



OBSERVATOIRE DE L'ÉPARGNE EUROPÉENNE

# US Savings components 1960-2010 and other comments to the CBM presentation

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# Puzzles and questions arising from the CBM presentation

- If the rate of growth of assets is so low and savings rates comparatively low, how is it that the in the UK and USA households have more financial assets than continental European countries ?
- What should we do about household debt and possible portfolio “leverage” effects ?
- Should we also consider tangible assets, besides financial assets?

# US Financial Flows 1960-2010

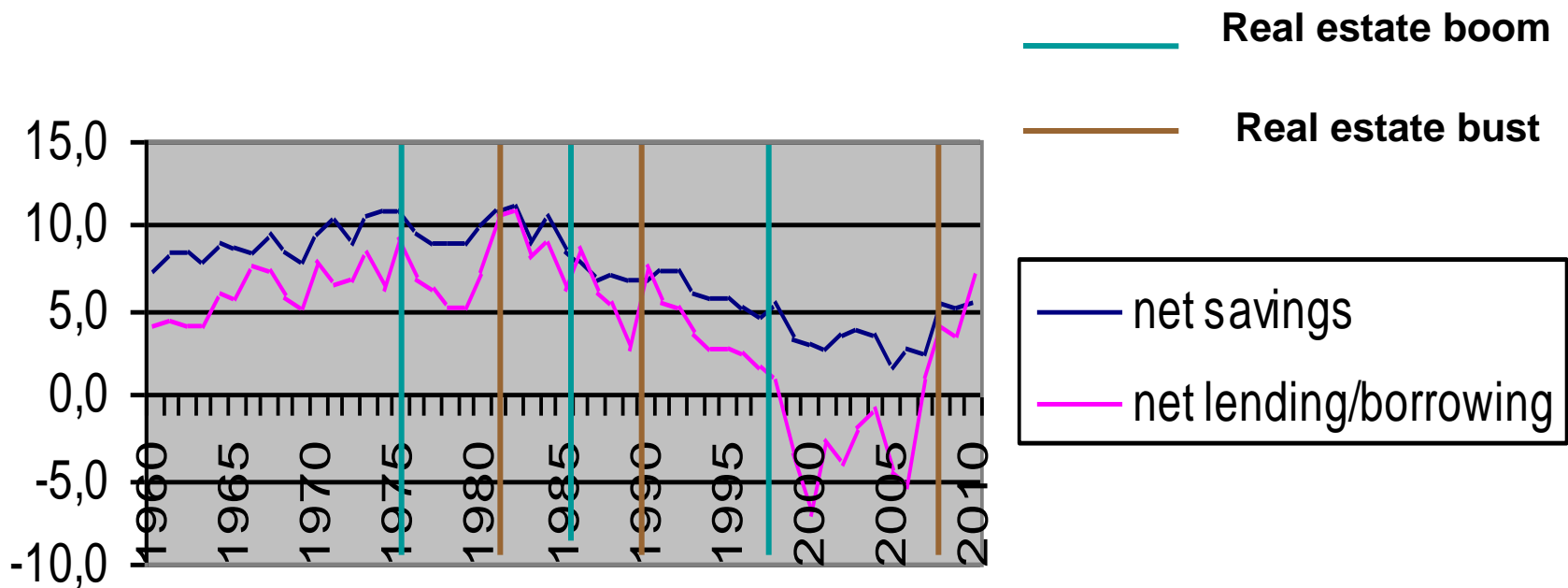
## From accumulation to nowhere?

- 1960-1985 : the golden period of financial accumulation, with a sub-period 1975-1985 where instability lurks
- 1985-2008: descent to hell, with precipitation after 2000
- 2009 onwards: a true redress ?



