

U.S. Personal Savings Rate Drops to a Decade-Low

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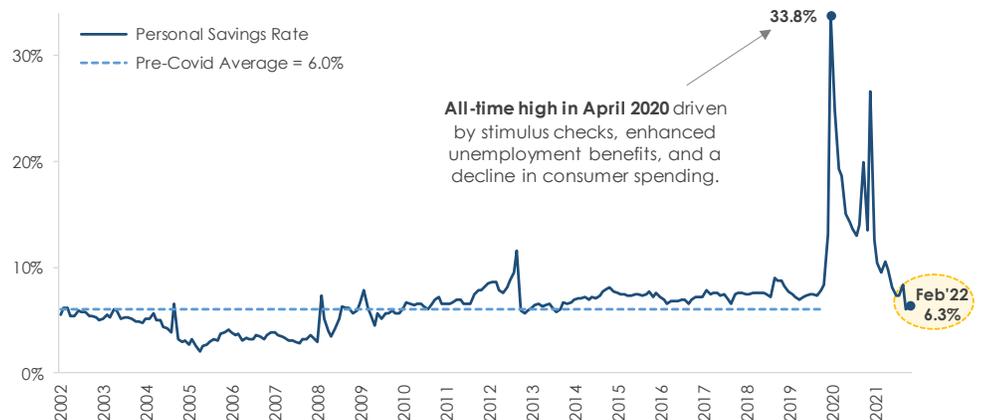
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The U.S. personal savings rate jumped to an all-time high of 33.8% in April 2020. Stimulus checks, enhanced unemployment benefits, and a decline in consumer spending all boosted personal savings during the pandemic. In addition, homeowners were able to lower their monthly mortgage payments by refinancing their home loans and locking in mortgage rates below 3% on a 30-year fixed loan. The increased personal savings sustained consumers during the pandemic and even helped some individuals pay down debt.

Fast forward to today, and increased savings are slowly being eroded. January 2022's personal savings rate of 6.1% was the lowest since December 2013. Why did the savings rate drop from an all-time high to a decade-low in less than two years? The savings catalysts from the pandemic are diminishing, and in some cases reversing, as daily life returns to normal. The last round of stimulus checks was released over a year ago. Enhanced unemployment benefits lapsed as the unemployment rate dropped 3.6% during March 2022 and the labor market tightened. Consumer spending on services is rebounding as social distancing restrictions are relaxed.

Another large factor pressuring the personal savings rate is rising inflation pressures. The Consumer Price Index, which measures inflation, soared 8.5% year-over-year during March 2022. It was the fastest annual pace since December 1981 and a significant change from the 2010s when annual inflation held steady around 2%. Our team always stresses the importance of establishing a personal financial plan and sticking to it. The Covid pandemic was a lesson on the importance of being ready for the unknown, and today's high inflation is a timely reminder that both life and the economy are unpredictable. Our goal is to help you be ready for what comes next.

FIGURE 1 – U.S. Personal Saving Rate (% of Disposable Income)



Source: MarketDesk, U.S. Bureau of Economic Analysis