

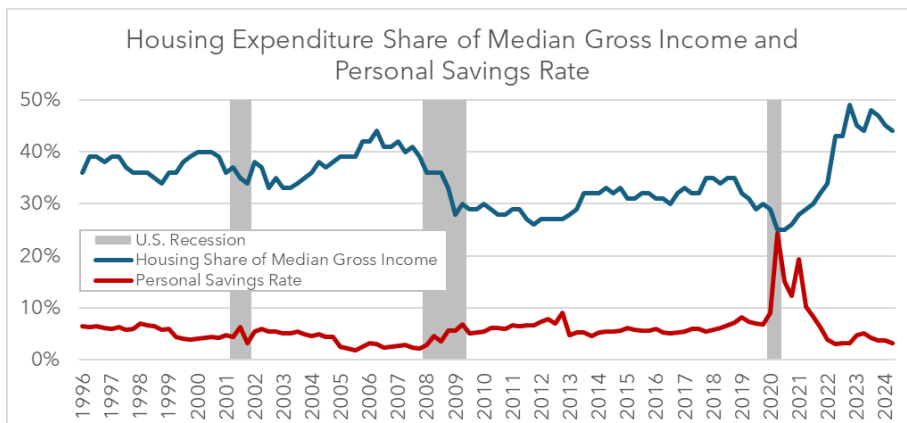


Wednesday, September 4, 2024

The Bureau of Economic Analysis (BEA) released a bunch of numbers late last week, including [personal consumption expenditures \(PCE\) for July](#). The markets [responded mostly favorably, so we've got that going for us](#), but it's not all great news for American consumers. Highlights:

- **Inflation hasn't slowed down**; core PCE inflation stuck at +2.6 percent y/y three months running
- **Wage growth is anemic**; real disposable personal income per capita +0.58 percent y/y in July
- **Where's it all going?** Corporate profits were up during Q2 by 6.66 percent 🤔¹

As [discussed previously](#), housing costs are the largest driver of inflation right now. It's [up 30 percent since 2019](#), and [unlike Tic Tacs®, you can't just buy a little less](#).



Many American families have slashed savings to cover their housing costs. The graph at left shows the personal saving rate and housing costs as a share of gross income. Following the pandemic, as housing costs outpaced income growth, the personal saving rate fell, hitting 2.9 percent as of July. That's only **half** the pre-pandemic 10-year average and the lowest it's been since the Great Recession.

Reduced personal savings can have dramatic consequences. It affects all of us in the long-run, of course, because less savings means usually means slower growth in overall prosperity. The more immediate concern, however, is liquidity risk. With savings rates so low for so long, most American households have no more than a few weeks' income in cash on hand. Families in the lower half of the savings distribution and/or the upper half of the job search time distribution face significant risk of losing their homes.

Jobs numbers for August come out Friday, and the markets are going to react. [Get your bets in.](#)

Until next week,

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¹ Ok, 6.62 percent, but come on 🤔