

Macro Roundup Article

Headline: [Deteriorating Household Finances Will Not Support Strong Spending](#)

Article Link: https://www.brookings.edu/wp-content/uploads/2023/08/20230801_THP_HouseholdFinances_Report.pdf

Author(s)	Wendy Edelberg and Sofoklis Goulas
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Tweet: [.@WendyEdelberg](#) notes the current 4.6% personal savings rate and argues that households must either cut spending or undermine financial health by borrowing to maintain current spending levels.

Summary: The rate at which households saved out of income saw large fluctuations during the COVID-19 pandemic. In 2019 the saving rate hovered around 9%. After the saving rate spiked to unprecedented levels in 2020 and 2021, it fell dramatically in 2022. In June 2022 households saved less than 3% of DPI, which was close to a historically low level. As of May 2023, the saving rate remains low at 4.6%. Some households may be on a precipice where real income and real wealth do not show marked improvement. To maintain relatively healthy balance sheets, such households can moderate the pace of consumer spending (particularly goods spending). Alternatively, households can maintain the current trends in spending, increasingly financing spending with borrowing, and financial health could deteriorate in a worrying way. Related: Accumulated Savings During the Pandemic: An International Comparison with Historical Perspective and The Rise and Fall of Pandemic Excess Savings

Primary Topic: Business Cycle

Topics: Academic paper, Business Cycle, GDP, Weekly

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