# The gap between savings and net lending / borrowings across real estate booms and busts

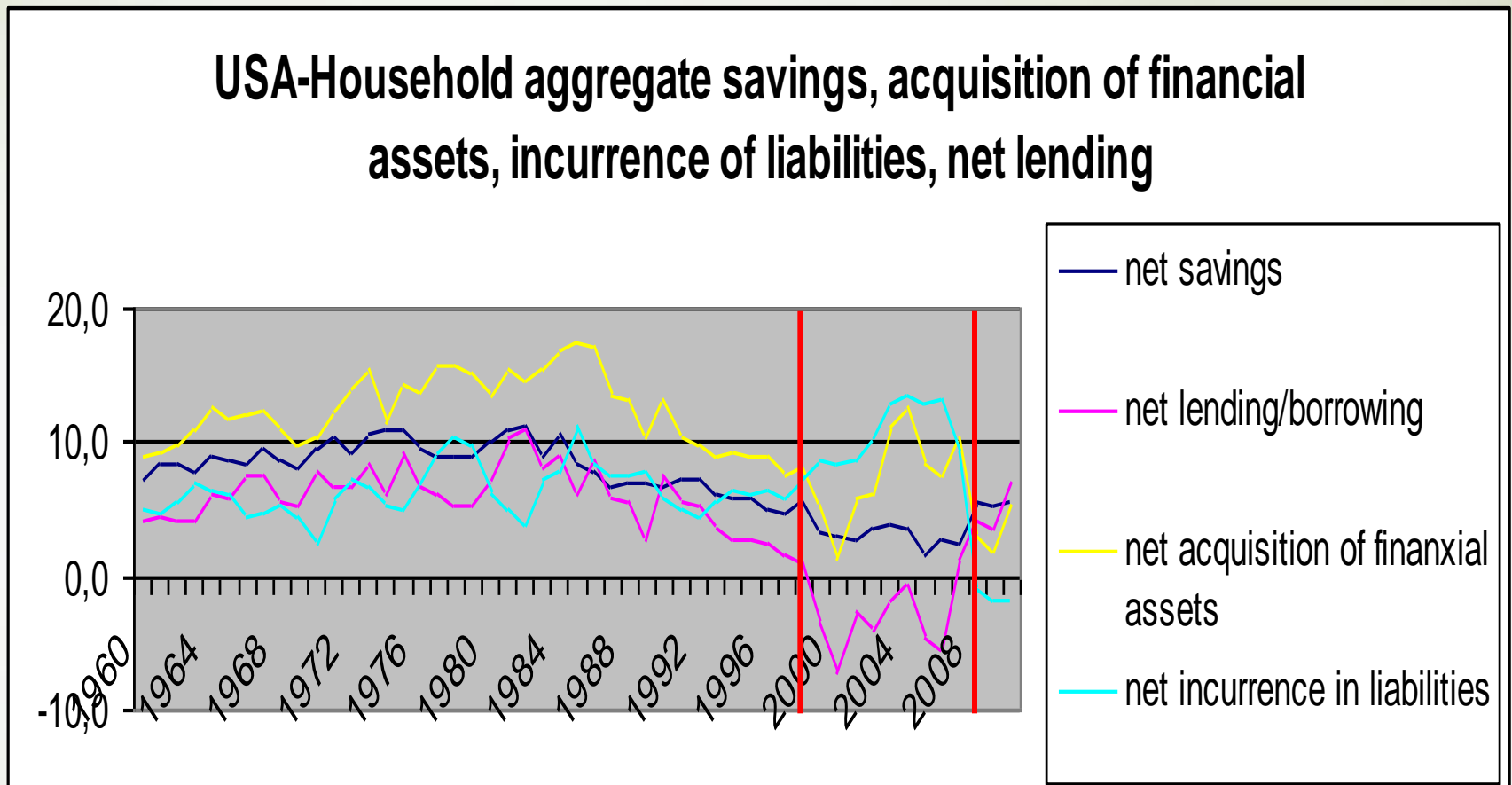
## USA- Household Aggregate Savings and Financial Savings (Net Lending/Borrowing)



