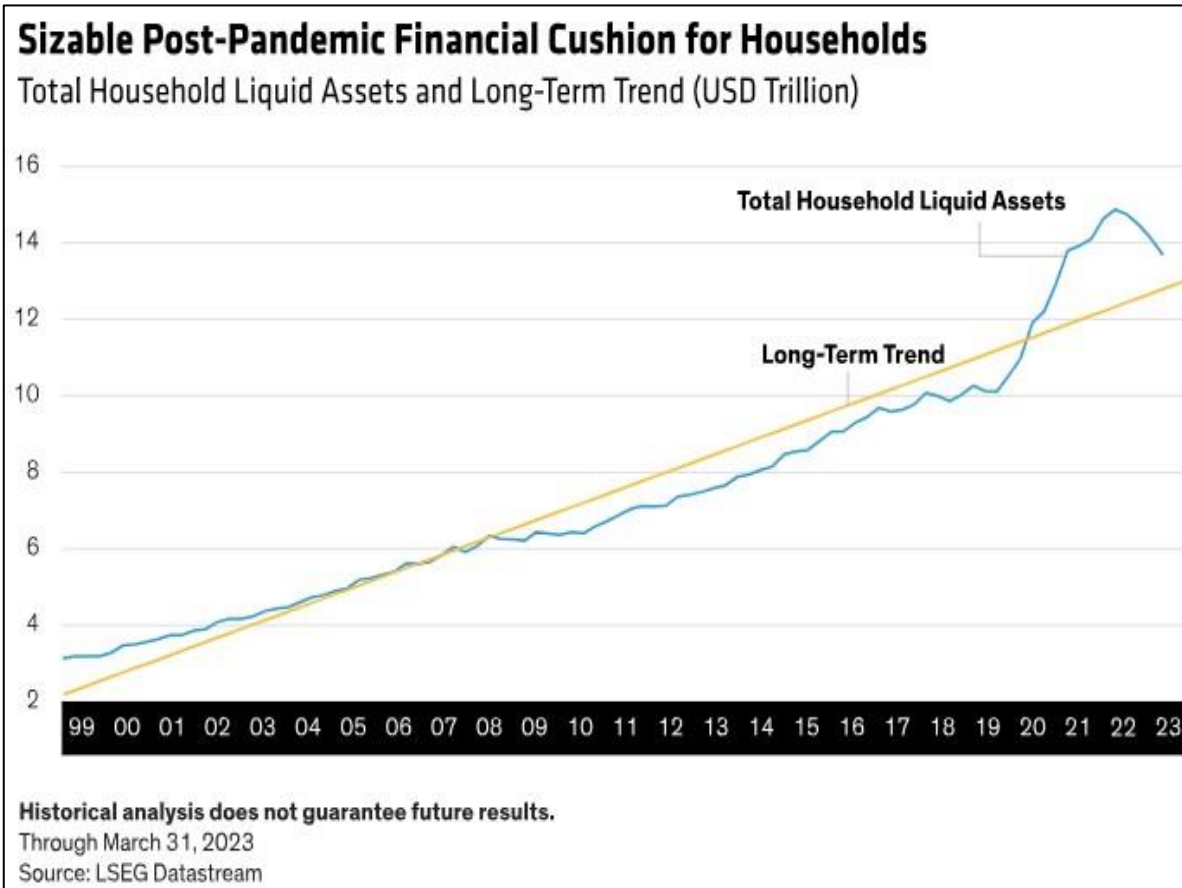


## **Sevens Report Alpha Webinar – How Much Excess Savings Are Left?**

**September 14<sup>th</sup>, 2023**

**Tom Essaye, President Sevens Report Research**

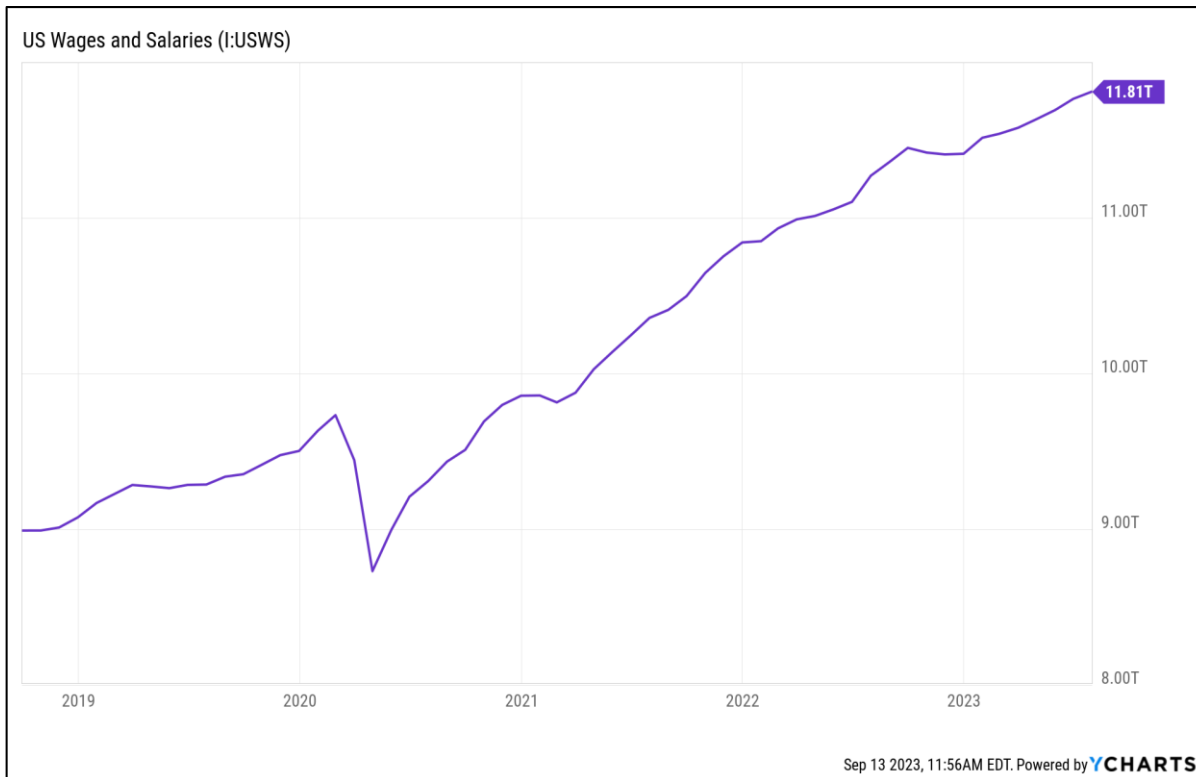
## What Are Excess Savings?



