



Wealthbuilding Policies After the Recession

Household Wealth and the Economy

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Household Wealth and the Economy

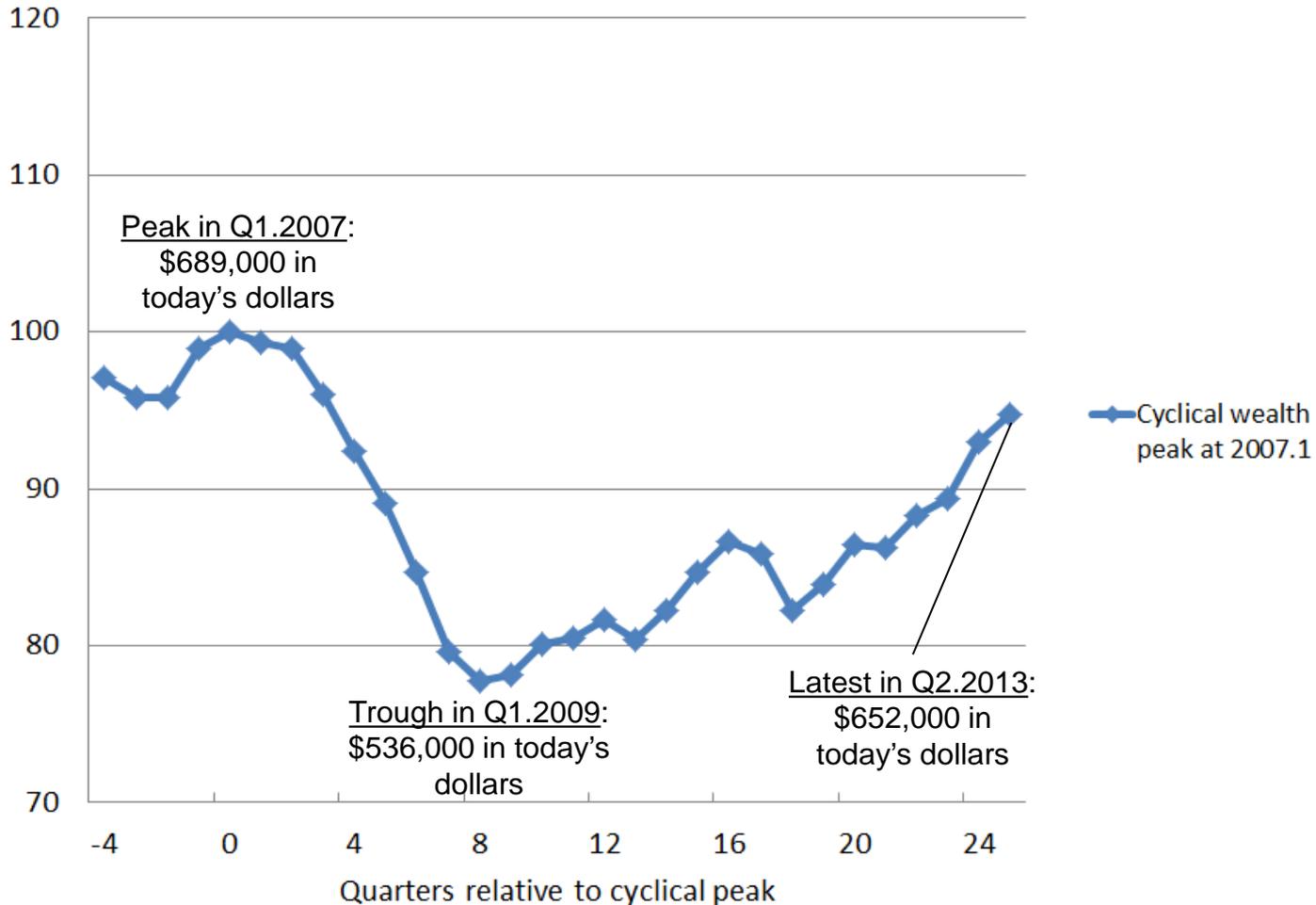
- **How much wealth did the average household lose? How much has been rebuilt so far?**
- **What assets contributed the most to wealth losses and subsequent gains?**
- **Did wealth losses and deleveraging slow the recovery?**
- **If households are still rebuilding wealth, why is the saving rate so low?**