Source: BEA

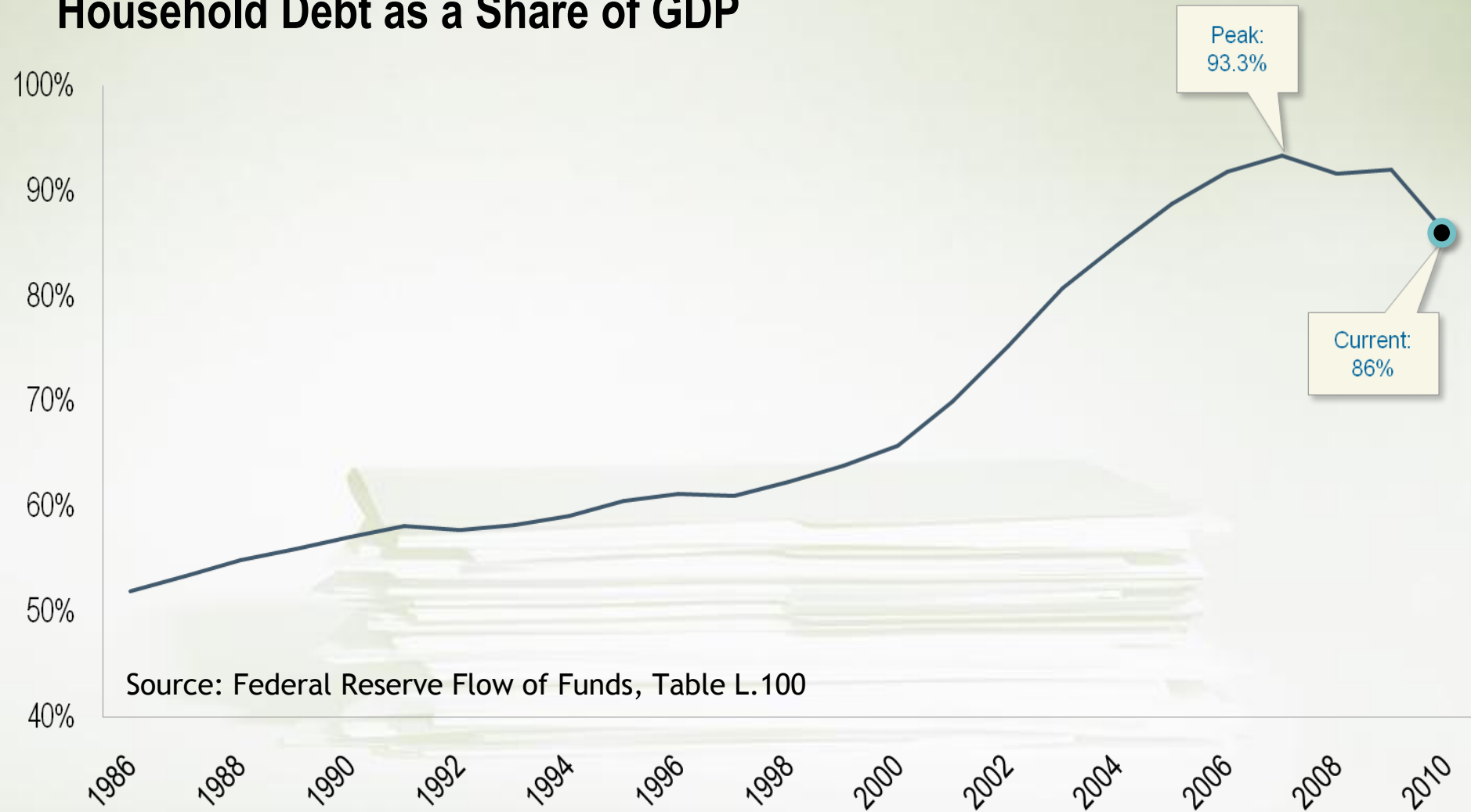
1999-2008 US Households net borrowers

2010 What lies behind