Personal Income and Spending in 3Q26

United States

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Personal income and spending continue to grow at healthy levels, though warnings emerge from the savings rate at its lowest level since 4Q22

During the third quarter of the year (3Q26), Disposable Personal Income (DPI) recorded an annualized quarterly increase of 2.3%, compared to the slight contraction observed during the April–June period (-0.2%). This rebound helped Personal Consumption Expenditures (PCE) maintain a 3.8% gain, as shown in Figure 1. Consequently, household spending remains one of the main drivers behind the solid growth of the U.S. economy, alongside investments in data centers and Artificial Intelligence (AI). Furthermore, ongoing stability in the U.S. labor market provides a cushion against a sharp drop in income going forward. However, a key risk is that the personal savings rate (4.1%) sits at a nearly four-year low. If the catalysts for income generation were to slow down, consumer spending could cool considerably, increasing household debt and the risk of delinquency.

Figure 1. Quarterly Personal Income and Its Disposition as of September 2026

Quarterly Data	Billions of Real 2017 USD			Real Annualized Change		
	Mar-26	Jun-26	Sep-26	Mar-26	Jun-26	Sep-26
Wages & Salaries	10,304	10,291	10,317	1.0%	-0.5%	1.0%
Supplements to W&S	2,185	2,189	2,204	3.4%	0.6%	2.8%
Employee Compensation	**12,490**	**12,480**	**12,521**	**1.4%**	**-0.3%**	**1.3%**
Proprietors' Income	**1,618**	**1,620**	**1,627**	**8.5%**	**0.5%**	**1.7%**
Rental Income	**902**	**912**	**915**	**3.4%**	**4.4%**	**1.6%**
Interest Income	1,891	1,894	1,914	-1.8%	0.6%	4.1%
Dividend Income	1,686	1,664	1,670	1.3%	-5.0%	1.4%
Personal Income on Assets	**3,577**	**3,559**	**3,584**	**-0.3%**	**-2.0%**	**2.8%**
Personal Income before Taxes and Transfers	**18,587**	**18,570**	**18,647**	**1.8%**	**-0.4%**	**1.7%**
Plus Personal Current Transfers	3,915	3,915	3,943	-0.7%	0.1%	2.8%
Less Contrib. for govt. social insurance	1,594	1,592	1,597	7.7%	-0.4%	1.1%
Personal Income before Taxes	**20,908**	**20,894**	**20,993**	**0.9%**	**-0.3%**	**1.9%**
Less Personal current taxes	2,605	2,600	2,595	-9.4%	-0.8%	-0.8%
Disposable Personal Income (DPI)	**18,302**	**18,293**	**18,398**	**2.4%**	**-0.2%**	**2.3%**
Less personal savings	977	806	751	42.4%	-53.5%	-24.7%
Interest payments	457	467	470	-0.5%	9.3%	2.3%
Personal current transfers	235	232	233	-2.3%	-5.3%	1.4%
Less non pers. cons. expend.coutflows	692	699	703	-1.1%	4.2%	2.0%
Personal Consumption Expenditures	**16,633**	**16,788**	**16,944**	**0.7%**	**3.8%**	**3.8%**
Personal Savings Rate*	**5.3%**	**4.4%**	**4.1%**	**42.1**	**-92.8**	**-32.6**
Taxes & SS less Transfers	-285	-277	-249	-32.2%	-10.2%	-35.1%

Source: HR Ratings with seasonally adjusted data from US BEA.

*Personal Savings Rate reflects the quarterly level, followed by the quarter-over-quarter change in basis points.

The recovery in DPI is supported by several factors. On one hand, employee compensation grew a modest 1.3%, rebounding from a 0.3% drop in 2Q26. Within this category, wages posted a real annualized increase of 1.0%, demonstrating resilience against elevated inflation levels in the U.S. economy. This occurs alongside a steady labor market, with the unemployment rate holding at 4.1% and continuing jobless claims reaching their lowest level since October 2023. On the other hand, proprietors' income rose by 1.7%, reversing last quarter's 0.4% contraction, while personal income receipts on assets, notably interest income, grew 2.8% (down from 3.7% in 2Q26).

The decline in personal current taxes paid also continues to provide some relief. During the July–September 2026 period, the real decrease was 0.8%, in line with the previous quarter. This reflects ongoing normalization following the steep drops seen in 1Q26 due to Internal Revenue Service (IRS) federal tax refunds and adjustments from the 2025 One Big Beautiful Bill (OBBB) tax law. Conversely, DPI was weighed down by slower growth in rental income, which rose 1.6%, well below the 4.4% expansion recorded in the prior quarter.