Average Real Household Wealth Hasn't Returned to Peak of 2007

Index equals 100 at cyclical wealth peak

Average Inflation-Adjusted Household Net Worth Relative to Cyclical Peak

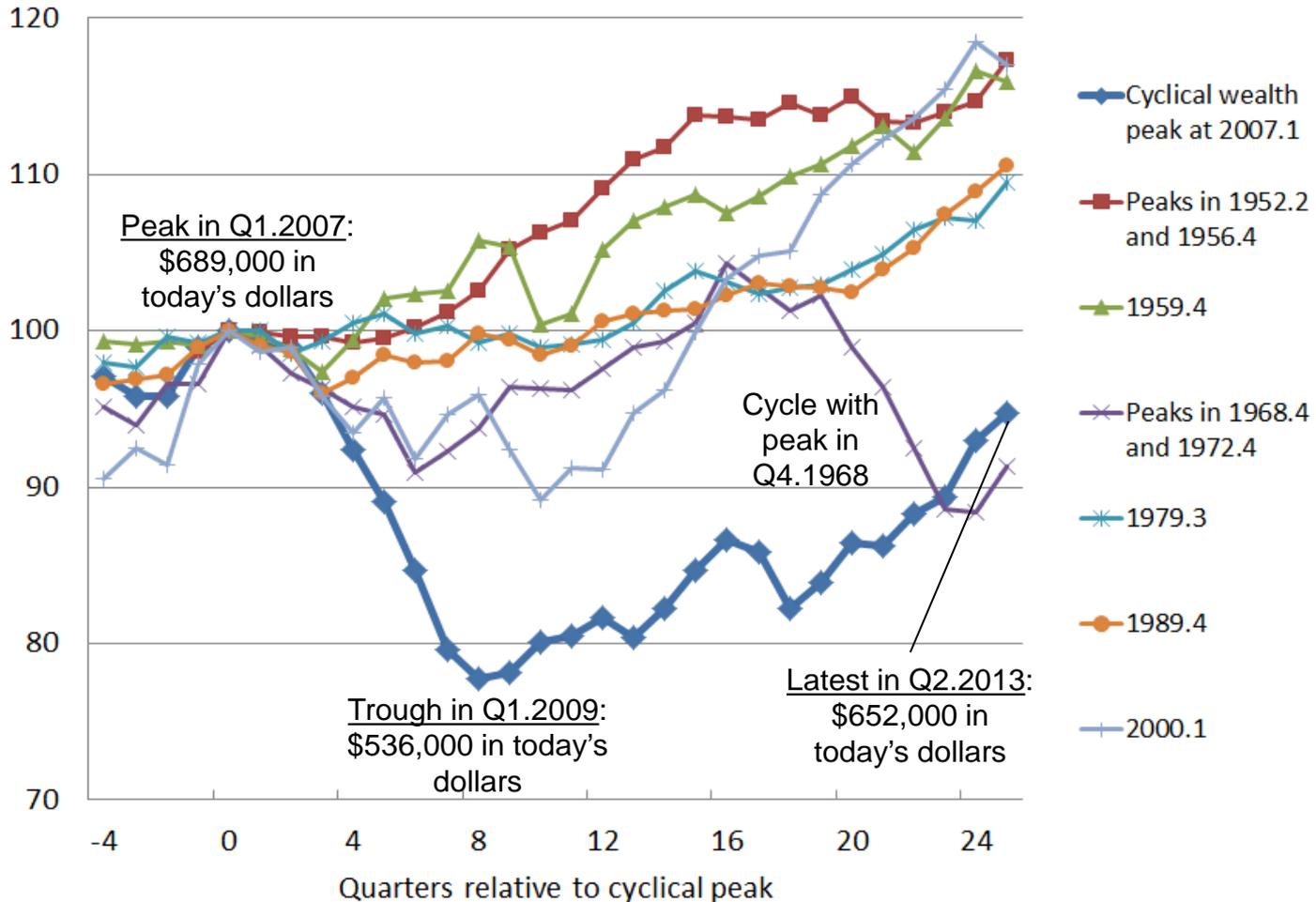


Sources:
Federal Reserve Board, Bureau of Economic Analysis, Census Bureau



Wealth Loss During 1968-75 Cycle Also Was Protracted

Average Inflation-Adjusted Household Net Worth Relative to Cyclical Peak



Indexes equal 100 at cyclical wealth peak

Sources: Federal Reserve Board, Bureau of Economic Analysis, Census Bureau



Composition of Household Wealth Losses and Recoveries