negative net incurrence in liabilities ?



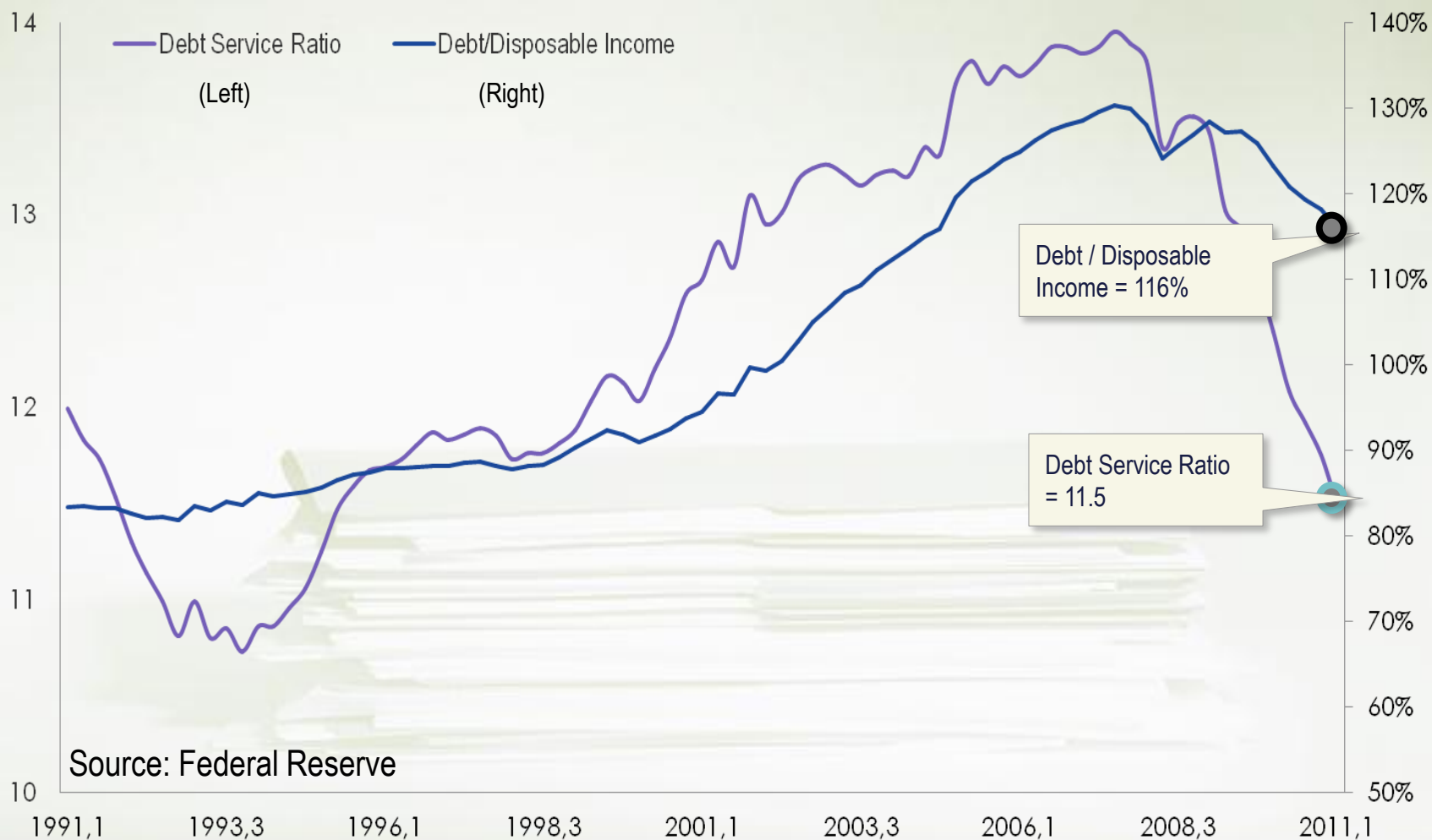
# Credit deleveraging.

