

US Consumer Savings

In our Half-Year Investment document, we noted that consumers still have excess savings in place from the pandemic period. We believe this would be one of the reasons why any potential recession seen in developed regions this year would be mild in nature. We must be mindful however that consumers are slowly but surely using up these savings, as the cost of living remains high. Today's chart will help you visualize this.

The US consumer is particularly important in this regard. In the below chart we take a look at their total and monthly excess savings, with the data based on the pre-Covid 2019 savings rate. This data goes up until the end of May and shows that at this point individuals in the States still have roughly \$675 billion in excess savings, which had been built up from pandemic-era fiscal stimulus and spending distortions. The blue bars (scale on the left) show the monthly excess savings/spending rate in billions of dollars. The navy line (right-hand side) shows the total pandemic and post-pandemic excess saving in the US economy by consumers – clearly this put in a peak around the middle of 2021 and has been on a slow downwards trajectory since.

Bank of America: "At this rate this 'nest egg' will not be eliminated for another 9-10 months. However, we believe a major weakening of the labour market would change attitudes, causing spendable 'excess savings' to become protected 'precautionary savings'.

Exhibit 1: Excess Savings (based on 2019 average saving rate, \$bn)

As of end-May, US consumers had around \$675bn in excess savings from pandemic-era fiscal stimulus and spending distortions



Source: Bank of America Global Research, Bureau of Economic Analysis, Haver Analytics