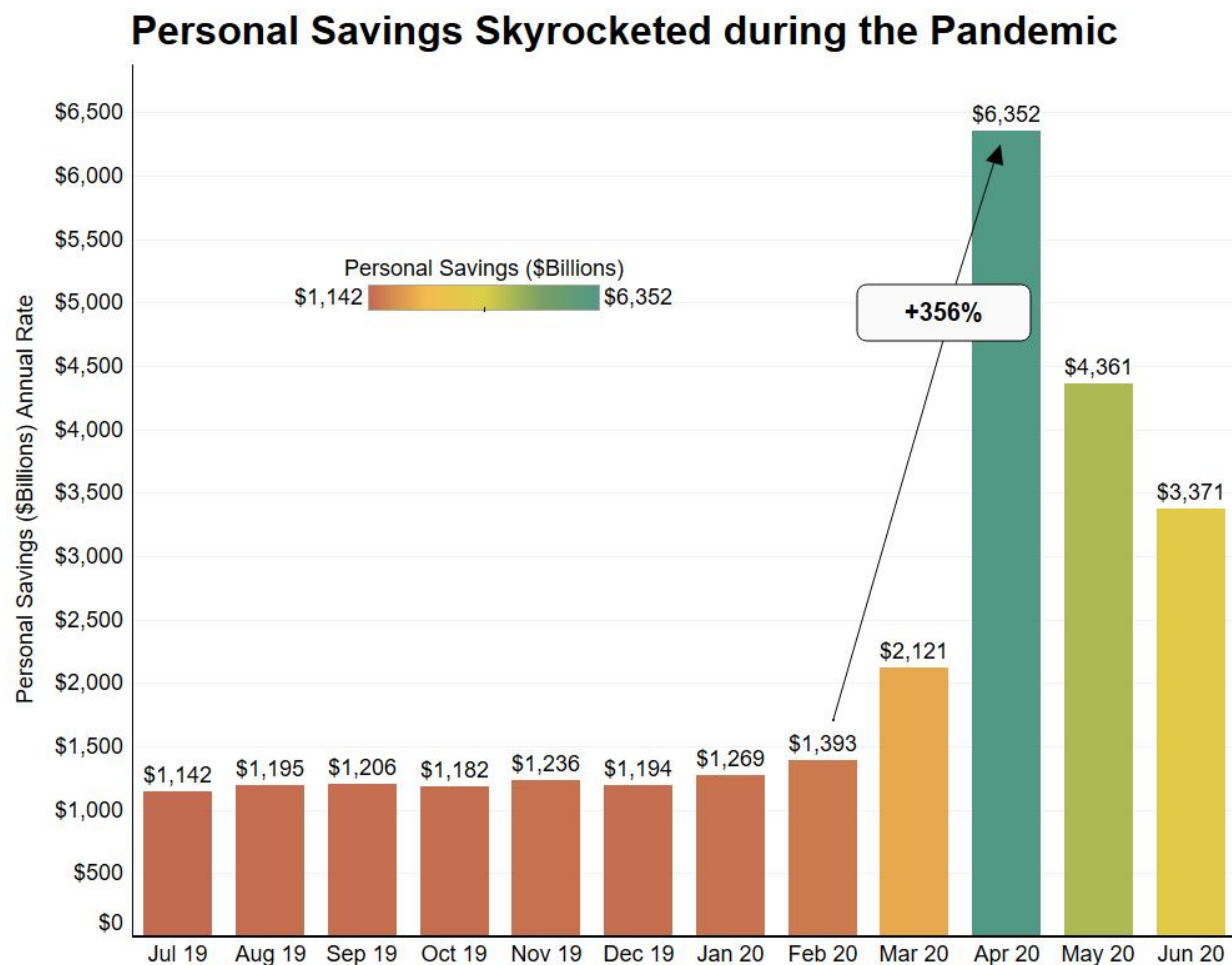


Spike in Personal Savings Could Help Economic Rebound

The economic fallout from the pandemic has caused many unusual economic data points. The personal savings rate is one of them. Savings increased more than 350% from a \$1.4 trillion annual rate in February to \$6.3 trillion in April and has remained significantly elevated in May and June.



Why? The savings come from two sources:

- First, the \$1,200 government payments to individuals and families and the extra \$600 a week in extra unemployment benefits. Those two sources boosted incomes considerably, and recipients of those funds have saved some of the money.
- Second, it has been harder to spend during the pandemic than in normal times. That has caused consumers to delay purchases they otherwise would have made.

The savings spike is already abating as the economy normalizes and government support wanes, but the saved money will have ramifications for the economy in the coming months.

The expiration of government support will make it harder for consumers to spend at their recent levels. However, the stockpile of savings will lessen that negative impact as consumers spend the money they have saved recently. That should help support the rebound in consumption necessary for reviving the economy.

–Curtis Dubay, Senior Economist, U.S. Chamber of Commerce