## Household Debt as a Share of GDP



# Improvement in U.S. debt burdens

## Households' Short-term Liquidity & Balance Sheets (1991-present)



Source: Federal Reserve

# Disturbing questions about the post 1985 decline

1985-2008: the wealth previously accumulated was barely preserved

- *Where not those the years where baby boomers were in their best working age?*
- *Was there a policy misunderstanding about the mythical US consumer ?*
- *Have the 401ks acted as a savings illusion or were they just dwarfed by “consumerism”?*
- *Did asset managers offer the right solutions?*



# Appendix

- Methodological considerations: rates of return vs rates of growth concepts
- On “rules fo thumb”



# Rates of return vs rates of growth concepts

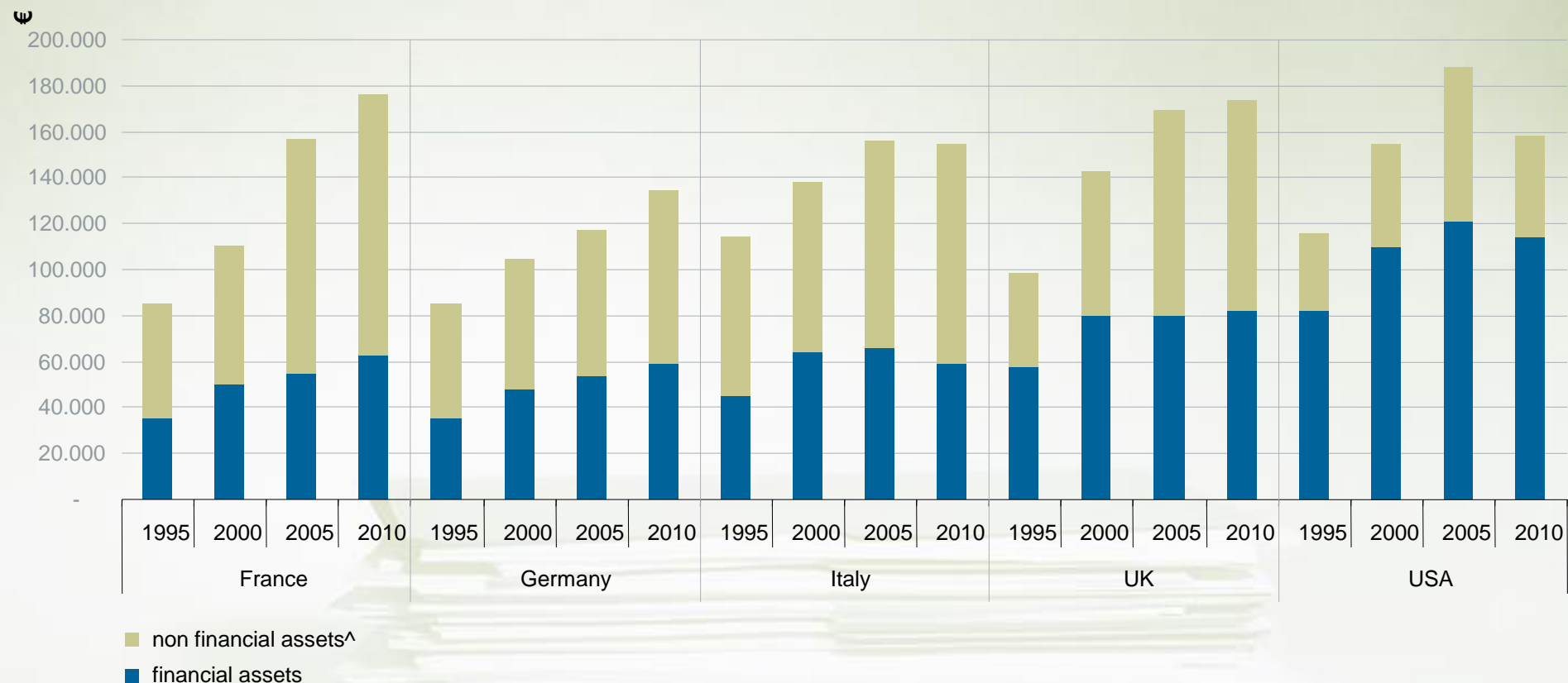
- Rate of growth is a more general concept
- Rate of return requires components that are both in the current and financial national accounts and for which we don't always have an estimate
- Of course we can always use “rules of thumb” so as to estimate dimensions, but this may not satisfy financial analysts

