SENTIER RESEARCH

For Immediate Release

Household Income Trends: July 2014

Median Household Income $54,045 in July 2014

Summary of Key Findings

According to new data derived from the monthly Current Population Survey (CPS), median annual household income in July 2014 was $54,045, not significantly different from the June 2014 median of $53,940. (The apparent increase of $105 was not statistically significant.)

These findings come from a report issued today by Sentier Research, titled "Household Income Trends: July 2014," which presents monthly trends in household income from January 2000 to July 2014.

Notwithstanding this most recent lack of change, real median annual household income has shown some improvement since the low point in our household income series that occurred in August 2011. Median income in July 2014 ($54,045) was 1.7 percent higher than in July 2013 ($53,140), and 4.2 percent higher than in August 2011 ($51,843). The period since August 2011 has been marked by an uneven, but generally upward trend in the level of real median annual household income. Many of the month-to-month changes in median income during this period have not been statistically significant. However, the cumulative effect of the various month-to-month changes since August 2011 resulted in the income improvement noted above. (See Figure 1 located at the back of this report.)

According to Gordon Green of Sentier Research, "The lack of significant change in real median annual household income between June and July 2014 underscores the uneven trend in the series since the low-point reached in August 2011. Our time series charts clearly illustrate that although the economic recovery officially began in June 2009, the recovery in household income did not begin to emerge until after August 2011. While many of the month-to-month changes in median income since the low-point in August 2011 have not been statistically significant, an overall upward trend is still clearly evident."

Highlights

- The July reading on the labor market from the U.S. Bureau of Labor Statistics indicates a situation that was not very different from June:
    - The official unemployment rate in July 2014 was 6.2 percent, not significantly different than June 2014 (6.1 percent).
    - The median duration of unemployment was 13.3 weeks in July 2014, compared to 13.1 weeks in June 2014.
    - 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, was 12.2 percent in July 2014, about the same level as June 2014 (12.1 percent).
- Real median annual household income in July 2014 can be put into broader perspective by comparisons with previous levels of household income since the recession began and dating back to the start of the last decade:
    - The July 2014 median income of $54,045 was 2.9 percent lower than the median of $55,639 in June 2009, the end of the recent recession and beginning of the "economic recovery."
    - The July 2014 median was 4.6 percent lower than the median of $56,656 in December 2007, the beginning month of the recession that occurred over six years ago.
    - The July 2014 median was 5.7 percent lower than the median of $57,340 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 July 2014 stood at 94.3 compared to 98.8 in December 2007, when the "great recession" began, and 97.0 in June 2009, when the "economic recovery" subsequently began.
    - The HII in August 2011 was 90.4 compared to 93.4 in July 2014.

Income amounts in this report are before-tax money income and have been adjusted for inflation; income amounts are expressed in July 2014 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 2013 and 2014. The U.S. Census Bureau issued its official estimates of income and poverty for calendar year 2012 in a report released on September 17, 2013.

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.

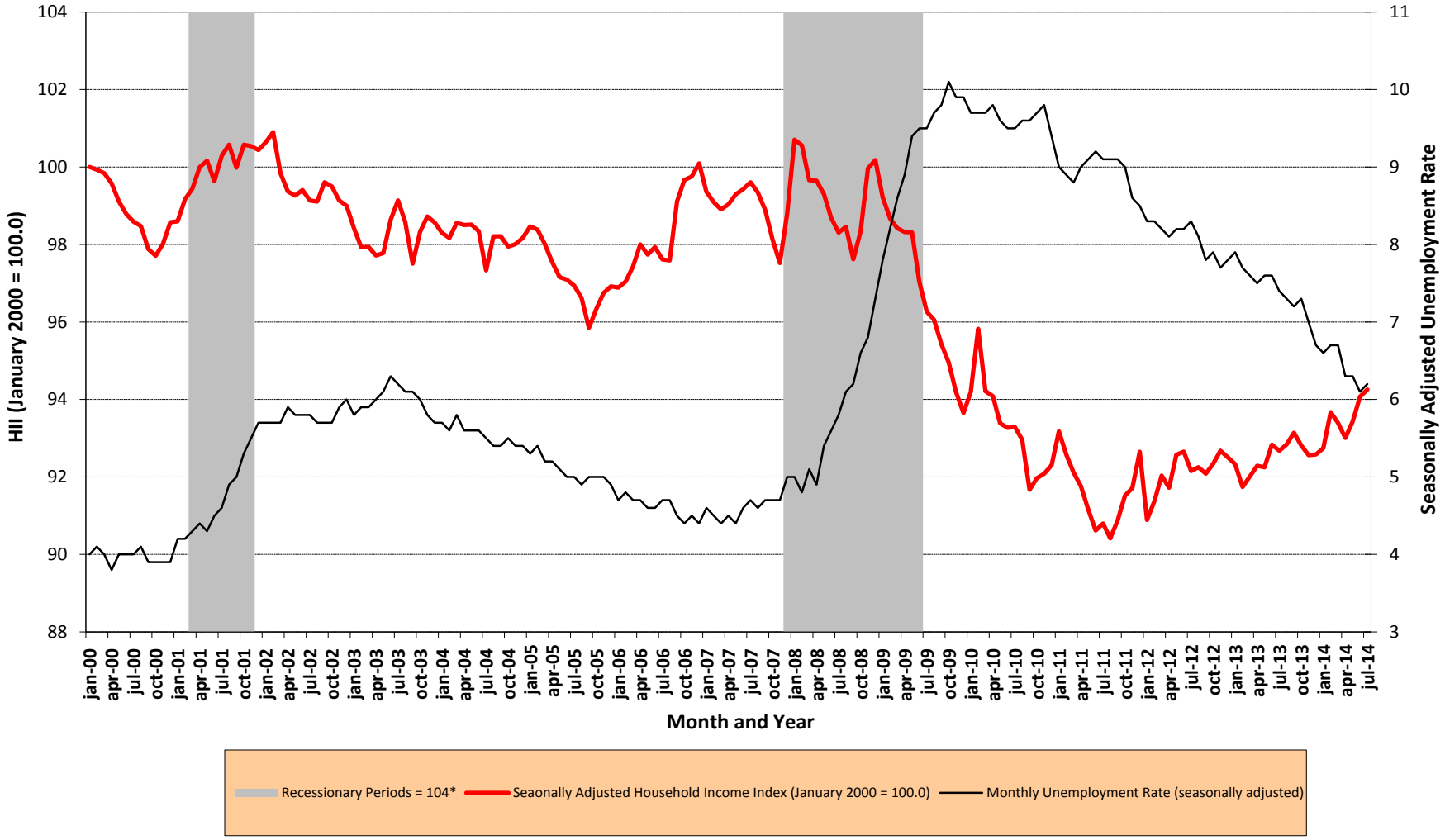
Household income is defined as the sum of the incomes of all household members. Income refers to all sources of money income including earnings from work, Social Security, interest, dividends, cash welfare, retirement pensions, unemployment compensation, veterans' benefits, etc. Income **excludes** capital 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: July 2014* (12 pages as .pdf), issued in September 2014, 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.

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 July 2014



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.