

Macro Roundup Article

Headline: [When Will There Be No More Excess Savings Left?](#)

Article

Link: <https://blog.rangvid.com/2023/10/29/when-will-there-be-no-more-excess-savings-left/>

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Tweet: Jesper Rangvid notes that inflation has broadly tracked excess savings in the US with a one-year lag and suggests "fiscal stimulus has been an important driver of inflation, at least in the US."

Summary: Inflation and excess savings have followed remarkably similar trends after the pandemic. Figure 6 shows excess savings (based on the 2016-2019 trend) and core CPI inflation one year later (note that inflation refers to the 2nd y-axis and the upper x-axis). The correlation is striking. Core inflation follows accumulated excess savings with a lag of one year. One year after excess savings started rising in 2020, inflation rose. Excess savings peaked in autumn 2021, as mentioned, and inflation peaked a year later. Since then, excess savings have declined and so has inflation with a one-year lag. It is tempting to conclude that excess savings caused this inflation episode. As you may recall, I agree that fiscal stimulus (which increased people's disposable income and thus caused the accumulation of excess savings) contributed to this inflation episode, although I also believe that monetary policy and supply chain challenges played a role.

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Primary Topic: Inflation

Topics: Business Cycle, GDP, Inflation, Op-Ed/Blog Post, Weekly

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