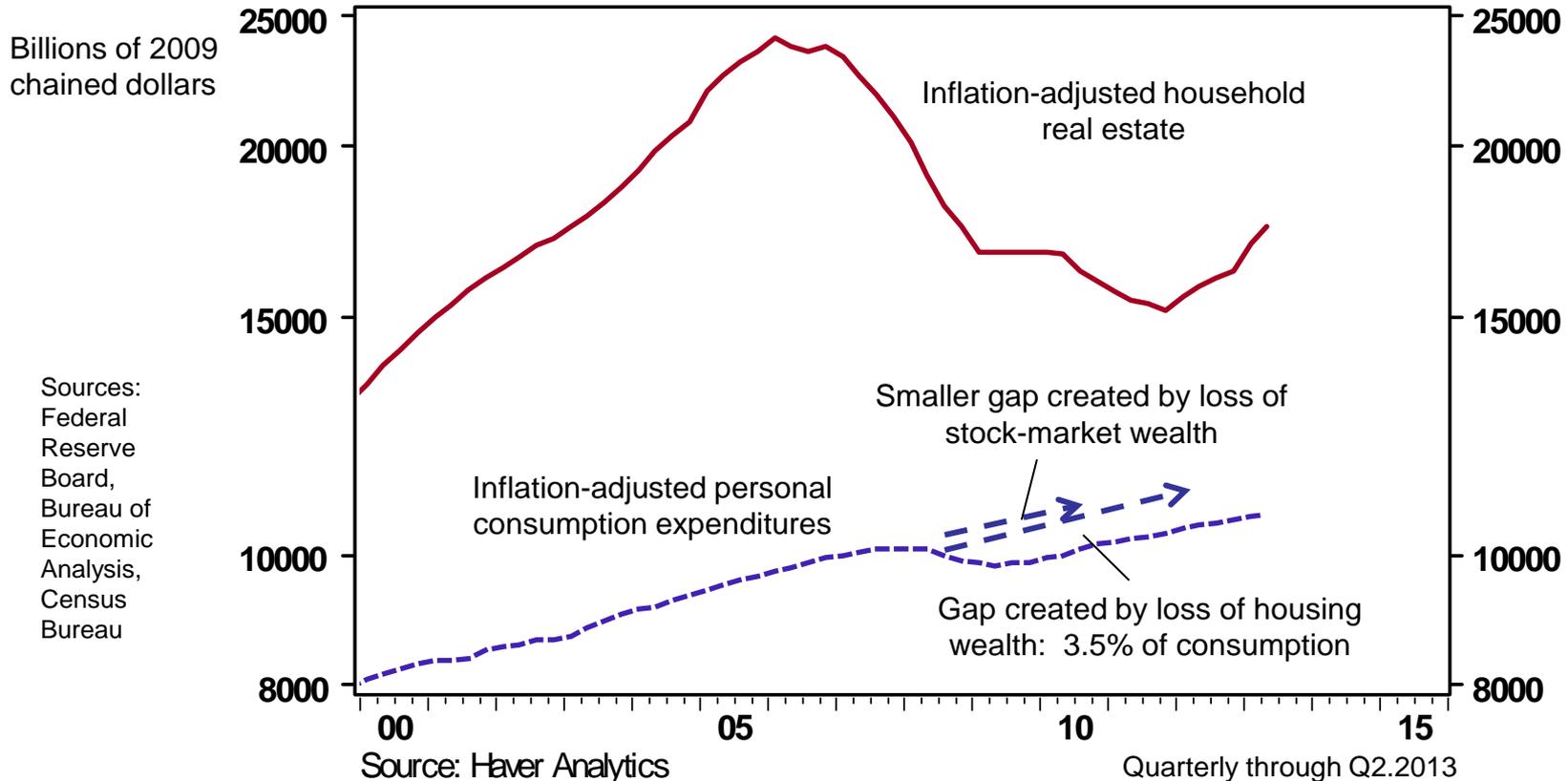
- **Composition of gains and losses by asset type**
 - **Losses (from peak to trough for each; real dollars)**
 - **Publicly traded stocks: -\$10.4 trillion**
 - **Household real estate: -\$6.8 trillion**
 - **All other assets: -\$14.4 trillion**
 - **Recoveries through Q2.2013**
 - **Stocks at 113% of pre-recession peak**
 - **Household real estate at 70% of peak**
 - **All other assets at 93% of peak**



Case, Quigley, and Shiller (2013): Housing Wealth Effect Reduced Consumer Spending

Inflation-Adjusted Value of Household Real Estate
Billions of 2009 chained dollars

