For Immediate Release

Household Income Trends: May 2016

Median Household Income Declines in May

Summary of Key Findings

According to new data derived from the monthly Current Population Survey (CPS), median annual household income in May 2016 was $56,853, $514 (or 0.9 percent) lower than the April 2016 median of $57,367. This decline, along with the smaller decline in April, leaves the median slightly below the median at the beginning of the great recession in December 2007 ($57,024). The Sentier Household Income Index (HII) for May 2016 was 98.5, down from the April 2016 HII of 99.4 (January 2000 = 100). The level of real median annual household income in January 2000 was $57,701, which marks the beginning of this statistical series.

These findings come from a report issued today by Sentier Research, titled “Household Income Trends: May 2016,” which presents monthly trends in household income from January 2000 to May 2016.

The statistically significant decline in median annual household income of 0.9 percent between April and May 2016 follows a measured decline in the median of 0.4 percent between March and April 2016 that was not statistically significant. There has been a general upward trend in median household income since the post-recession low point reached in August 2011. This upward trend was initially marked by monthly movements, both up and down. Many monthly changes were not statistically significant. By the summer of 2014 however, that uneven trend became dominated by a series of significant monthly increases, until these latest readings (See Figure 1.)

Median income in May 2016 ($56,853) was 1.8 percent higher than in May 2015 ($55,842), and 8.9 percent higher than in August 2011 ($52,229). This general upward trend reflects, in part, the low level of inflation as measured by the CPI for all items used in this series. (We note, however, that there was an uptick of 0.2 percent in the CPI for all items between April 2016 and May 2016.) For example, the 1.8 percent increase in median household income between May 2015 and May 2016 derived using the CPI for
all items becomes 0.7 percent when the CPI less food and energy is employed to adjust for the change in purchasing power.

According to Gordon Green of Sentier Research, “The decline in median household income of $514 (or 0.9 percent) between April and May 2016 follows a measured decline of $255 (or 0.4 percent) between March and April 2016, although this earlier decline was not statistically significant. A cause of concern is what happens to inflation, which showed an uptick of 0.2 percent between April and May, driven by rising fuel prices. We are now at a point where the May 2016 median is 0.3 percent lower than the median of $57,024 in December 2007, the beginning month of the recession that occurred more than eight years ago, and 1.5 percent lower than the median of $57,701 in January 2000, the beginning of this statistical series.”

**Highlights**

- The May reading on the labor market from the U.S. Bureau of Labor Statistics shows some improvement compared to April:
  - The official unemployment rate in May 2016 was 4.7 percent, lower than the April 2016 rate (5.0 percent).
  - The median duration of unemployment was 10.7 weeks in May 2016, also lower than the April 2016 level (11.4 weeks).
  - 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 9.7 percent in both May 2016 and April 2016.

- Real median annual household income in May 2016 can be put into broader perspective by comparisons with previous levels of household income since the last recession began and dating back to the start of the last decade:
  - The May 2016 median income of $56,853 is 1.6 percent higher than the median of $55,980 in June 2009, the end of the recent recession and beginning of the “economic recovery.”
  - The May 2016 median is 0.3 percent lower than the median of $57,024 in December 2007, the beginning month of the recession that occurred more than eight years ago.
  - And the May 2016 median is now 1.5 percent lower than the median of $57,701 in January 2000, the beginning of this statistical series.
• The Sentier 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):

  o The Sentier HII stood at 98.5 in May 2016, lower than December 2007 (98.8) when the “great recession” began, and higher than June 2009 (97.0), when the “economic recovery” subsequently began.

  o The Sentier HII was 90.5 in August 2011, the low point in our household income series, compared to 98.5 in May 2016.

Income amounts in this report are before-tax money income and have been adjusted for inflation; income amounts are expressed in May 2016 dollars and have been seasonally adjusted, unless otherwise noted.

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 more than 50,000 households and approximately 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: May 2016* (10 pages as .pdf), issued in June 2016, can be obtained from the Sentier Research, LLC website at [www.sentierresearch.com](http://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.
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.