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## Consumers still spending

The markets focus on the broad inflation data, but for people, prices rise at different paces in different places and for different items. Their response to these changes also varies across the spectrum. While higher gas and food prices are noticeable and painful, consumers appear to be looking past increases in what they must pay at restaurants and for travel. Spending on services in September grew nearly a percentage point. How sustainable this is in the face of inflation is the big unknown. The Bureau of Labor Statistics reported Friday that the Personal Consumption Expenditures Index (PCE) continues to rise, up 0.3% from August and 6.2% year-over-year (y/y). Core PCE, which excluding food and energy prices, also increased, up 0.6% from last month and 4.9% y/y.

These figures put more pressure on the Federal Reserve to tighten monetary policy to the point that consumers reduce spending. The bigger goal, unfortunately, is to weaken the economy, which likely also will put more people out of work. The Fed is already pushing hard on this task, hiking rates yet again last month and now doubling of the amount of securities rolling off its balance sheet monthly (now at a pace of \$60 billion in Treasuries and \$35 billion in mortgage-backed securities a month). There's still a chance of a soft landing, but a recession seems more and more likely.