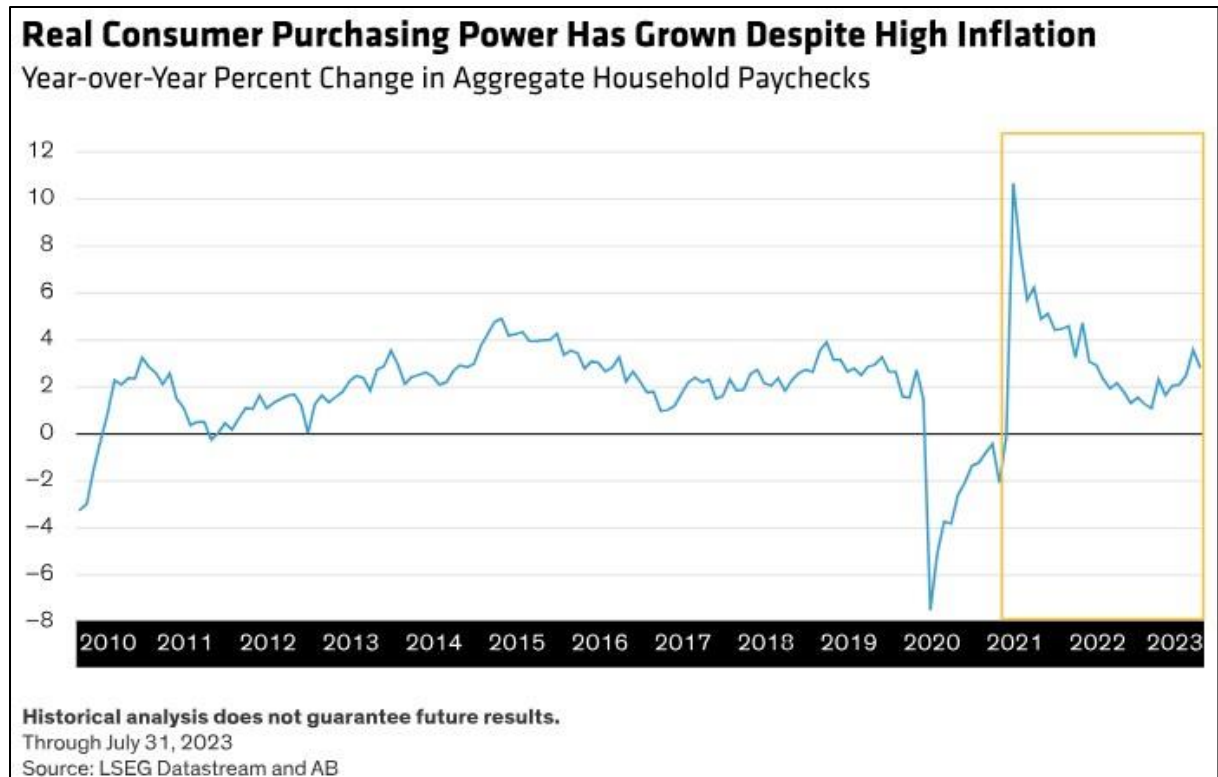
- **Individuals and Families - \$1.8T**
  - *Unemployment benefits* - \$679B
    - *Child Tax credit* - \$93B
    - *SNAP/Food* - \$71B
  - *Delayed Student Loans* - \$39B
  - *Child Care Block Grants* - \$28B
  - *Child Care Provider Grants* - \$24B
    - *Retirement Plan Rules* - \$14B
    - *Other Tax Breaks* \$24B
    - *Other* - \$10B
  - **Businesses - \$1.7T**
- **State and Local Aid - \$745B**
  - **Health Care - \$482B**
  - **Other Programs - \$288B**
- **Total Pandemic Stimulus = \$5.015T**

