



For Immediate Release on Tuesday, September 25, 2012

Household Income Trends Series: August 2012

**Household Income Down by 1.1 Percent
Between July 2012 and August 2012**

Summary of Key Findings

According to new data derived from the monthly Current Population Survey (CPS), real median annual household income declined by 1.1 percent or \$543 between July 2012 and August 2012, from \$51,221 to \$50,678.

These findings come from a report issued today by Sentier Research, titled “Household Income Trends: August 2012,” which presents monthly trends in household income from January 2000 to August 2012.

This decline in real median annual household income of 1.1 percent marks the first statistically significant change in the median since the increase of 0.7 percent in May of this year. With the exception of that increase, all of the other month-to-month changes in real median annual household income since January 2012 have not been statistically significant. Prior to the beginning of the year, there was a decline in real median annual household income of 1.3 percent from December 2011 to January 2012. That decline followed several successive monthly increases in real median annual household income that occurred between August 2011 and December 2011.

According to Gordon Green of Sentier Research, “This latest decline in real median annual household income is indicative of a struggling economy. A major contributor to the decline was a 0.6 percent increase in consumer prices between July and August. Even though we are technically in an economic recovery, real median annual household income is having a difficult time maintaining its present level, much less “recovering.” As we have noted in our previous reports, we are watching this household income series closely for signs of any sustained directional movement.”

Highlights

- The August reading on the labor market from the U.S. Bureau of Labor Statistics indicates a slightly improving situation with the exception of the duration of unemployment:
 - The unemployment rate in August 2012 was 8.1 percent, down from 8.3 percent in July 2012.
 - The median duration of unemployment increased from 16.7 weeks in July 2012 to 18.0 weeks in August 2012, after declining in July.
 - The broader measure of employment hardship, which includes the unemployed, marginally attached workers (of which discouraged workers are a subset), and persons working part-time for economic reasons, declined slightly from 15.0 percent in July 2012 to 14.7 percent in August 2012.
- The median annual household income in August 2012 can be put into broader perspective by a comparison with previous levels of household income dating back to the start of the last decade:
 - The August 2012 median annual household income of \$50,678 was 5.7 percent lower than the median of \$53,718 in June 2009, the end of the recent recession and beginning of the “economic recovery.”
 - The August 2012 median was 8.1 percent lower than the median of \$55,131 in December 2007, the beginning month of the recession that occurred more than four years ago.
 - The August 2012 median was 9.0 percent lower than the median of \$55,688 in January 2000, the beginning of this statistical series.
- The Household Income Index (HII) shows the value of real median annual household income in any given month as a percent of the base value at the beginning of the last decade (January 2000 = 100.0 percent):
 - The HII for August 2012 stood at 91.0, down from 92.0 in July 2012, and lower than the December 2011 reading of 92.5. (See Figure 1.)
 - Before the recent decline and a period of very little change back to the beginning of this year, the HII had increased steadily from August 2011 to December 2011: 89.3 in August, 90.5 in September, 91.4 in October, 92.1 in November, and 92.5 in December.

This report updates the household income estimates presented in our previous monthly report, “Household Income Trends: July 2012,” issued on September 10, 2012. It is a monthly report that does not include any information on the characteristics of households. Readers who are interested in changes in household income by detailed characteristics of households should consult our recent report, “Changes in Household Income During the Economic Recovery: June 2009 to June 2012,” which is available for sale on our website (www.sentierresearch.com) for a price of \$25.00 (USD).

Income amounts in this report are before-tax money income and have been adjusted for inflation; income amounts are expressed in August 2012 dollars and have been seasonally adjusted, unless otherwise noted.

Estimates of median annual household income and the Household Income Index (HII) provide the only measures of change in household income during 2012. The U.S. Census Bureau issued its official estimates of income and poverty for calendar year 2011 in a report released on September 12, 2012.

The estimates in this report are based on the Current Population Survey (CPS), the monthly household survey that provides official estimates of the unemployment rate. The CPS samples approximately 50,000 households and 135,000 household members each month. As is the case with all surveys, the estimates are subject to sampling and nonsampling errors. All comparisons made in the report have been tested and found to be statistically significant at the 90-percent confidence level, unless otherwise noted.

