Americans Tapping Savings - Consumer Behavior

As store and restaurant closures prompted consumers nationwide to stay home last year during the height of the pandemic, consumers spent less, and saved more. In addition, massive stimulus efforts by the government placed funds in millions of consumer savings accounts last year, helping to shore up the savings rate as well.

The most recent savings rate data made available reveals that consumers are now saving less, perhaps tapping their savings accounts as prices have increased and stimulus payments have vanished. The personal savings rate as of October 1, 2021 stood at 9.4%, down from 33.8% in April 2020.

Dwindling consumer confidence along with uncertainty surrounding the job market, shifted many from a spending mode to a saving mode in 2020. The average savings rate for the past 60 years has been 8.9%. The savings rate jumped from 8.4% in February 2020 to 33.8% in April 2020 as the pandemic took hold of the U.S. economy.

Economists view the decrease in savings part of a sustained economic expansion. Since nearly 70% of Gross Domestic Production (GDP) is represented by consumer expenditures, higher savings tend to take away from spending throughout the economy. Consumer confidence is also a factor as a lack of confidence tends to increase savings while minimizing spending.

Source: https://fred.stlouisfed.org/series/A072RC1Q156SBEA