## But, Stimulus Was Only Part of It.

**Wages have grown sharply since the pandemic.**

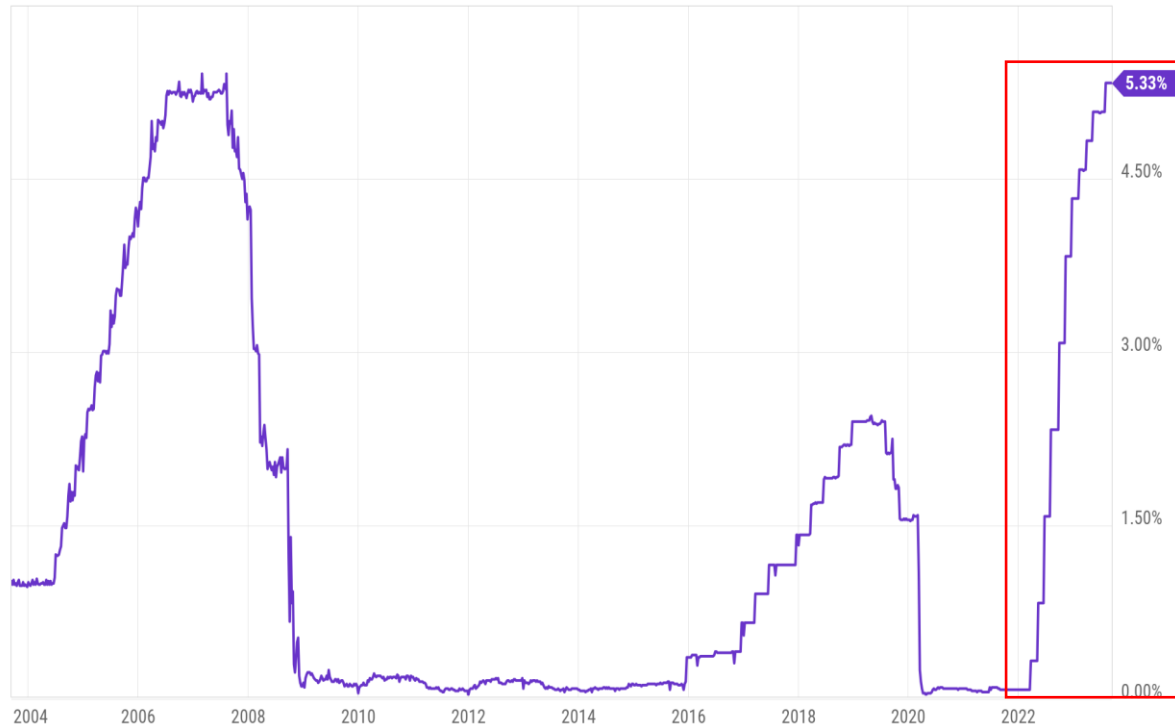


**The combination of wage growth and low unemployment temporarily increased purchasing power.**



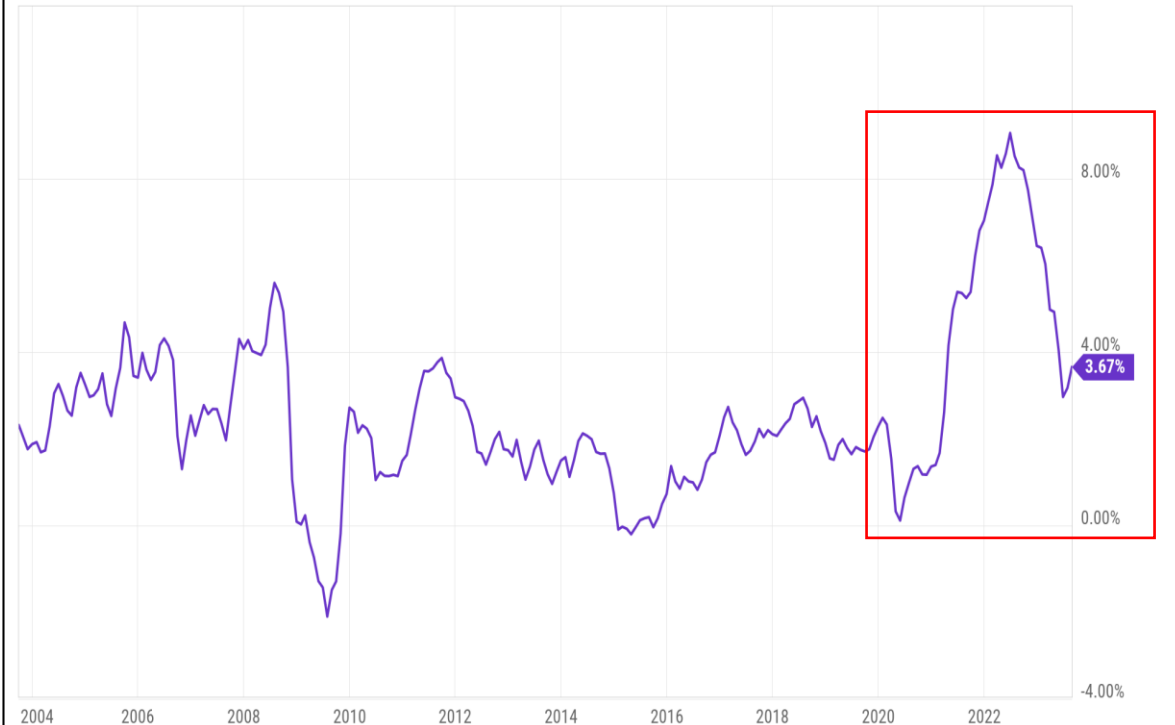
However, High Inflation and Rising Interest Rates Have Eaten Into That Excess Savings.

Effective Federal Funds Rate (I:EFFRND)



Sep 13 2023, 12:00PM EDT. Powered by **YCHARTS**

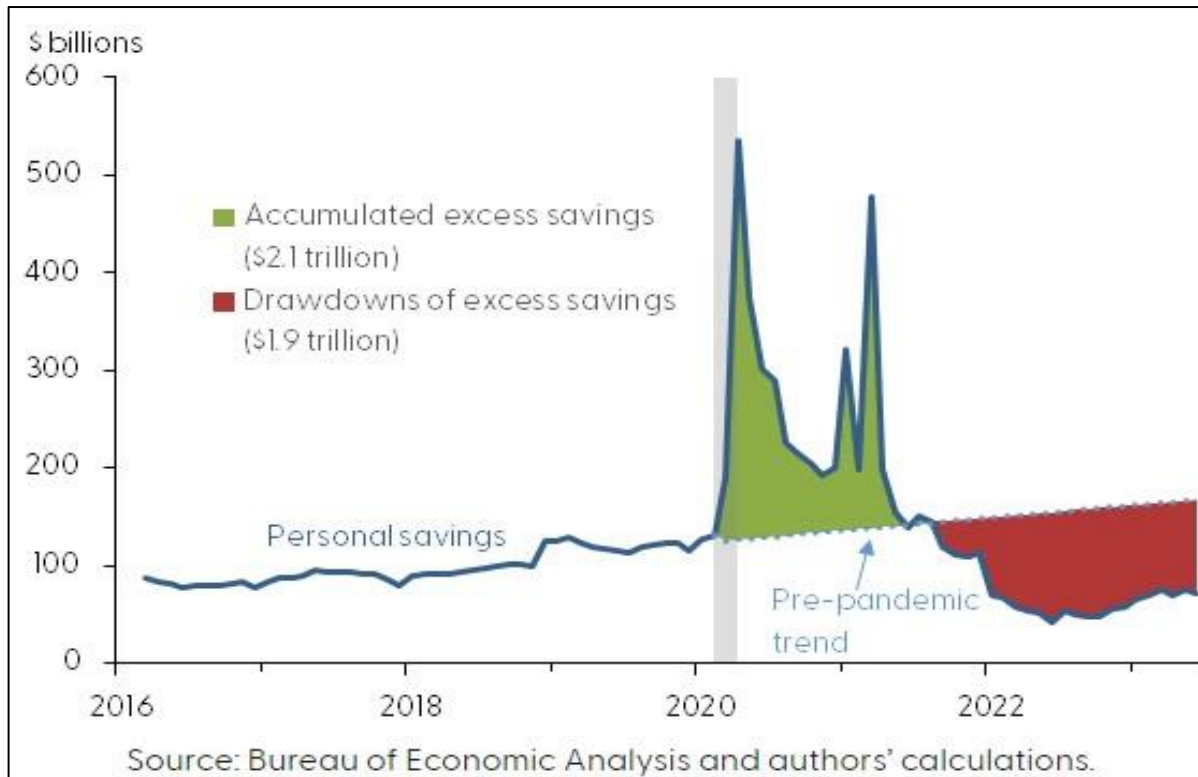
US Consumer Price Index YoY (I:USCPIYY)