# On rules of thumb on aggregate required savings

- Retirement savings on GDP
  - Static demographics: You work for 40 years and retire for 20 and need 70% of your disposable income as a retiree, net of 30% of PAYG. 20 times gdp multiplied by .35 and divided by 2 (average stock). You end up with **350% of GDP**
  - **Unbalanced demographics and growth**. You get somewhere between **400 and 500% of GDP**
  - **But** you should include **real wealth** besides financial wealth, at least in part ( we can admit there remains a “dynastic” motive)

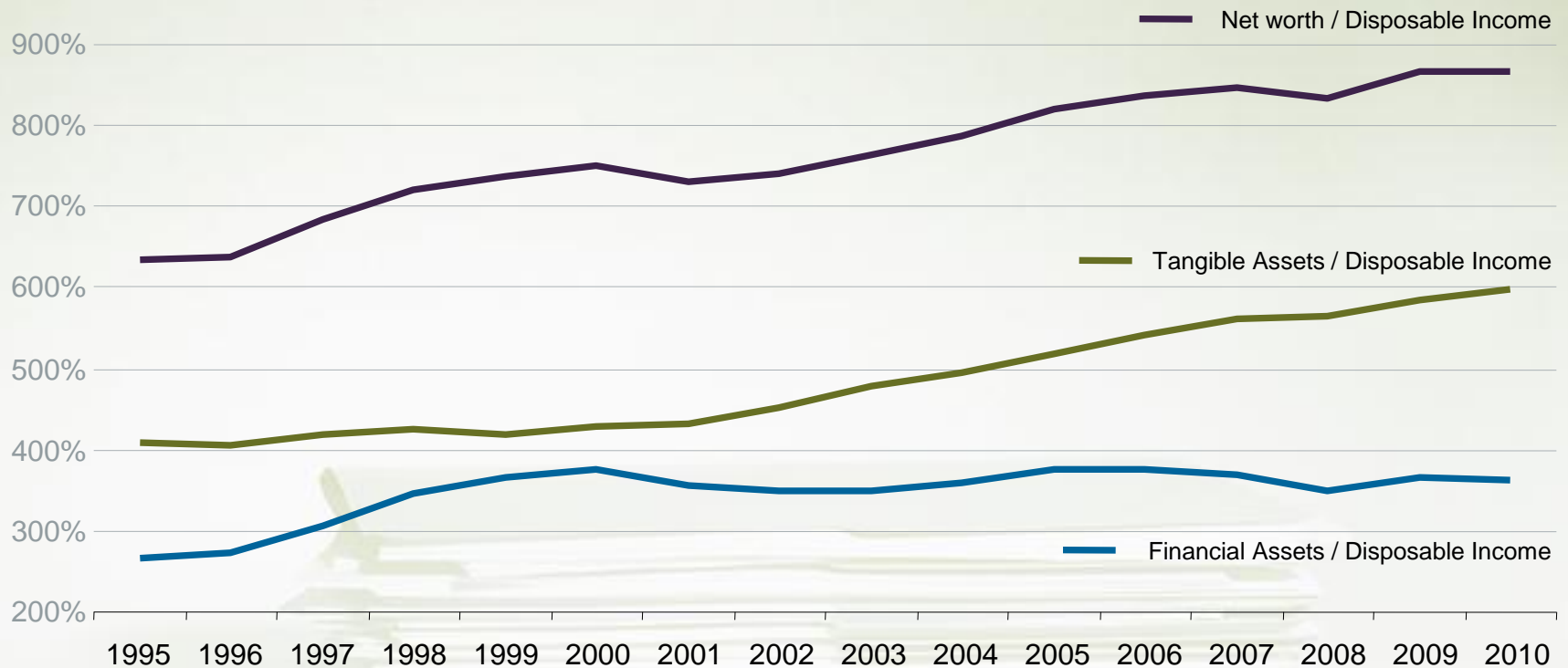
# Incidence of real assets may be relevant

**HH\* per capita financial and non-financial^ assets at constant prices (€)**



\*also non profit institution serving household are considered (S14 + S15) ^ non-financial assets include Dwellings, Land, Equipment, etc.  
 Source: PGAM Strategic analysis and benchmarking unit on OECD, Eurostat, Bol & OEE data. Values for UK and USA are converted in € at 31/12/2010 exchange rate. To estimate values at constant prices we used the GDP deflator (base year 2010).