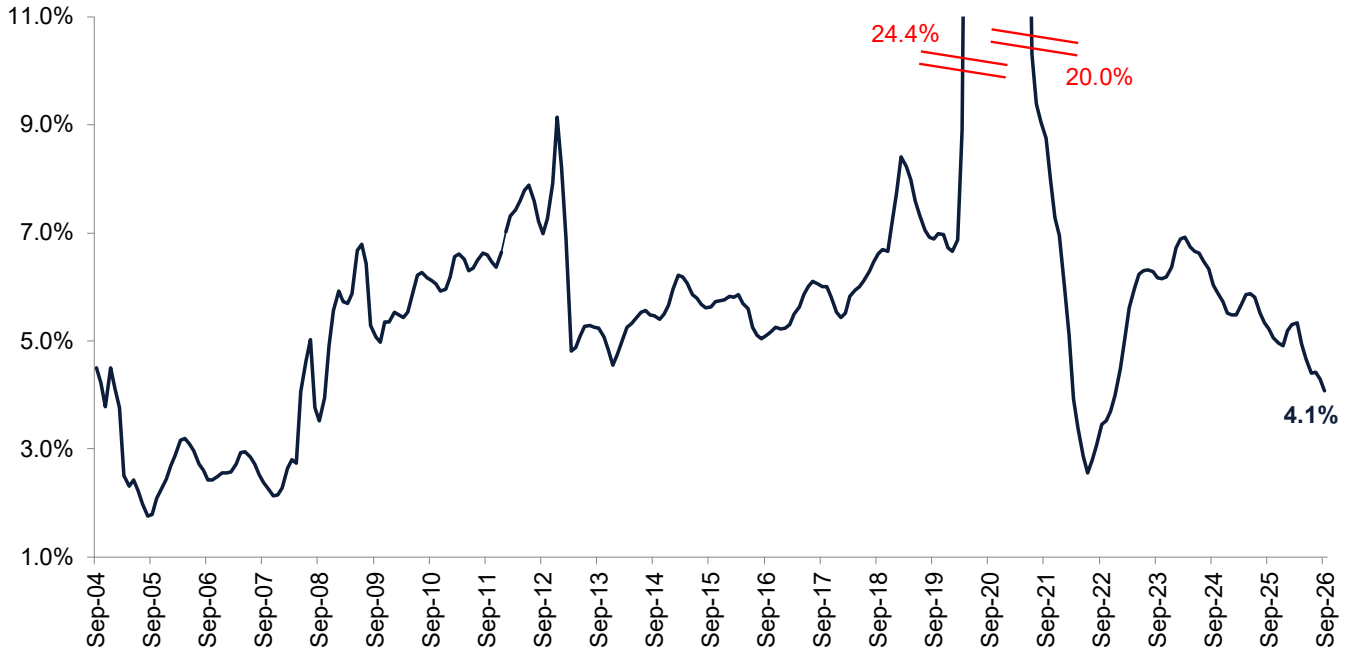
The final line in Figure 1 deserves special attention. It shows the net balance of personal current transfers received minus the amounts paid to the government through social insurance contributions and personal income taxes. This net balance is always negative. In the first quarter, it dropped 32.2% at an annualized rate, followed by further declines of 10.2% in 2Q26 and 35.1% in 3Q26. Without these accounts, DPI growth would have been much weaker at 1.8%, -0.4%, and 1.7%, compared to the reported 2.4%, -0.2%, and 2.3%.

Figure 1 also highlights how changes in the personal savings rate affect consumer spending, which feeds directly into GDP figures. During 3Q26, real personal savings contracted at an annualized rate of 24.7%, showing that households are dipping into their reserves to maintain current spending. These drops pushed the personal savings rate down by 92.8 basis points (bps) in 2Q26 and 32.6 bps in 3Q26. Notably, this drawdown in reserves has been the main support allowing PCE—which makes up roughly 70% of GDP—to grow by 3.8% over the past two quarters. In the third quarter of 2026 alone, this gain contributed 2.5 percentage points to the 3.4% overall expansion of the U.S. economy, marking its strongest performance since 3Q25.

To see the impact of the savings rate, note that while DPI in 2Q26 fell at an annualized rate of 0.2% compared to 1Q26, PCE still jumped a robust 3.8%. This happened because personal savings plunged 53.5%, lowering the rate from 5.3% of DPI in 1Q26 to 4.4% in 2Q26. In the third quarter, an additional 24.7% drop in savings (bringing the rate to 4.1%) helped drive PCE growth to 3.8%. By contrast, in the first quarter, a solid 2.4% rise in DPI led to a modest 0.7% gain in PCE because personal savings surged 42.4%, lifting the rate to 5.3% from 4.1% in the last quarter of 2025.

Figure 2 illustrates how the savings rate fell to 4.1% in 3Q26, its lowest level since the end of 2022. One factor likely eroding households' ability to save is persistent inflation in the U.S., driven largely by the impact of the Middle East conflict on energy costs. As of September 2026, Headline PCE stood at 3.6% year-over-year (y/y), marking four straight months of increases, while Core PCE climbed to 3.1% y/y. Although inflation is becoming more broad-based, rising gasoline prices stand out for having the most immediate effect on consumers' wallets. However, looking at the historical trend since 2004, the personal savings rate while currently low is still above the extremely limited levels prior to the 2008 Great Financial Crisis.

Figure 2. Quarterly Evolution of Savings Rate as of September 2026



Source: HR Ratings with seasonally adjusted data from US BEA.

HR Ratings notes that disposable income has recently shown signs of recovery. This improvement has supported strong household spending, which remains a primary engine for the U.S. economy. However, income growth alone has not been enough to fully fund this consumption, pushing personal savings down to nearly four-year lows and showing how lower savings can boost spending. These trends also carry political implications. One of the main factors behind the Democratic Party's historic victory in the midterm elections is the ongoing financial strain that many American households still face. Looking ahead, the steady drop in consumer savings will require close monitoring over the coming months to assess whether families could face a tougher economic period. Based on historical patterns, the savings rate may continue to fall and keep supporting PCE growth. However, keeping savings at low levels for a long time could eventually put pressure on the financial sector.

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