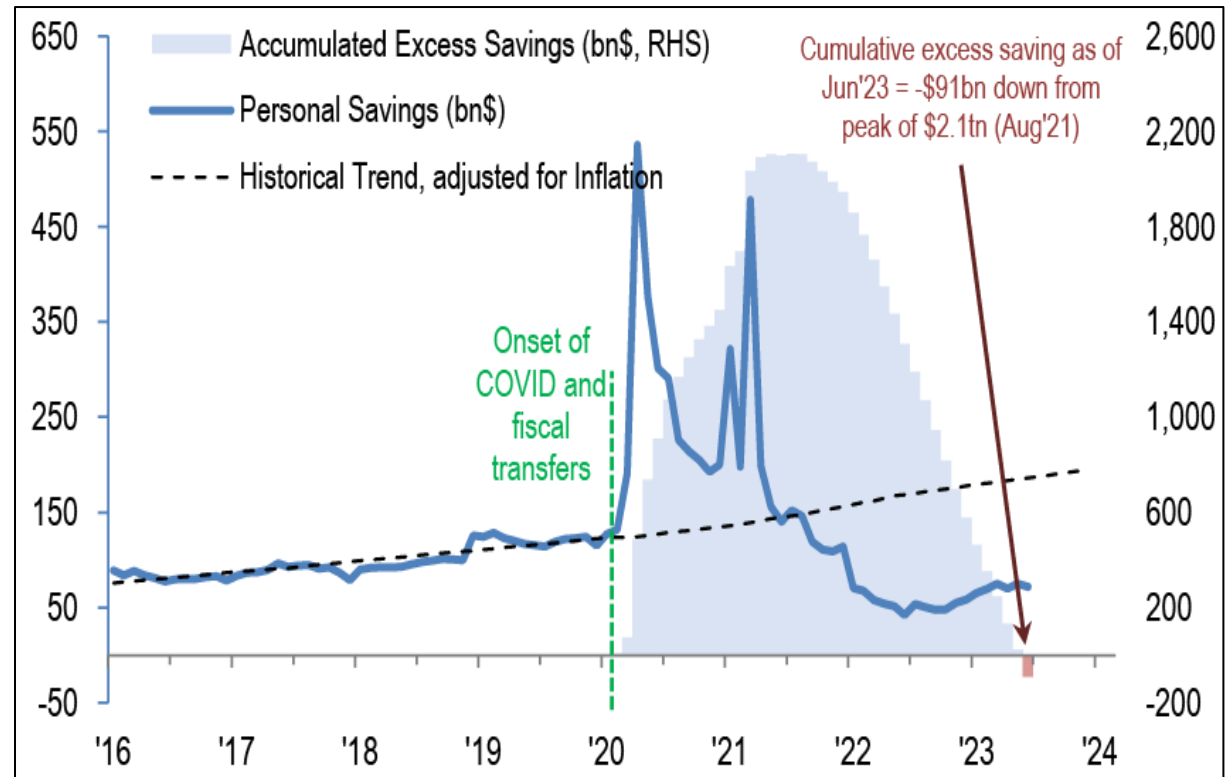
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## So, How Much is Left?

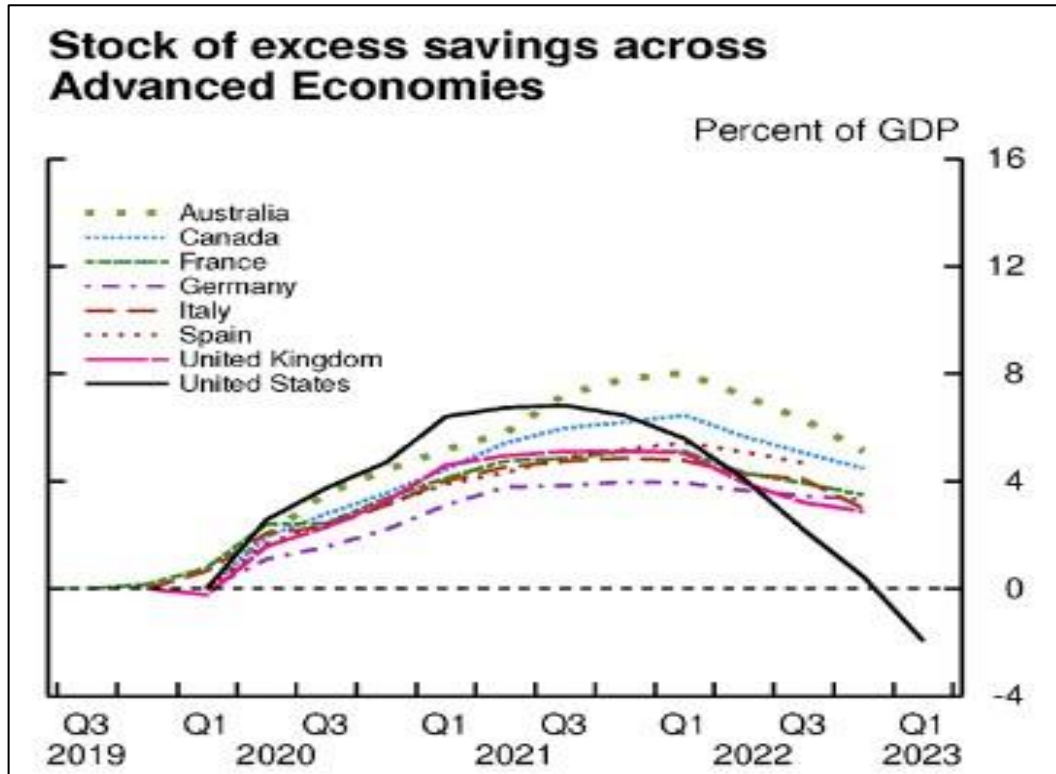
**According to the San Francisco Fed, all but \$200 billion of the excess savings have been spent.**



