

Macro Roundup Article

Headline: Fed Crushes Household Net Interest Income in Break From Past

Article Link: <https://www.bloomberg.com/news/articles/2024-03-18/fed-hikes-slash-household-net-interest-income-in-break-from-past?sref=U3dOGIDF>

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Tweet: .@markets argues that declining net interest income has become a drag on consumer spending as the interest bill for US households has risen by \$420B since the start of the hiking cycle, while interest income grew by only \$280B.

Summary: The annual interest bill that Americans pay on mortgages, credit cards, and other debt has climbed by almost \$420 billion since the Fed started tightening policy in March 2022. The rise in interest income over the same period was only about \$280 billion. Unlike every other Fed hiking cycle of the past half century, the latest one triggered a sharp decline in household net interest income. On the spending side, interest costs rose faster this time because Americans now have a larger share of their debts in consumer credit, which is quicker to reprice and saddles borrowers with bigger bills when rates go up. Mortgages, by contrast, are mostly locked-in beyond the Fed's reach. As for interest income, one reason it's lagged is that banks were slow to pass on higher rates to depositors. Another is that wealth has shifted out of the kind of holdings that pay interest, and into stocks.

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Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Inflation, Monetary Policy, News article

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