

Transcript of Andrew Dowie's Markets Update – 31 August 2010

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Andrew Dowie:

Good morning, this is Andrew Dowie from Advance Asset Management with a rundown of the data releases for yesterday, Monday 30 August in the United States.

July's personal income and spending figures were released yesterday. Looking first at personal income, the market estimate here was for a 0.3% increase in this metric. June was flat. July's actual release came in at plus 0.2%. This 0.2% increase in the aggregate measure reflected a 0.3% increase in the wages and salaries component. This measure had fallen down 0.1% in June. Other parts of the report saw a 0.9% increase in rental income being broadly offset by a 0.4% fall in interest income.

Now if we take into account tax payments and inflation, yes, there's a little bit of inflation about, real disposable income fell 0.1% in July and that's the first fall since January of this year.

Turning to personal spending, again June was flat here. We were looking for a 0.3% increase here and we got a 0.4% increase. Now looking into the details, the headline was boosted by a 0.5% increase in goods consumption and also by a 0.4% rise in services consumption. Allowing for inflation, real consumer spending was up by 0.2%. Based on this on the first month of data, we are looking at annualised quarter three consumer spending growing at about 2%. Of note here, heavy discounting by car dealers helped consumer spending. Finally, this strength in spending relative to income saw the savings rate drop from 6.2% in the previous month to 5.9%.

Turning now to the price components of this report, no surprises here: Core PCE came in at 0.1% for the month of July which equalled June's rate and also July's market estimate.

Turning to the annualised rate, this equalled 1.4% which again equalled June's rate and also July's estimate.

Lastly, the Dallas Fed's manufacturing report came out late last night. We were looking for a decline of 10% here after July's decline of 21%, August's actual figure revealed a decline of 13.5% in this measure.

Thank you.

END OF TRANSCRIPT