**J.P. Morgan's research implies that excess savings were exhausted in June.**



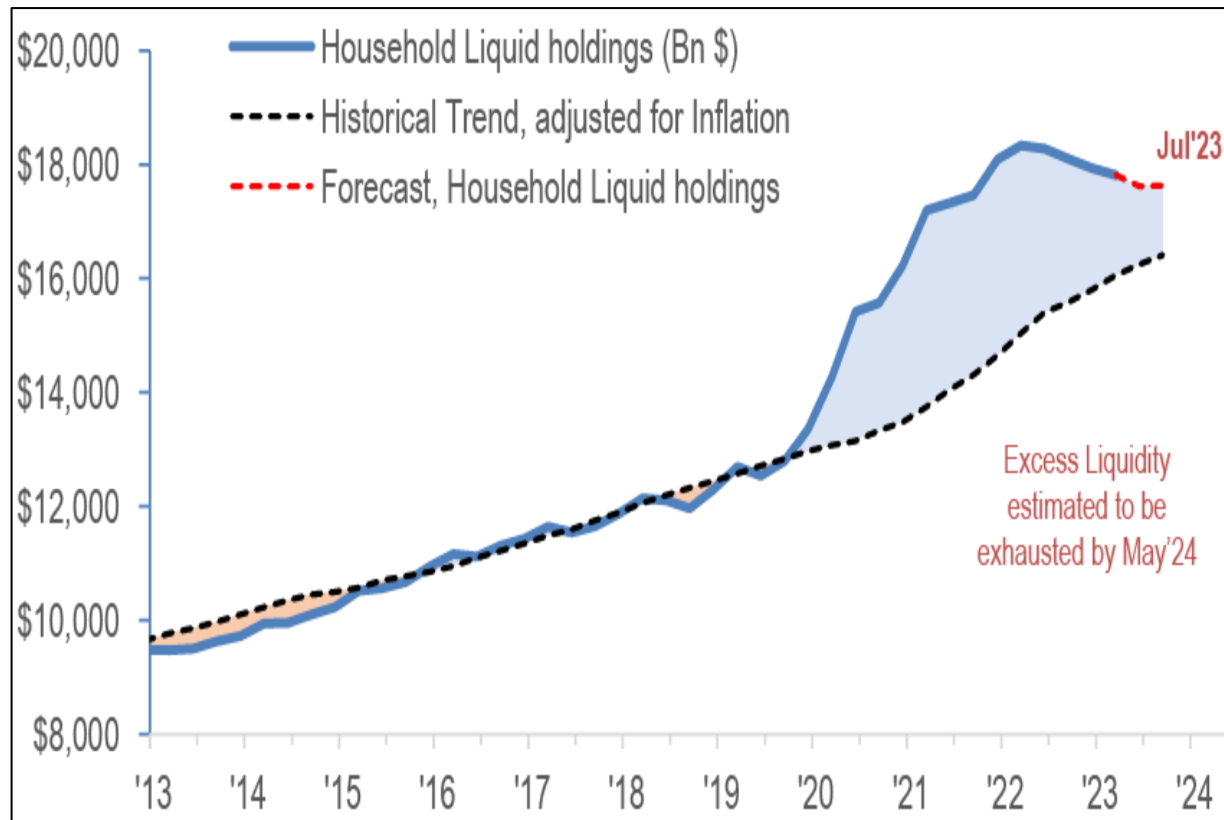
## But, This Isn't a Hard Calculation.



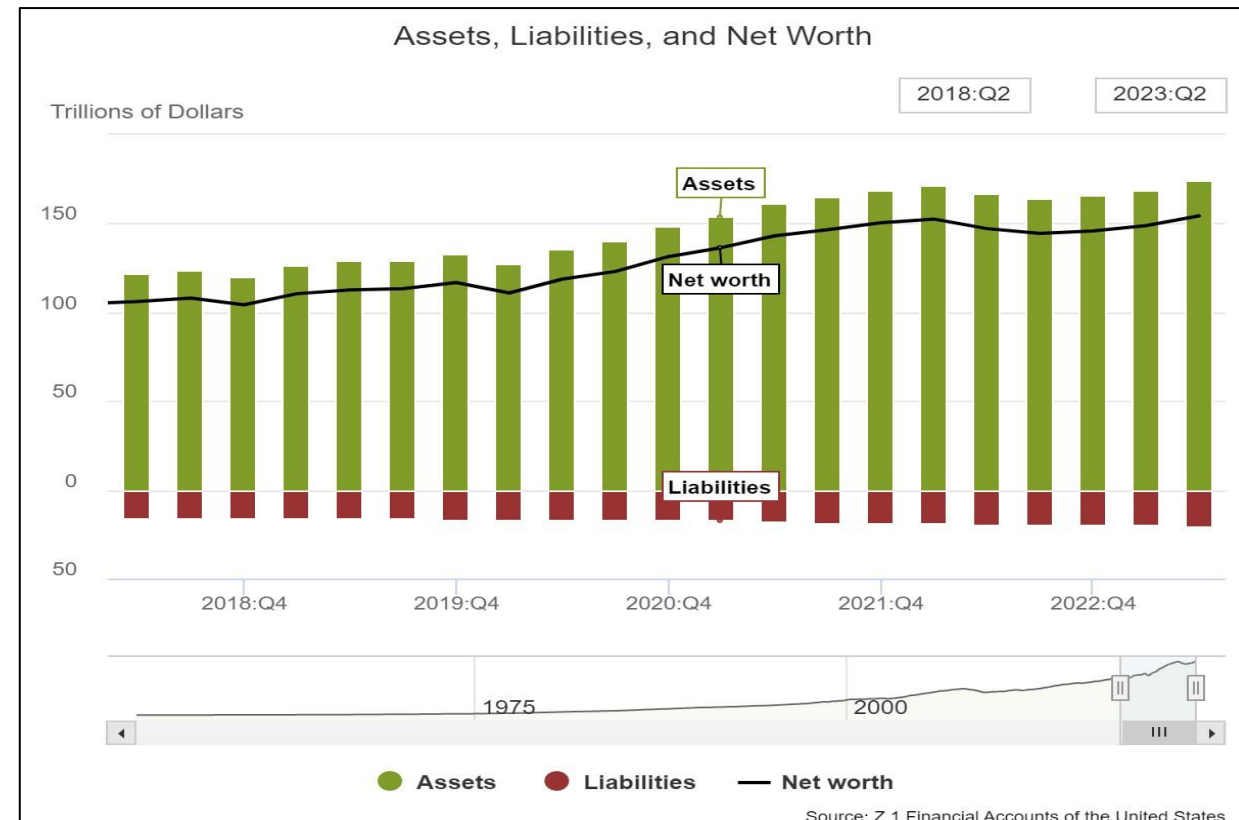
Source: Haver Analytics; authors' calculations.

