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Weekly Commentary

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The outcome of income

It's so much easier to justify racking up credit card usage when you know you can pay them off with no stress. Having a steady income from a job means just that to many people these days and has much to do with the continued strength of retail sales. The Census Bureau announced last week that they rose in March, up 0.7% month-over-month (m/m) from February. That beat the consensus forecast of 0.4%. Excluding automobile sales, consumer purchases increased a whopping 1.1%. Sales rose 4.0% year-over-year and the Bureau upwardly revised February m/m sales from 0.6% to 0.9%. Have job; will spend.

However, Federal Reserve policymakers tend to act like the Grinch in the face of positive economic news, and this report suggests it remains too hot to slow inflation. While they affirmed that they probably would cut interest rates a total of 75 basis points this year in their April Summary of Economic Projections, sticky (perhaps even re-accelerating) inflation may have curtailed that. Chair Jerome Powell said last Tuesday that easing might not happen at all in 2024: "Given the strength of the labor market and progress on inflation so far, it's appropriate to allow restrictive policy further time to work."

Consumer Price Index (CPI): A measure of inflation at the retail level.

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