Macro Roundup Artcile

Headline: The Deflating of the Great Cash Cushion

Article Link: https://www.ft.com/content/5ccae267-3069-47e1-accd-9250b12538a7

Author(s)	Megan Greene
Publication	Financial Times
Publication Date	December 01, 2022

Tweet: .@economistmeg argues in @ft that by mid-2023, consumers and corporations will have depleted the excess savings they built up during the pandemic, and the long-awaited recession will get underway.

Summary: Bank of America expects that at the current three-month average rate of decline of household deposits, it would take between 12 and about 40 months (depending on income quartile) to return to 2019 levels. Goldman Sachs estimates US households will have less than $1T in excess savings by the end of 2023. JPMorgan recently warned excess savings could be completely depleted by the second half of next year. There are many reasons to fall on the pessimistic side of these estimates. The personal savings rate jumped from 8.3% at the end of 2019 to 26.3% at the height of Covid-19 in March 2021. In September, it had fallen back to 3.1%, well below the historical average. And for all the cash still left in aggregate household bank accounts, consumers are not feeling very confident. The Conference Board's consumer confidence index has been declining since mid-2021.

Primary Topic: Business Cycle

Topics: Business Cycle

Permalink: https://www.edwardconard.com/macro-roundup/economistmeg-argues-in-ft-that-by-mid-2023-consumers-and-corporations-will-have-depleted-the-excess-savings-they-built-up-during-the-pandemic-and-the-long-awaited-recession-will-get-underway?view=detail