Visa Business and Economic Insights

Special Economic Insight

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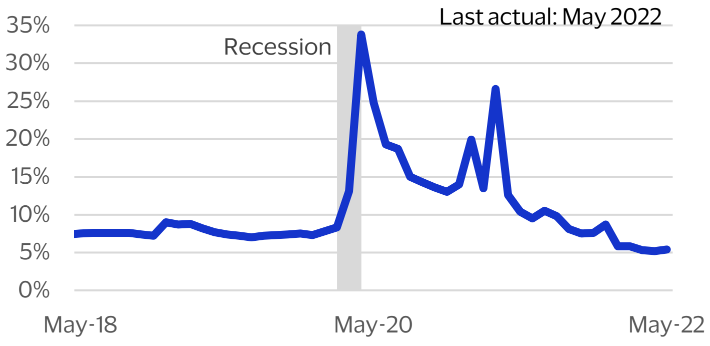
Are consumers sitting on a stockpile of cash?

The savings rate

SA, percent of disposable income

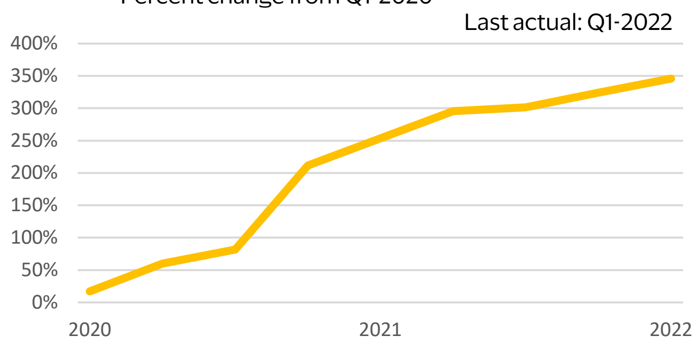


The savings rate comes back down to earth

After nearly two years of heavy restrictions and stimulus, how much cash do consumers have stashed away? Due to the restrictions, uncertainty and unprecedented government support as a result of the pandemic, the share of consumer's disposable income that was saved (savings rate) hit a new record high in April 2020. It spiked again in March 2021 after the last round of stimulus and remained above pre-pandemic levels. In January of this year, however, the savings rate came back down to earth. Thanks to widespread availability of vaccines and far fewer COVID restrictions, people are now spending more of their income each month. While some of this is due to inflation, recent real (inflation-adjusted) personal consumption expenditures continue to grow. Consumers' excess savings built up during the pandemic is undoubtedly making that possible, even in this high inflation environment. But how much savings?

Checkable deposits and currency

Percent change from Q1-2020

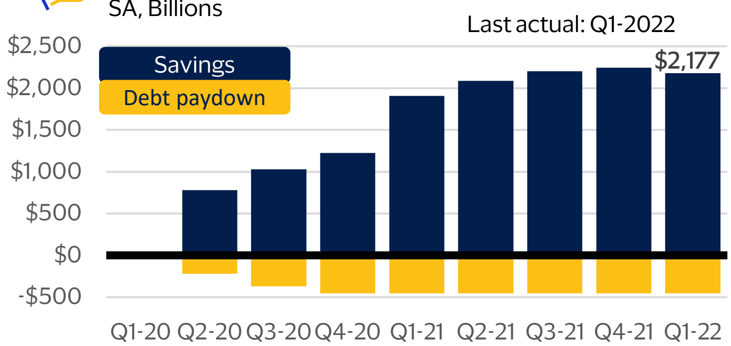


Pent-up affluent demand is released

Recent Federal Reserve flow of funds data indicates that checkable deposits and currency held by households have grown over 346 percent from the 2019 average to roughly $4.3T in Q1-2022. These increases have enabled consumers to spend despite rising prices. Affluent consumers (household income >$100K annually) in particular have benefited from both higher incomes as a result of stock market and housing market wealth effects and their risk-averse spending. With more opportunity to spend now, affluent consumers have begun to release their pent-up demand. We expect this will continue to bolster consumer spending growth until wage gains catch up to inflation rates and consumer spending becomes more broad-based once again.

Cumulative household savings

SA, Billions



Excess savings are not as large as some estimates suggest

The extra money consumers saved during the pandemic likely helped some overcome the current inflationary environment. Much of the excess savings have already been spent on paying down debt—an estimated $455B in debt relative to the historical paydown rate. Given the amount of debt paydown and what has been spent already, the current excess savings translates to roughly three and a half months worth of total retail sales. Excess savings have been a boon to consumers, especially in this inflationary environment. However, the tailwind to consumer spending is not as high as the increase in consumers' checking accounts suggests.

Sources: Visa Business and Economic Insights, U.S. Department of Commerce, U.S. Department of Labor and Federal Reserve Bank of New York

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Accessibility notes

Figure 1: Line graph showing the personal savings rate as a percentage of disposable income. The savings rate ranges from 7.5 percent in May 2018 to a record high of 33.8 percent in April 2020 and a low of 5.2 percent in April 2022, and the latest figure of 5.4 percent in May 2022.

Figure 2: Line graph showing the percentage growth in checkable deposits and currency held by households since Q1 2020. This amount increased by 211 percent in Q4 2020 and continued to rise, with the latest reading of 346 percent in Q1 2022.

Figure 3: Segmented bar graph showing cumulative consumer household savings versus debt paydown. Cumulative debt paydown started at $13.3 billion in Q1 2020, jumped to 218.3 billion in Q2 2020, and remained at $455.8 billion from Q4 2020 to Q1 2022. Household savings started at 9.0 billion in Q1 2020 and reached a high of 2.7 trillion in Q4 2021, with the latest reading of 2.6 trillion in Q1 2022.