- Other Fed research implies excess savings were exhausted in early 2023, while notable corporate executives think excess savings will be depleted around Q4.
- Here's the point: There isn't one answer. This is a complex problem to solve with numerous ways to solve it.
- But, the overarching point is this: Every methodology implies that either  
1) Excess savings are already gone or  
2) About to be gone.

But, Excess Savings Isn't The Only Stimulus That's Occurred.  
Massive Asset Price Increases and Strong Wages Help.



Source: J.P. Morgan Equity Macro Research

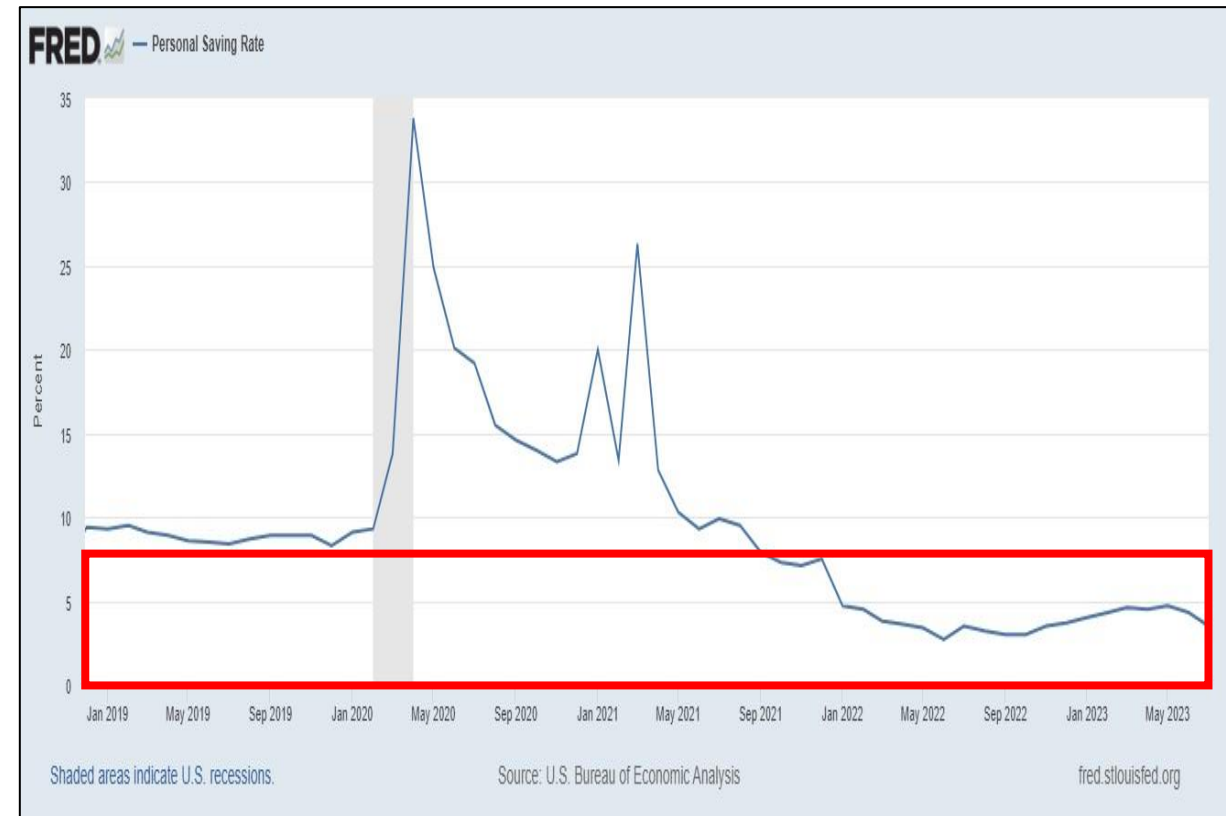
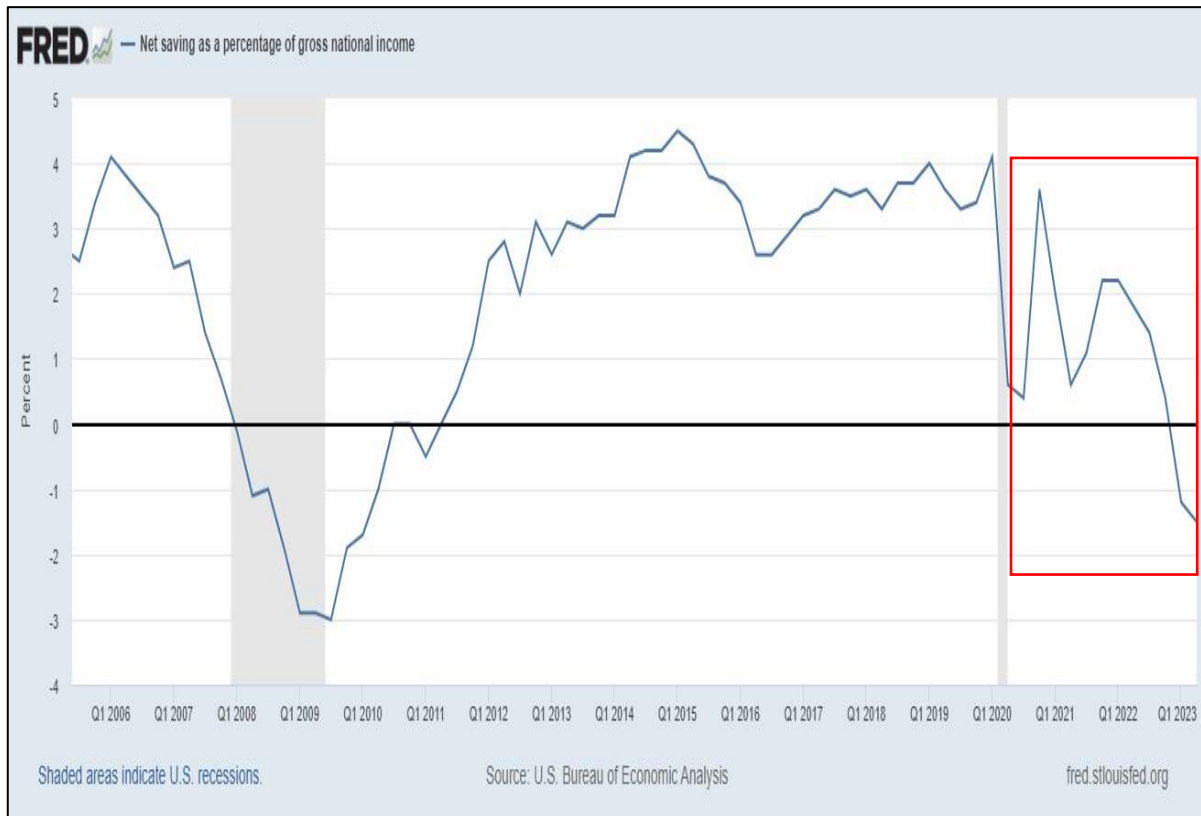


