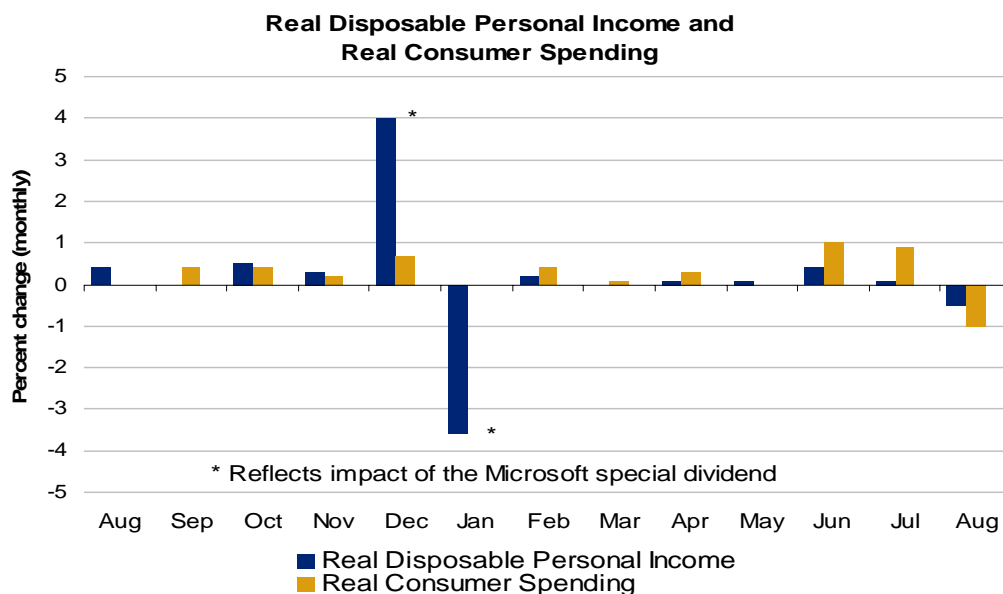


INFLATION-ADJUSTED INCOME AND SPENDING DOWN IN AUGUST

After-tax income received by individuals adjusted for inflation—real disposable personal income (DPI)—decreased 0.5 percent in August, after increasing 0.1 percent in July, according to estimates released today by the U.S. Bureau of Economic Analysis. Real consumer spending decreased 1.0 percent in August after increasing 0.9 percent in July. Over the past 12 months, real DPI increased 1.4 percent, and real consumer spending increased 3.5 percent.



Personal income—the total income received by individuals, before taxes and *not* adjusted for inflation—decreased \$5 billion (or 0.1 percent) in August, after increasing \$35 billion (or 0.3 percent) in July. The decline in personal income reflected a slowdown in wages and salaries and a decrease in rental income.

- Wages and salaries increased \$11 billion in August, compared with an increase of \$40 billion in July.
- Hurricane Effects: Rental income decreased \$92 billion (annual rate) in August primarily reflecting uninsured damages to residential structures, which is a deduction from rental income. Current transfer receipts increased \$72 billion (annual rate) primarily reflecting net benefits paid to persons for damage to insured property.

For more information on how disasters can affect GDP, personal income, and their components, please see the FAQs on “Hurricane Katrina” on the BEA Web site.

Consumer spending *not* adjusted for inflation decreased \$47 billion in August. Fewer purchases of motor vehicles contributed to this decline.

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: On October 31, 2005, the September estimate of Personal Income will be released.