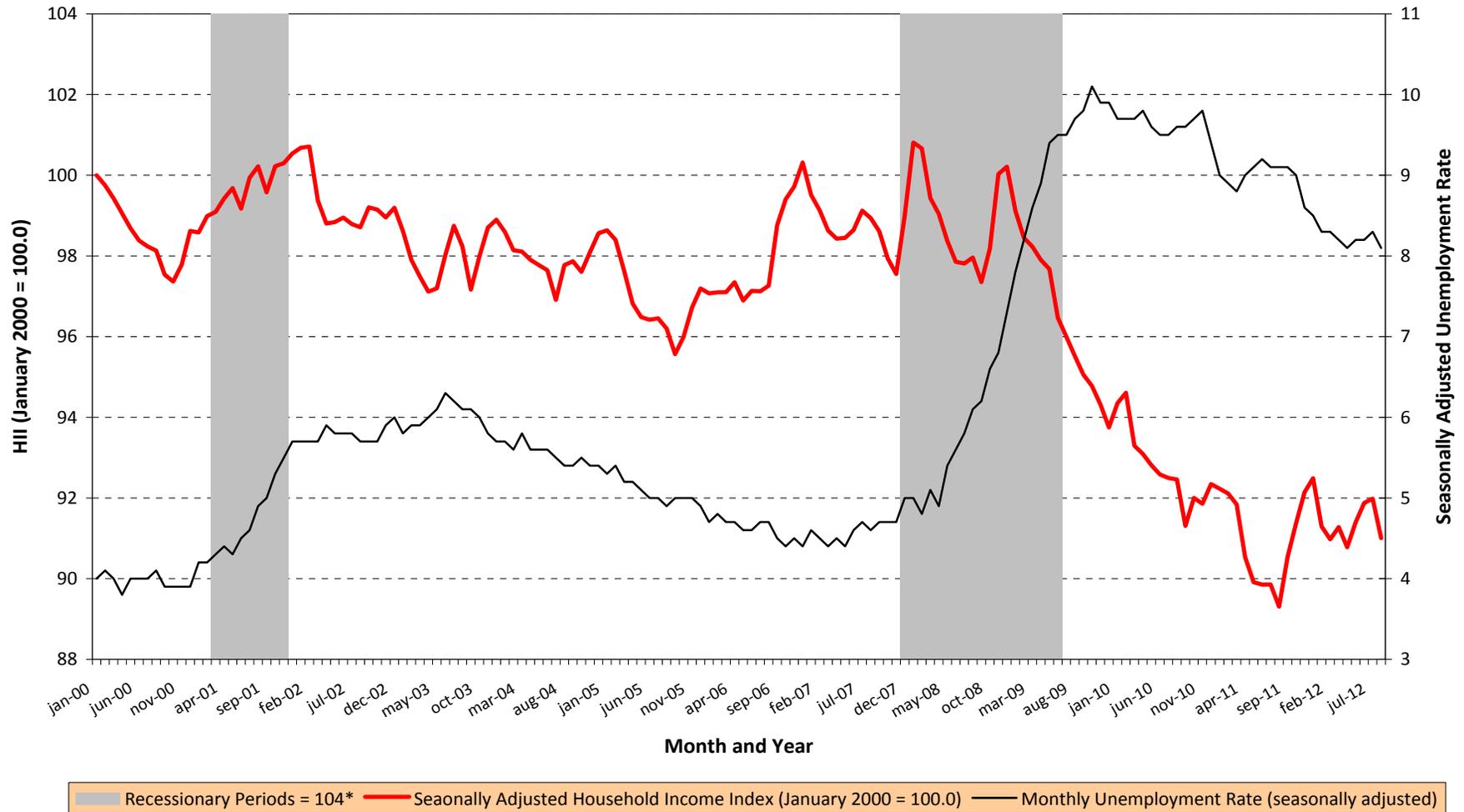
Household income is defined as the sum of the incomes of all household members. Income refers to all sources of money income including earnings from work, Social Security, interest, dividends, cash welfare, retirement pensions, unemployment compensation, veterans’ benefits, etc. Income **excludes** capital gains and losses, and lump-sum, one-time amounts. Household income is measured before the payment of federal and state income taxes and Social Security payroll taxes.

Copies of the report, *Household Income Trends: August 2012* (12 pages as .pdf), issued on September 25, 2012, can be obtained from the Sentier Research, LLC website at www.sentierresearch.com and are available to the public free of charge. It is permissible for media organizations to link directly to the report or to our website in their articles. Data users can also obtain an Excel spreadsheet containing the plotting points for all of the time series charts in the report from our website for a price of \$25.00 (USD).

The authors of the new report are Gordon Green and John Coder, both former officials at the U.S. Census Bureau. All media inquiries should be addressed to Gordon Green at the email address gordonwgreen@sentierresearch.com, or by telephone on (703) 764-0249.

Figure 1.

Median Household Income Index (HII) and Unemployment Rate by Month: January 2000 to August 2012



Sources: For income data: Sentier Research, LLC estimates of annual household income derived from the monthly Current Population Survey (CPS) conducted by the U.S. Census Bureau; for the unemployment rate and the CPI-U: the U.S. Bureau of Labor Statistics.