



S E N T I E R
R E S E A R C H

For Immediate Release

Household Income Trends: December 2016

Median Household Income Declines in December

Summary of Key Findings

According to new data derived from the monthly Current Population Survey (CPS), median annual household income in December 2016 was \$57,827, \$558 (or 1.0 percent) lower than the November 2016 median of \$58,385. Median household income at the beginning of the great recession in December 2007 was \$57,886. The Sentier Household Income Index (HII) for December 2016 was 98.7, significantly lower than the November reading of 99.7 (January 2000 = 100). The level of real median annual household income in January 2000 was \$58,574, which marks the beginning of this statistical series.

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

The December decline in median annual household income wipes out most of the increase in income that had been evident since May 2016, and returns it to a level of income that is not significantly different than that at the beginning of the great recession (\$57,886). More broadly, 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. However, the median income figures that we have reported for the past several months have flattened out this trend. (See Figure 1 at the back of this report.)

Median annual household income in December 2016 (\$57,827) was 0.9 percent lower than in December 2015 (\$58,356), but 9.1 percent higher than in August 2011 (\$53,019). This general upward trend since August 2011 reflects, in part, the low level of inflation as measured by the CPI for all items used in this series, as opposed to the CPI less food and energy. However, energy prices recently have been on an upswing, contributing to the 0.3

percent increase in the CPI for all items between November 2016 and December 2016, and playing a significant role in the reported decline in median income this month.

According to Gordon Green of Sentier Research, “Not only has median annual household income in 2016 has not been able to maintain the momentum that it achieved during 2015, it slipped by a formidable 1.0 percent in our latest reading for December. We continue to monitor the course of inflation, as this has a significant effect on the trend in real median annual household income. With the recent uptick in energy prices, the CPI for all items increased by 0.3 percent between November 2016 and December 2016. We are now at a point now where median household income is not significantly different than at the beginning of the great recession in December 2007, and 1.3 percent lower than January 2000, the beginning of this statistical series.”

Highlights

- The December reading on the labor market from the U.S. Bureau of Labor Statistics shows a situation that is not that much different than November:
 - The official unemployment rate in December 2016 was 4.7 percent, not significantly different than the November 2016 rate (4.6 percent).
 - However, the median duration of unemployment was 10.3 weeks in December 2016, slightly higher than November 2016 (10.1 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 9.2 percent in December 2016, not significantly different than the November 2016 reading (9.3 percent).
- Real median annual household income in December 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 December 2016 median income of \$57,827 is 1.8 percent higher than the median of \$56,827 in June 2009, the end of the recent recession and beginning of the “economic recovery.”
 - The December 2016 median is not significantly different than the median of \$57,886 in December 2007, the beginning month of the recession that occurred nine years ago.
 - And the December 2016 median is now 1.3 percent lower than the median of \$58,574 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):
 - The Sentier HII stood at 98.7 in December 2016, about the same as December 2007 (98.8) when the “great recession” began, but higher than June 2009 (97.0), when the “economic recovery” subsequently began.
 - The Sentier HII was 90.5 in August 2011, the low point in our household income series, compared to 98.7 in December 2016.

Income amounts in this report are before-tax money income and have been adjusted for inflation; income amounts are expressed in December 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.

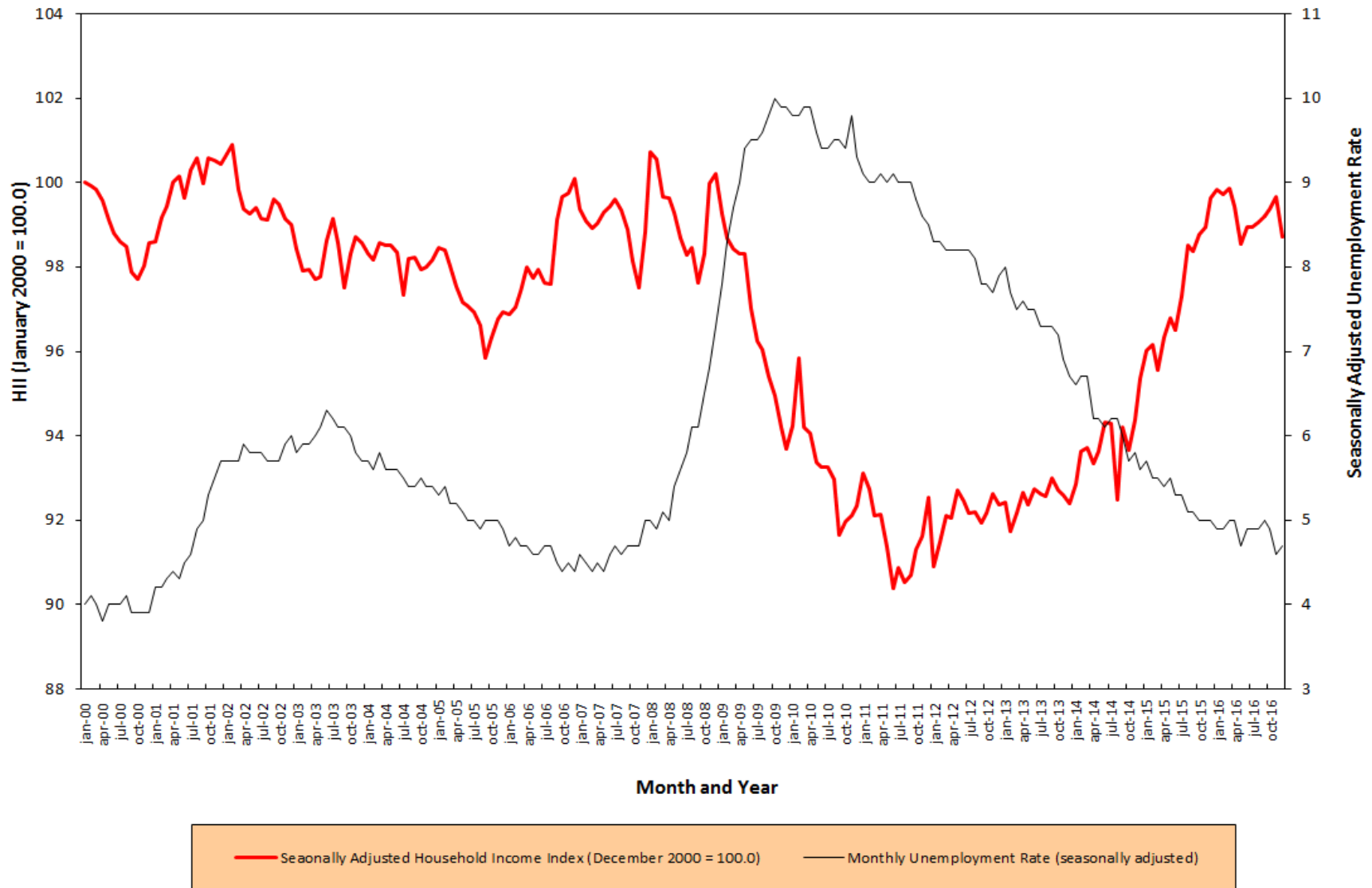
Household income is defined as the sum of the incomes of all household members. Income refers to all sources of money income including earnings from work, Social Security, interest, dividends, cash welfare, retirement pensions, unemployment compensation, veterans’ benefits, etc. Income **excludes** capital 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: December 2016* (10 pages as .pdf), issued in January 2017, 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 December 2016



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.