## What Are The Takeaways?

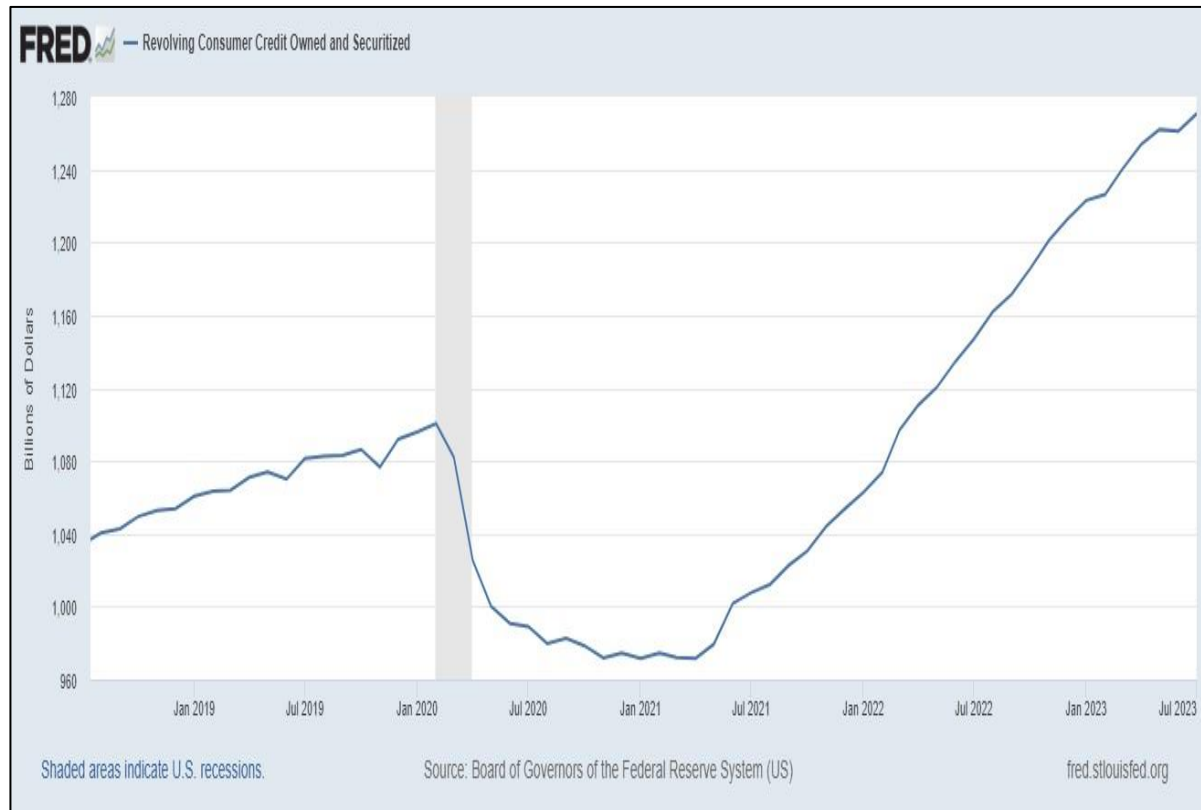
- Takeaway 1: While there will never be a hard and fast answer, various methodologies strongly imply that the excess savings that were accumulated from the pandemic stimulus have been largely exhausted.
- Takeaway 2: Meanwhile, consumer liquidity remains solid, but is also declining.
- Takeaway 3: Bottom line, the financial benefit of the pandemic isn't totally erased. But, it's very long in the tooth and it's fair to expect that by early to mid-2024, the benefit will be fully erased meaning economic headwinds could grow between now and then.



