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Household Wealth Suffers Second-fastest Decline Since 1959


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A recent U.S. Federal Reserve report found that household wealth in the United States has suffered its second-fastest decline since 1959 during the first three quarters of this year. Only a positive performance in real estate helped ease the decline.

The Fed's Financial Accounts of the United States report shared, "The net worth of households and nonprofit organizations declined $0.4 trillion to $143.3 trillion in the third quarter. The value of stocks on the household balance sheet declined by $1.9 trillion, while the value of real estate increased by $0.7 trillion,"

Among the largest reported components of household net worth were directly and indirectly held corporate equities at $36.7 trillion, and household real estate at $41.9 trillion. Seasonally adjusted household debt was $18.8 trillion.

"Overall, there has been a net worth decline of about $6.84 trillion in the first three quarters of 2022, compared to the $18.78 trillion gain in 2021 and the $14.80 trillion in growth in 2020," reported *The Epoch Times*.

"However, once inflation is accounted for, the loss of real wealth during the first three quarters stands twice as large at $13.5 trillion in current dollars, according to an analysis by MarketWatch. The 8.6 percent tumble in real worth in the three quarters is the second-fastest decline on record since 1959, surpassed only by the fall seen during the financial crisis of 2008–09."

The loss of household wealth has followed a decrease in personal savings rates, which have reportedly more than halved, from 4.7 to 2.3 percent since January, according to data from the Federal Reserve Bank. Last year, it peaked at 26.3 percent in March.

Tuesday's Consumer Price Index (CPI) report for November shows inflation now sitting at 7.1 percent for the last 12 months, which only adds to the growing loss of spending power. However, the CPI has revealed a small glimmer of hope for Americans that inflation is slowing.

Ian Shepherdson, chief economist for Pantheon Macroeconomics, shared that November's CPI report "does not change tomorrow's Fed decision; they will hike by 50bp. But Chair Powell's tone likely will be less aggressively hawkish than in November, and his more dovish colleagues likely will be emboldened by this report. We now think 25bp is more likely on Feb 1, and we think that will be the final hike. Disinflationary pressure has been visible in the pipeline for some time, but now it is emerging where it counts, in the consumer data."

But with the loss of household wealth, many Americans have gone further into debt, with household debt growing by 6.3 percent since January. The *Epoch Times* noted, "Between the end of December

2021 and September 2022, the total debt outstanding among households and nonprofits grew from \$17.94 trillion to \$18.84 trillion, an increase of more than 5 percent. Falling wealth and savings combined with rising debt levels usually indicate a tougher financial situation for households."

It should come as no surprise that many Americans are unhappy with their financial situation. A recent CNN poll conducted by SSRS found that close to half of all Americans believe their financial condition is worse off when compared to a year ago. Those who said their finances have become worse over the year are reported at 55 percent, higher than the 33 percent in the December 2021 poll.

The poll also revealed that 93 percent of survey respondents said they are at least somewhat concerned by the current cost of living, including 63 percent who said they were very concerned. More than half said they believe the economy is continuing to worsen, while 30 percent said it has stabilized. Only 17 percent were optimistic, claiming that economic conditions are getting better.

The decrease in household wealth will most likely lead to the real median household income of Americans to drop for the third year in a row. In 2021, average household income was reported at \$70,784, down from \$71,186 in 2020. With the loss of income, poverty levels reportedly rose due to the effects of high inflation, according to numbers released in September by the U.S. Census Bureau in its annual report on the nation's financial well-being.

All of these reports highlight an economy that is unstable. Coming interest-rate increases, consumer debt, and lack of savings leave many Americans faced with what may well be a wealth-killing recession on the horizon.