



May Real Median Household Income Little Changed from April, Last Report

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of Advisor Perspectives

The Sentier Research median household income data for May, released this morning, came in at \$59,345. The nominal median dropped just \$16 month-over-month and is up \$479 year-over-year. In percentages, the latest month is down 0.03% MoM and up 4.4% YoY. Adjusted for inflation, the latest month is up \$60 MoM and \$1,414 YoY. The real numbers equate to changes of 0.1% MoM and 2.4% YoY.

In real dollar terms, the median annual income is 0.3% higher (\$154) than its interim high in January 2008.

As we've pointed out in previous updates, the absence of real income growth in 2016 was undoubtedly a key contributor to the rise in populism that has become a major focus of contemporary journalism.

Background on Sentier Research

This is Sentier Research's last report on the topic. They have discontinued the series due to limited resources.

The traditional source of household income data is the Census Bureau, which publishes annual household income data in mid-September for the previous year.

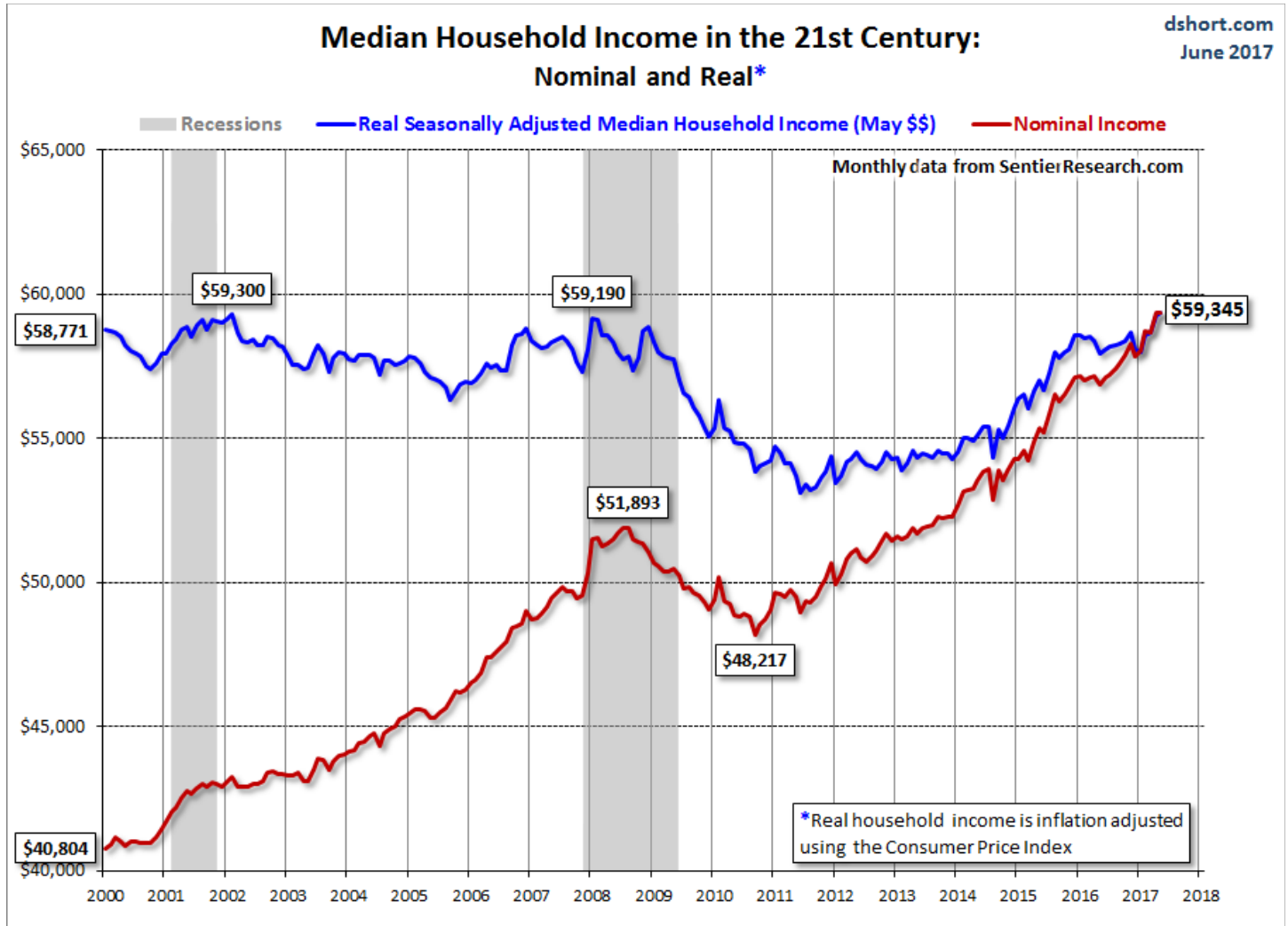
Sentier Research, an organization that focuses on income and demographics, offers a more up-to-date glimpse of household incomes by accessing the Census Bureau data and publishing monthly updates. Sentier Research has now released its most recent update (available [here](#)). The numbers in their report differ from the Census Bureau data in three key respects:

1. It is a monthly rather than annual series, which gives a more granular view of trends.
2. Their numbers are more current. The Census Bureau's most recent numbers are the 2015 annual data released in September 2016.
3. Sentier Research uses the more familiar Consumer Price Index (CPI) for the inflation adjustment. The Census Bureau uses the little-known CPI-U-RS (RS stands for "research

series") as the deflator for their annual data. For more on that topic, see this commentary.

Monthly Median Household Income Since 2000

The first chart below is an overlay of the nominal values and real monthly values chained in the dollar value as of the latest month. The red line illustrates the history of nominal median household, and the blue line shows the real (inflation-adjusted value). Callouts show specific nominal and real monthly values for the January 2000 start date and the peak and post-peak troughs.



In the latest press release, Sentier Research spokesman Gordon Green summarizes the recent data:

According to the latest data derived from the monthly Current Population Survey (CPS) median annual household income in May 2017 was \$59,345, an increase judged as not statistically significant over the April median of \$59,285. Median household income this May was 2.2 percent above the median at the time the Great Recession official began in December 2007 (\$58,080). Median household income in January 2000 was \$58,711, thus the current median is

1.0 percent above the median that begins this statistical series.

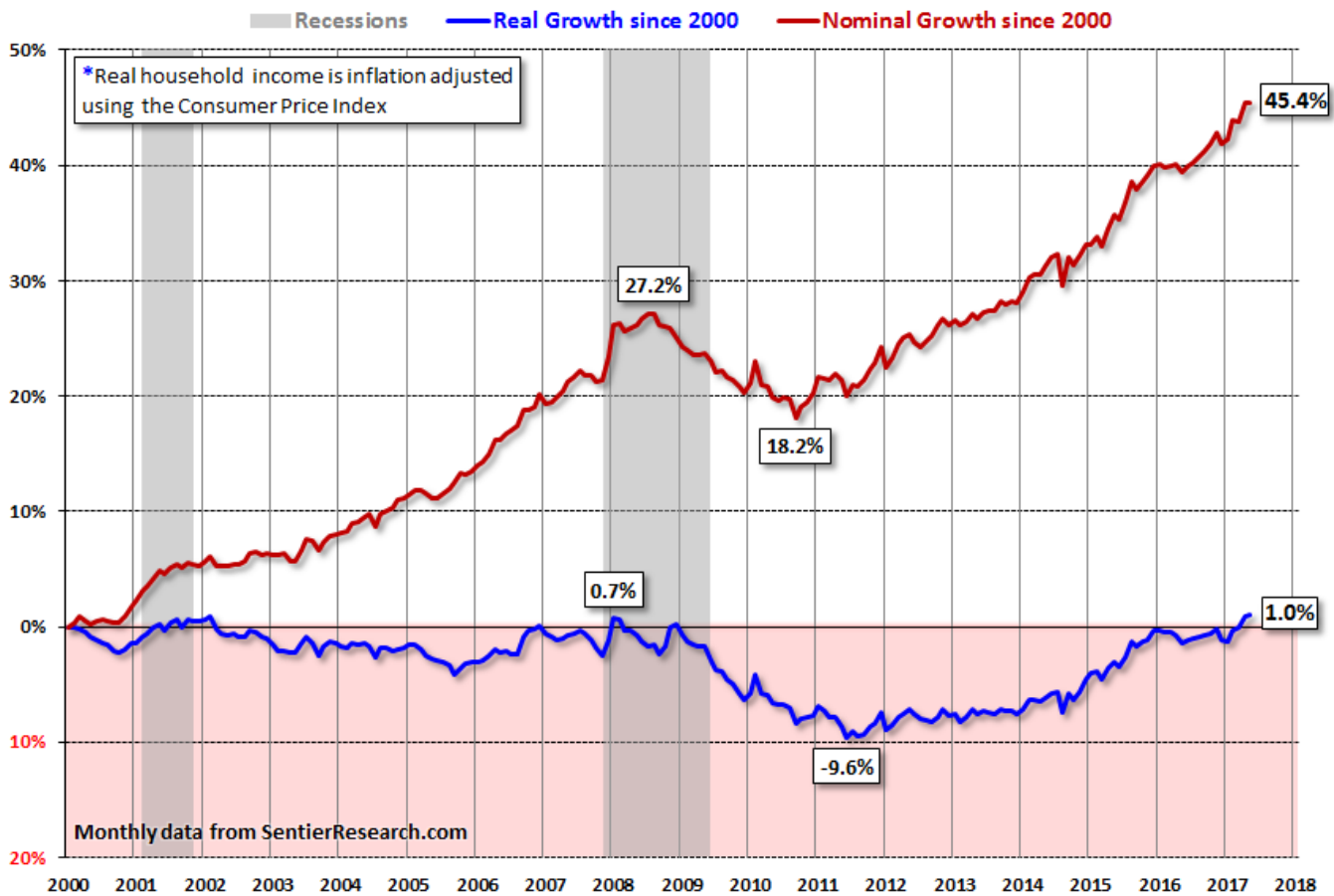
We have used the latest Sentier data to create the charts in this update illustrating the nominal and real income trends during the 21st century.

The blue line in the chart above paints the less optimistic "real" picture. Since we've chained in latest dollar value and the overall timeframe has been inflationary, the earlier monthly values are adjusted upward accordingly. In addition to the obvious difference in earlier real values, we can also see that real incomes peaked before the nominal (January of 2008, one month after the recession began, versus July 2008). Also, the real post-recession decline bottomed later than the nominal (August 2011 versus September 2010).

The next chart is our preferred way to show the nominal and real household income — the percent change over time. Essentially we have taken the monthly series for both the nominal and real household incomes and divided them by their respective values at the beginning of 2000. The advantage to this approach is that it clearly quantifies the changes in both series and avoids a common distraction of using dollar amounts ("How does my household stack up?").