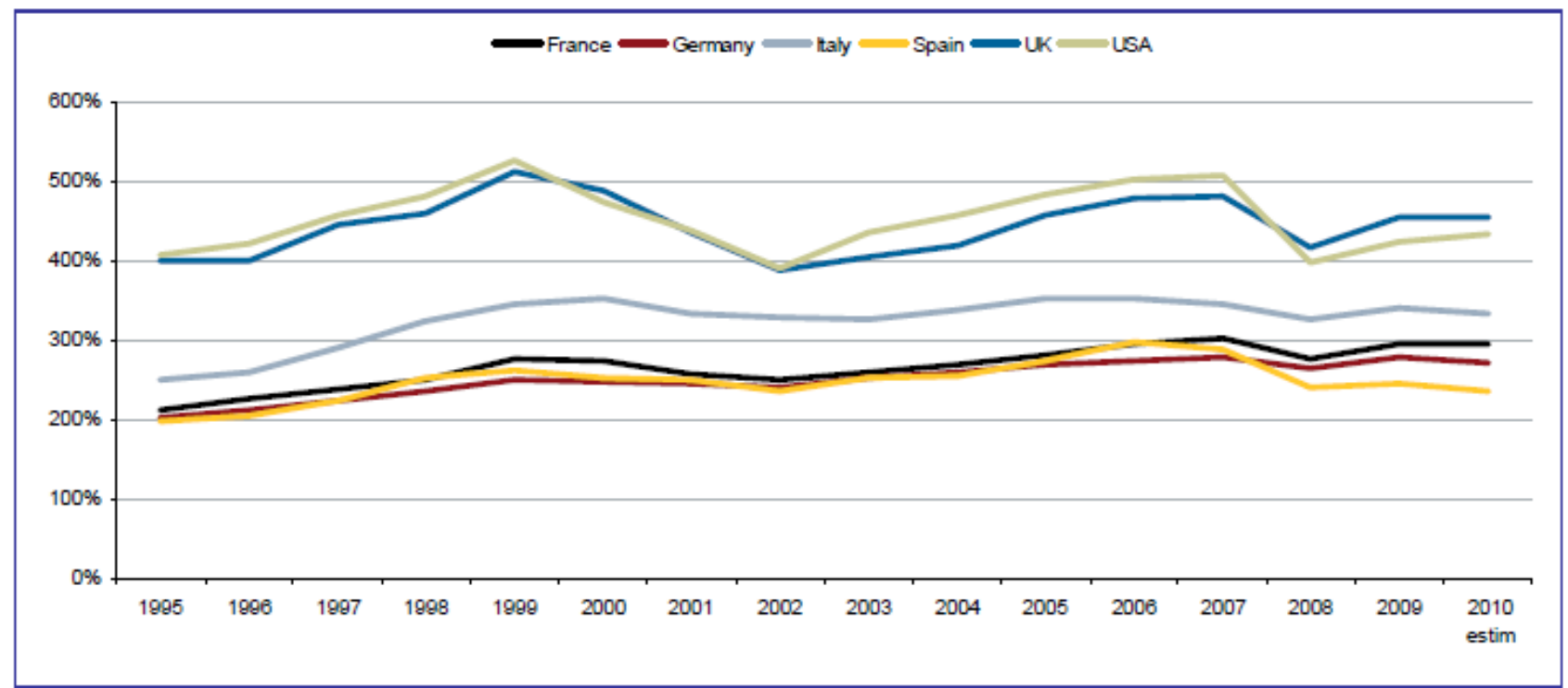
# In the case of Italy, Net Worth (Tangible + Financial Assets Net of Liabilities) over Disposable Income is a relevant multiple



