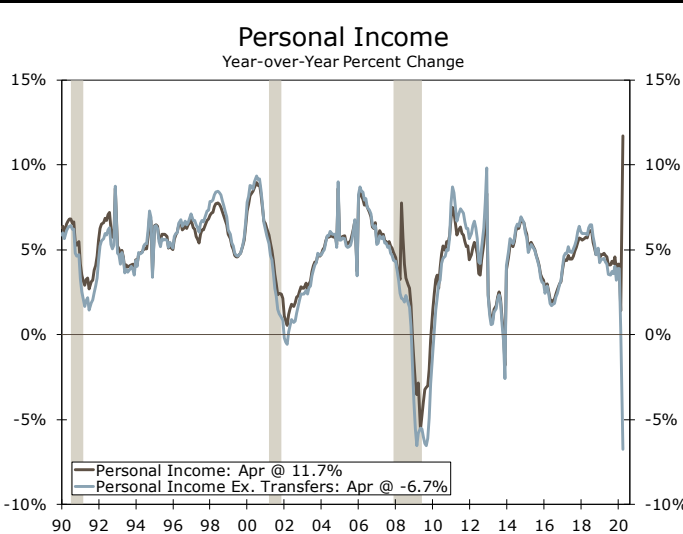
Thanks to a massive surge in government transfer payments, April 2020 goes down in the history books as the largest monthly increase in personal income on record. Spending, however, absolutely crashed.

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

Wells Fargo Securities Economics Group

| | | | |
|----------------------|--------------------------|----------------|-------------------------------------|
| Jay H. Bryson, Ph.D. | Acting Chief Economist | (704) 410-3274 | jay.bryson@wellsfargo.com |
| Mark Vitner | Senior Economist | (704) 410-3277 | mark.vitner@wellsfargo.com |
| Sam Bullard | Senior Economist | (704) 410-3280 | sam.bullard@wellsfargo.com |
| Nick Bennenbroek | International Economist | (212) 214-5636 | nicholas.bennenbroek@wellsfargo.com |
| Tim Quinlan | Senior Economist | (704) 410-3283 | tim.quinlan@wellsfargo.com |
| Azhar Iqbal | Econometrician | (212) 214-2029 | azhar.iqbal@wellsfargo.com |
| Sarah House | Senior Economist | (704) 410-3282 | sarah.house@wellsfargo.com |
| Charlie Dougherty | Economist | (704) 410-6542 | charles.dougherty@wellsfargo.com |
| Michael Pugliese | Economist | (212) 214-5058 | michael.d.pugliese@wellsfargo.com |
| Brendan McKenna | International Economist | (212) 214-5637 | brendan.mckenna@wellsfargo.com |
| Shannon Seery | Economic Analyst | (704) 410-1681 | shannon.seery@wellsfargo.com |
| Matthew Honnold | Economic Analyst | (704) 410-3059 | matthew.honnold@wellsfargo.com |
| Jen Licis | Economic Analyst | (704) 410-1309 | jennifer.licis@wellsfargo.com |
| Hop Mathews | Economic Analyst | (704) 383-5312 | hop.mathews@wellsfargo.com |
| Coren Burton | Administrative Assistant | (704) 410-6010 | coren.burton@wellsfargo.com |

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Canada, Ltd., Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm which includes, but is not limited to investment banking revenue. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2020 Wells Fargo Securities, LLC.

Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

WELLS
FARGO

SECURITIES