Median Household Income in the 21st Century: Nominal Growth and Real* Shrinkage

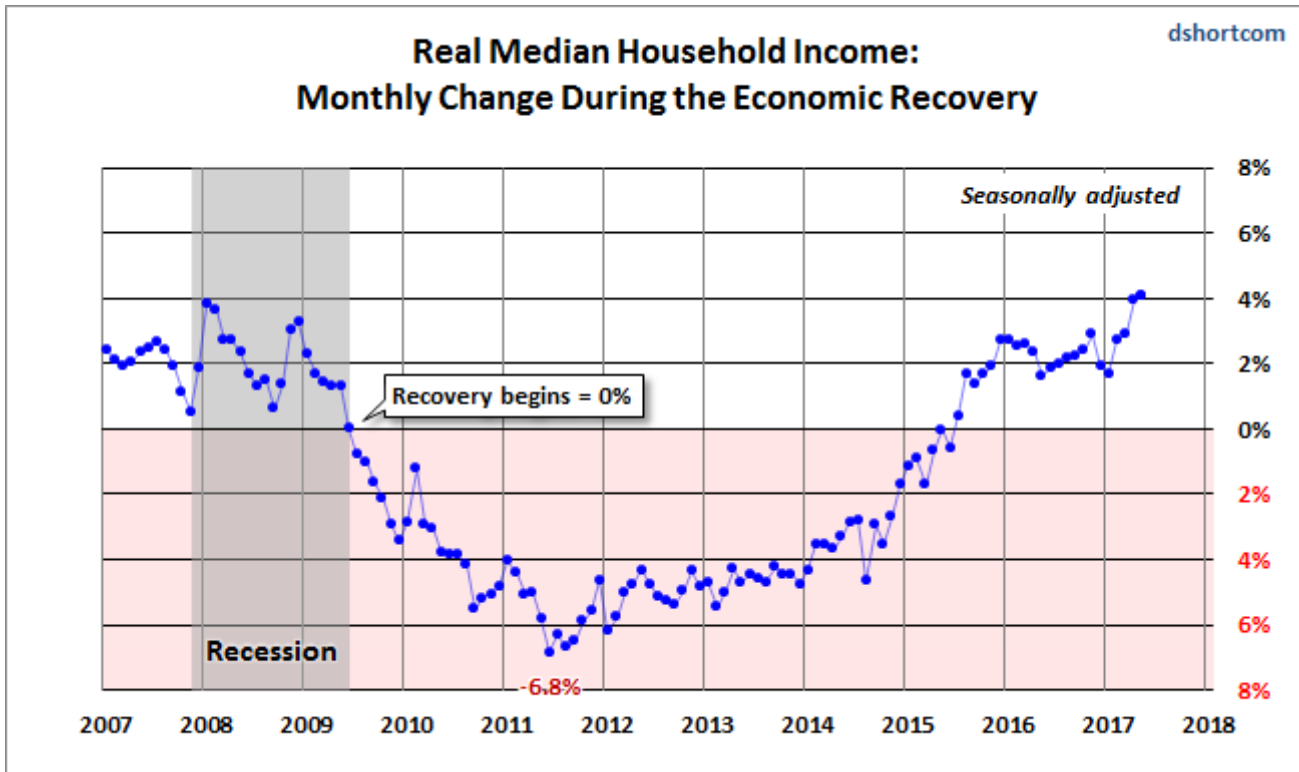
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Data through May



The reality illustrated here is that the real median household income series spent most of the first nine years of the 21st century struggling slightly below its purchasing power at the turn of the century. Real incomes (the blue line) hit an interim peak at a fractional 0.7% in early 2008, far below the nominal illusory interim peak (as in money illusion) of 27.2% six months later and the latest at 45.5%. The real median household income is now at 1.0% from its turn-of-the-century level. In essence, the real recovery from the trough had been frustratingly slow but may be entering a period of actual growth.

A Closer Look at the Post-Recession Data

Let's take a closer look at the monthly data since the end of the Great Recession. The chart below highlights the real monthly median value percent change since 2007.