Source: PGAM Strategic analysis and benchmarking unit on OECD, Eurostat and BoI data

# Financial assets on disposable income flat since 1995

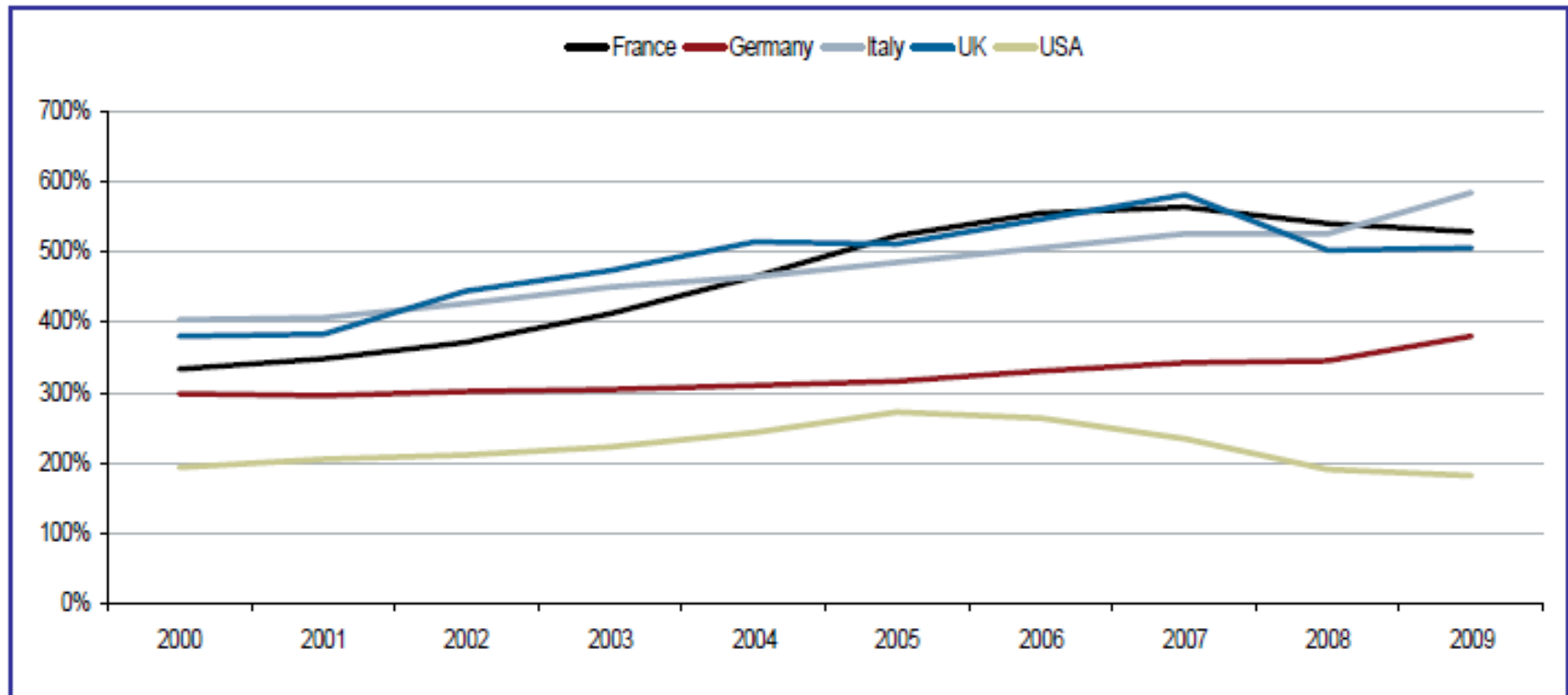
**GRAPH 5 - HOUSEHOLD FINANCIAL ASSETS ON DISPOSABLE INCOME IN SELECT COUNTRIES**



Source: OECD and Central Banks

# Tangible assets increasing in all countries, except the USA !

**GRAPH 6 - HOUSEHOLD TANGIBLE ASSETS ON DISPOSABLE INCOME IN SELECT COUNTRIES**



Source: OECD