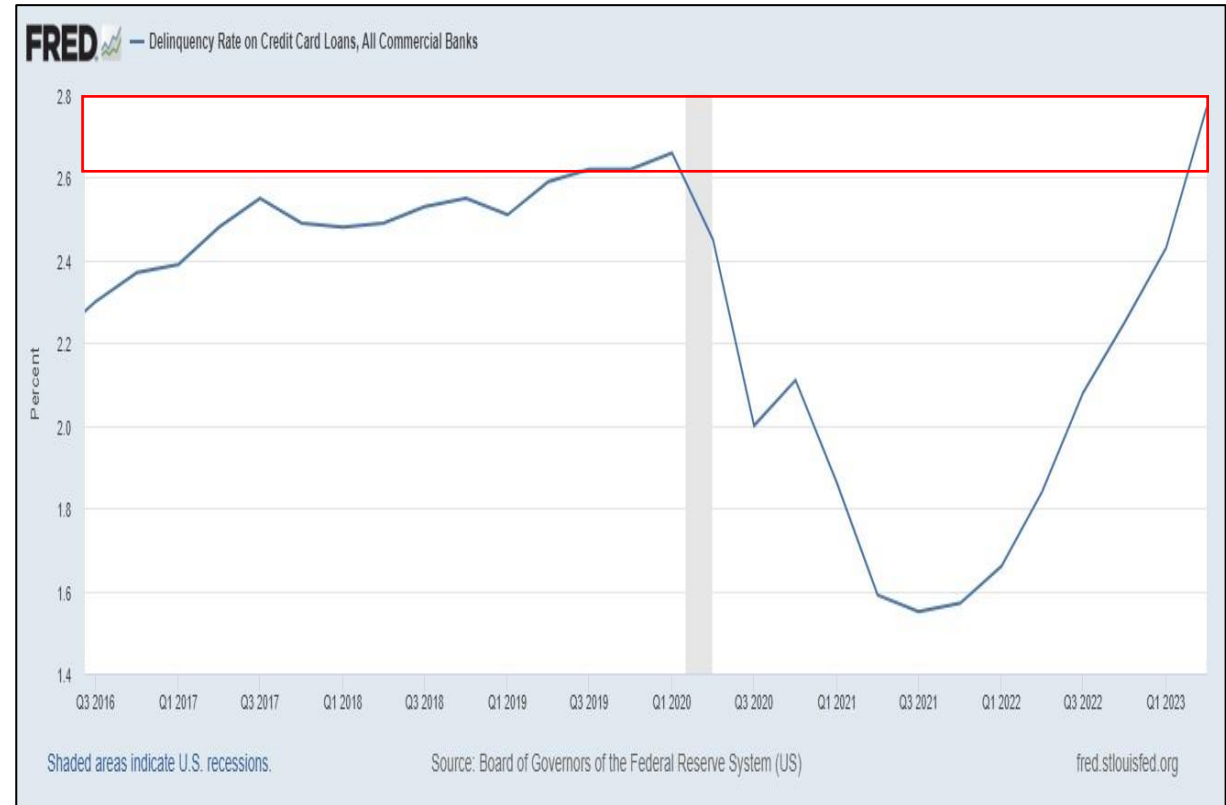
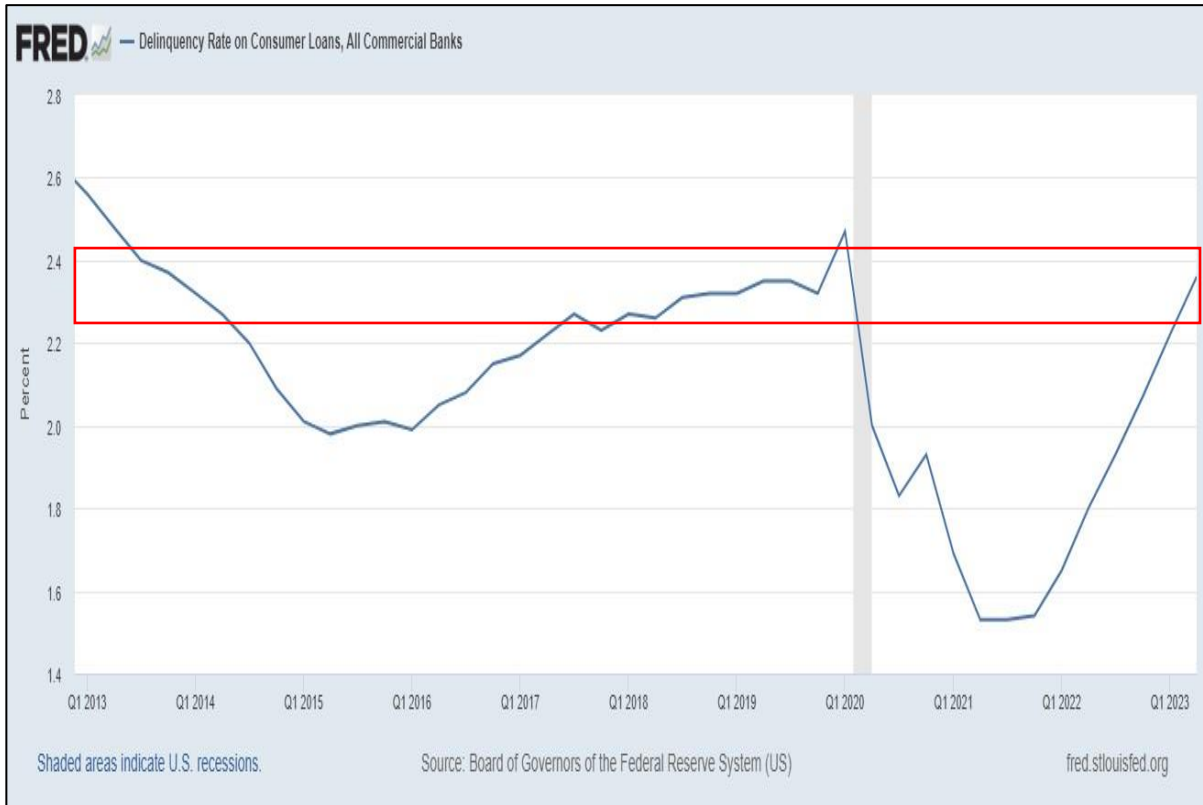
## What's Other Data Say? Examining The State of The Consumer.



## What's Other Data Say? Examining The State of The Consumer.



## Delinquency Rates Are Rising.



## What's The Point?

- Here's the point: We can not get complacent about economic growth (which I believe the market currently is and this reflects a vulnerability and risk).
- The data in this presentation shows that:
  - In general, we can expect the excess savings that has helped keep the U.S. economy resilient to be exhausted in the next several months (if it's not already).
  - We can see that, on the margin, pressure is building on the U.S. consumer via 1) Reduced purchasing power, 2) Rising credit balances, 3) Falling personal savings, and 4) Increased default rates.
- While those are negative signs, they don't automatically imply a recession is imminent.
  - Unemployment remains very low.
  - Wages are high.
  - Asset prices are elevated (houses, stocks, etc.)
- Bottom line, the economy has remained resilient but there are clear signs of stress in the consumer and the key takeaway is to resist becoming complacent on economic growth. None of us should be surprised if we get a "growth scare" in the coming months.