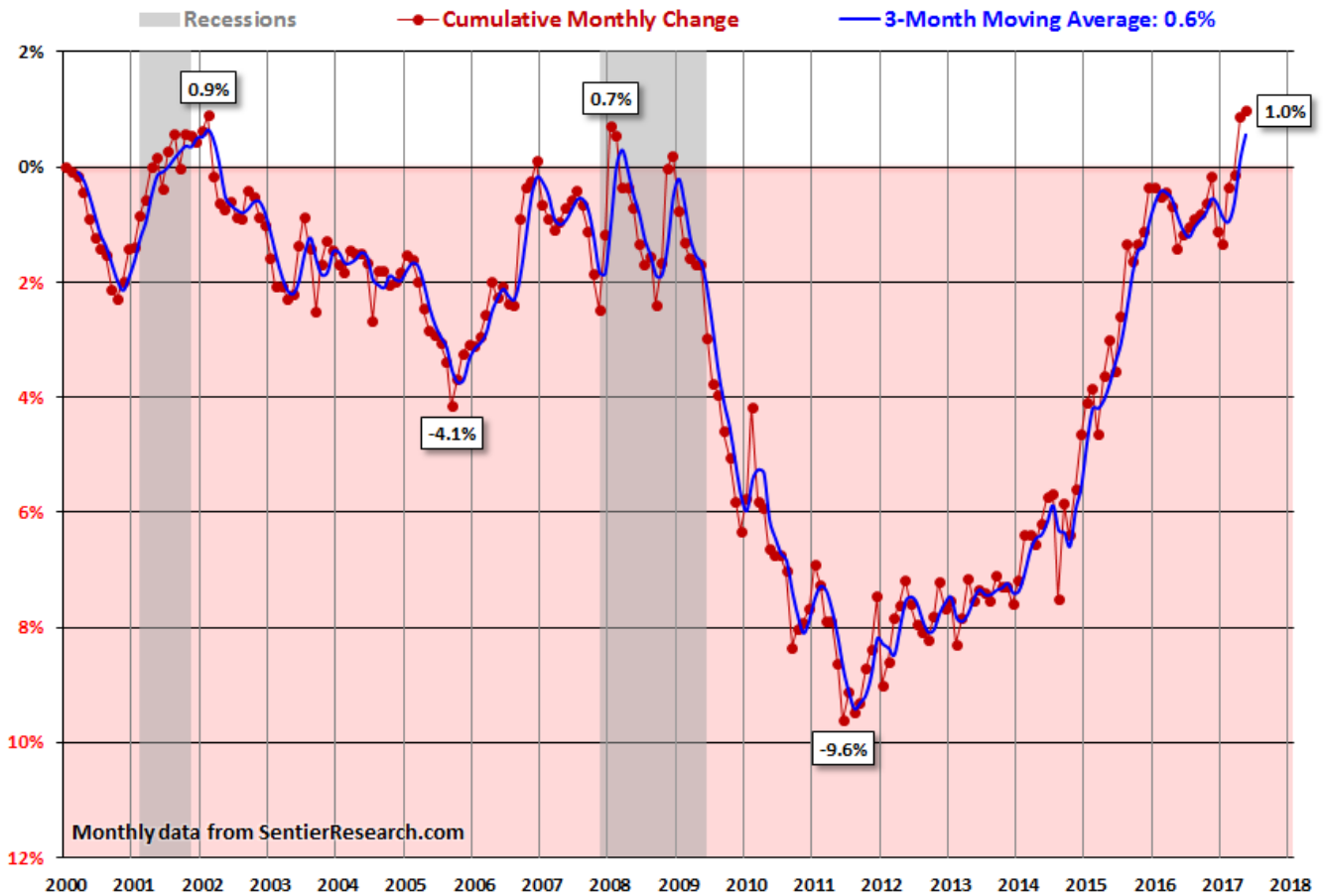
As the excellent data from Sentier Research makes clear, the mainstream U.S. household was struggling before the Great Recession. At this point, real household incomes are about where they were during the Great Recession.

We'll close this update with another look at real growth since the turn of the century, highlighting the actual monthly data points and adding a three-month moving average. The MA trend has been slowly zigzagging higher since the trough in 2011, but as we can clearly see, the momentum of 2015 had subsequently stalled. We can hope that the latest couple of months are the beginning of renewed growth.

The latest monthly data point is 1.0% above the January 2000 level. The 3-month moving average is 0.6% above the January 2000 benchmark.

Real Median Household Income Since 2000: Percent Change and Three-Month Moving Average

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Additional Reading:

- U.S. Household Incomes: A 49-Year Perspective
- U.S. Median Household Incomes by Age Bracket
- Monthly Disposable Income