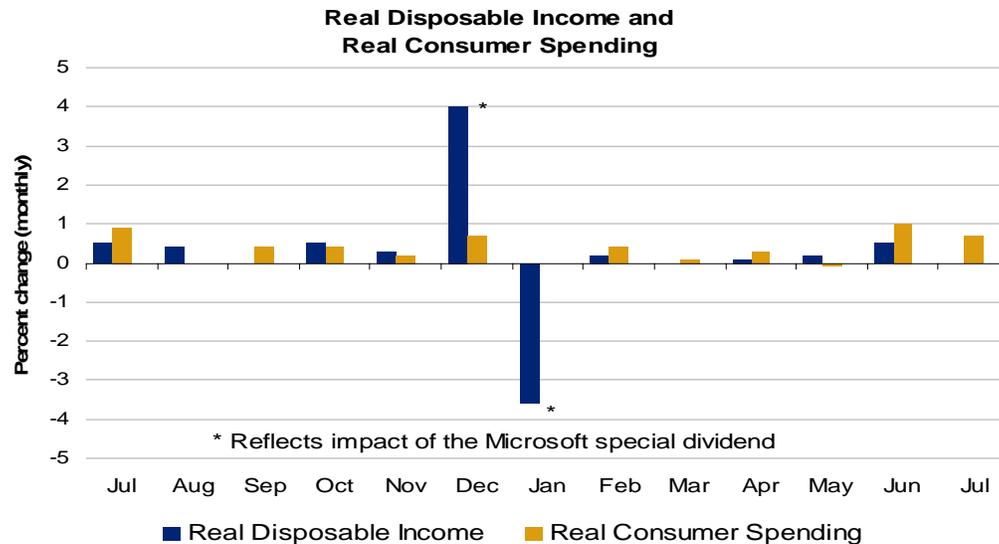


INFLATION-ADJUSTED INCOME FLAT, SPENDING INCREASED IN JULY

“Preliminary” Estimates of Personal Income

After-tax income received by individuals adjusted for inflation — real disposable personal income (DPI) — remained unchanged in July, after increasing 0.5 percent in June, according to estimates released today by the U.S. Bureau of Economic Analysis. Real consumer spending increased 0.7 percent in July after increasing 1.0 percent in June. Over the last 12 months, real DPI increased 2.5 percent, and real consumer spending increased 4.2 percent.



Personal income—the total income received by individuals, before taxes and *not* adjusted for inflation—increased \$29.3 billion (or 0.3 percent) in July, after increasing \$54.7 billion (or 0.5 percent) in June.

- Wages and salaries, the largest component of personal income, increased \$31.3 billion in July.
- Personal income receipts on assets — personal interest income plus personal dividend income — increased \$7.8 billion in July.
- Proprietors’ income decreased \$3.5 billion in July.
- Personal current transfer receipts decreased \$4.2 billion in July.

Consumer spending *not* adjusted for inflation increased \$85.7 billion in July with a large increase in purchases of automobiles.

In July, the increase in consumer spending was greater than the increase in disposable income, and the personal saving rate, which was zero percent in June, was pushed into negative territory: -0.6 percent. That can happen when increases in spending are financed by borrowing and drawing down of other assets. For more information, see the FAQs on “Personal Saving” on BEA’s Web site.

BEA data—including GDP, personal income, the balance of payments, foreign direct investment, the input-output accounts, and economic data for states, local areas, and industries—are available on the BEA Web site: www.bea.gov.

NOTE: Additional information that becomes available in the coming weeks will be incorporated in revised estimates of second-quarter Personal Income on September 30, 2005.