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# US household wealth jumps \$32.2tn from pandemic low

Despite the loss of economic output and jobs over the past 18 months, household wealth has increased \$32tn thanks to massive stimulus from both government and the Federal Reserve. This is a huge war chest that can provide continued support to consumer spending



\$159.3tn US household wealth at end 2Q21

### More, more, more

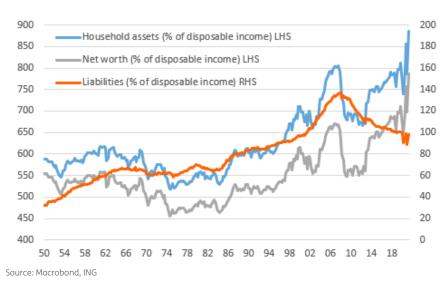
2Q GDP data showed the US economy has now regained all the lost economic output caused by the pandemic while the latest jobs report showed employment is still 5.33mn below pre-pandemic levels. Yet despite all of this economic damage and ongoing scarring, today's flow of funds data from the Federal Reserve shows that household wealth has surged \$26tn since the end of 2019 and is in fact up \$32.2tn since the low point in 1Q 2020.

Non-financial assets – primarily real estate, but it also includes things such as cars, jewellery and equipment – now totals \$46.2tn versus \$40tn at the end of 2019. Meanwhile financial assets total \$113.1tn, up from \$93.4tn in 2019 – an astonishing 21% increase in 18 months.

The largest categories here are pension entitlements (\$31tn), corporate equities (\$30.5tn), small business equity (\$13.7tn), mutual funds (\$12.3tn) and time and savings deposits (\$10.6tn).

Household Liabilities are "just" \$17.7tn and are primarily mortgage and consumer loans, which leaves household net worth at \$141.7tn. This is equivalent to 624% of US GDP and 786% of annual disposable income. As the chart below shows, the household balance sheet, in aggregate, has never been in as strong a position.

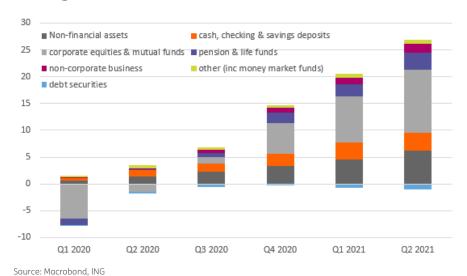
### Household balance sheets have never been stronger



### The wealthy are getting much, much wealthier

It is undoubtedly the fact that the majority of the increases in wealth will have been experienced by higher income and already wealthy households since they will have been heavily invested in the "winning" asset classes. The biggest contribution to the financial wealth gains came from corporate equities and mutual funds due primarily to risk appetite rebounding and equity markets surging higher on unprecedented Federal Reserve and government stimulus. The same reasons led to strong performances for pension and life insurance funds. Conversely, the value of debt security holdings has actually fallen.

### Change in US household wealth versus 4Q 2019 (USD tn)



Moreover, higher income and wealthier households spend proportionally more on services and "experiences" such as travel, eating out, theatre, cinema – things that Covid containment measures have prevented. Consequently, we are likely to have seen a significant increase in unplanned saving amongst this grouping with the money instead put into various financial and

There was also a substantial increase in wealth within cash, checking and savings deposits. Given such low interest rates this was overwhelmingly due to people putting more and more money into these accounts – up \$2.8tn since 1Q20 and up \$3.3tn since 4Q19!

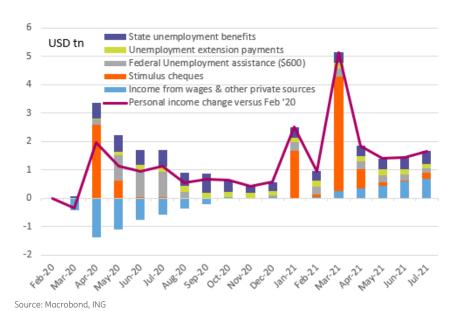
# Low income households have also improved their financial position

Lower income households will also have benefited to some extent with government stimulus checks of \$1200, \$600 and \$1400 combined with uprated and extended unemployment benefits contributed to huge increases in household incomes over the past 14 months. This can be seen in the chart below with the orange bars representing the income boost from the checks and the grey bars representing the expanded unemployment benefits.

An NBER paper calculated that 69% of unemployment benefit recipients actually earned more money being unemployed than when they were working. The median recipient received 134% of their previous after-tax compensation. Encouragingly we are now seeing positive income growth from higher wages and salaries and this will hopefully mean that incomes can keep rising even as benefits are scaled back.

physical assets.

## Change in annualised US household incomes versus February 2020



### More ammunition to spend

With employment growth looking resilient and higher income growth becoming increasingly evident the outlook for consumer spending remains positive. Today's evidence of further massive accumulation of wealth only adds to the potential spending ammunition of the household sector. In an environment where supply constraints persist this adds another reason to argue that the demand growth in the economy is likely to outpace the supply side capacity. Another argument for inflation staying higher for longer and why the Fed will taper QE this year and start to raise interest rates from next year.

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