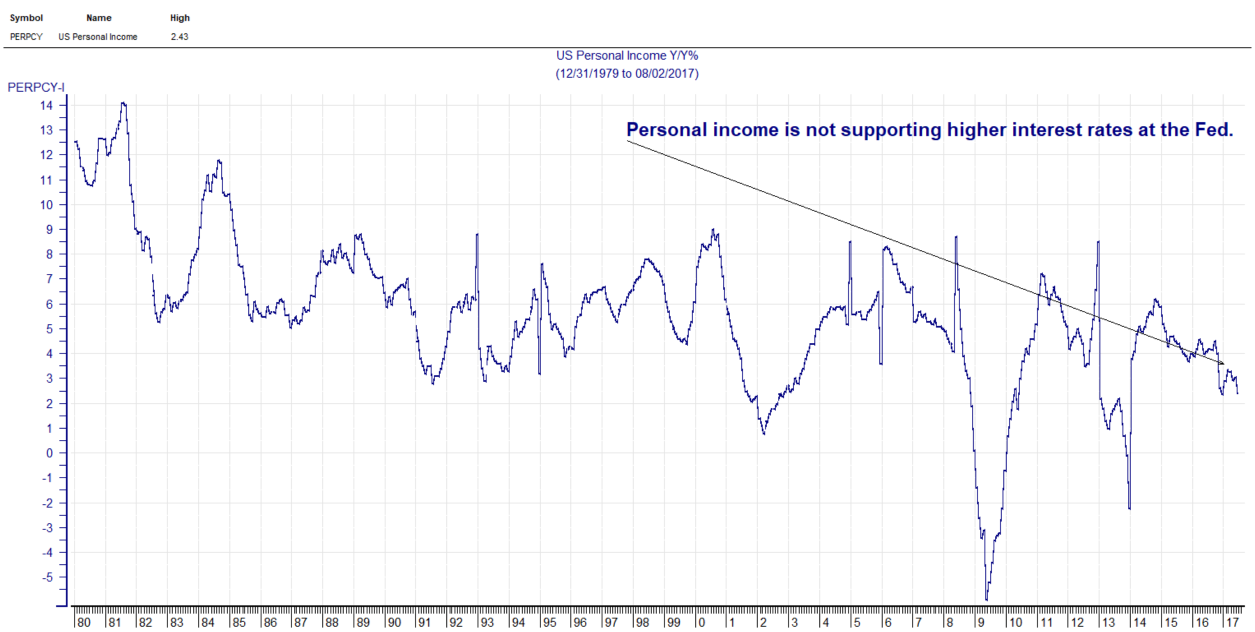
Personal income increased a very light $3.5 billion in June which was only 5% of the previous month gain of $67.1 billion. The rate of increase in personal income has been in decline since November 2014. It is still expanding in absolute terms, but at a lower rate of expansion. We know, the longer an expansion takes place, the more difficult a higher rate becomes. Personal income must continue to increase for an expanding economy.

Disposable personal income dropped this month by $4.2 billion following an increase of $71.7 billion last month. This is only one month, but also concerning that disposable income did not keep pace with personal income even at a much lower rate.

The Personal Consumption Expenditure measure did increase by $8.1 billion which was about the same as the previous month. While this is a good growth measure, we are concerned that the increase coincided with a drop in the savings rate to 3.8% from 5.1% just a year ago. There has also been an increase in credit card default rates recently which dampened bank earnings as credit card insurers increased reserves for defaults.

The consumer appears to be optimistic and has increased spending, but we would prefer to see personal and disposable income increasing along with a flat to increasing savings rate. As long as consumers don't over extend themselves the slow and steady expectation is still valid. Savings rates and credit card delinquency will be important moving forward.



Personal Income – is the income received by all persons in the United States from all sources.

Disposable Personal Income – is the income available to persona for spending and saving. It is personal income less taxes.

Personal Income Expenditures – is the value of goods and services purchased by persons that reside in the Unites States.

Personal Savings Rate – the percentage of disposable personal income saved, not spent.