Real Personal Consumption Expenditures
Billions of 2009 chained dollars



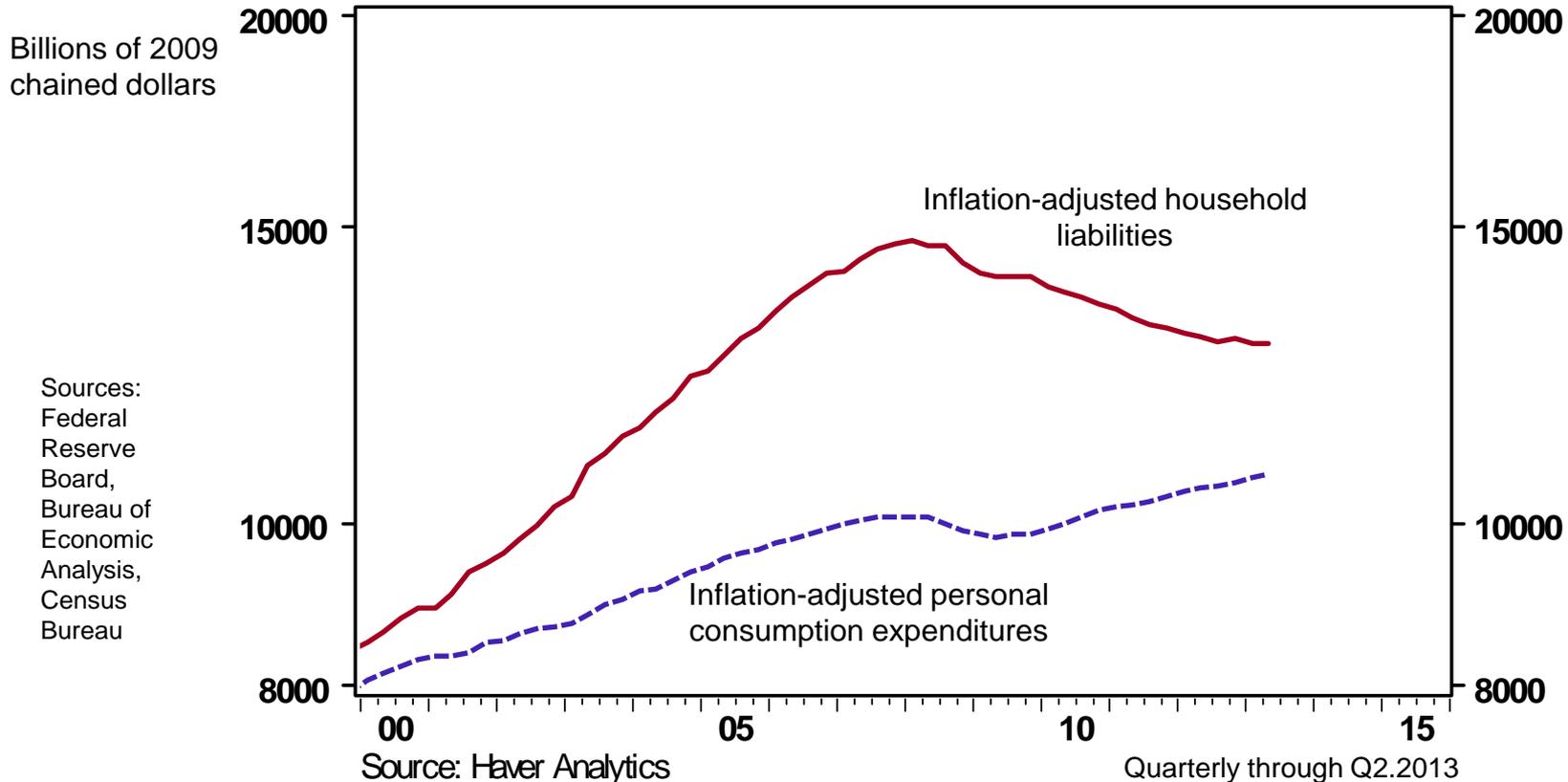
Sources:
Federal Reserve Board, Bureau of Economic Analysis, Census Bureau



Dynan and Edelberg (2013): Debt Overhang Slows Consumption of Deleveraging Households

Inflation-Adjusted Household Liabilities
Billions of 2009 chained dollars

Real Personal Consumption Expenditures
Billions of 2009 chained dollars



Sources:
Federal Reserve Board, Bureau of Economic Analysis, Census Bureau

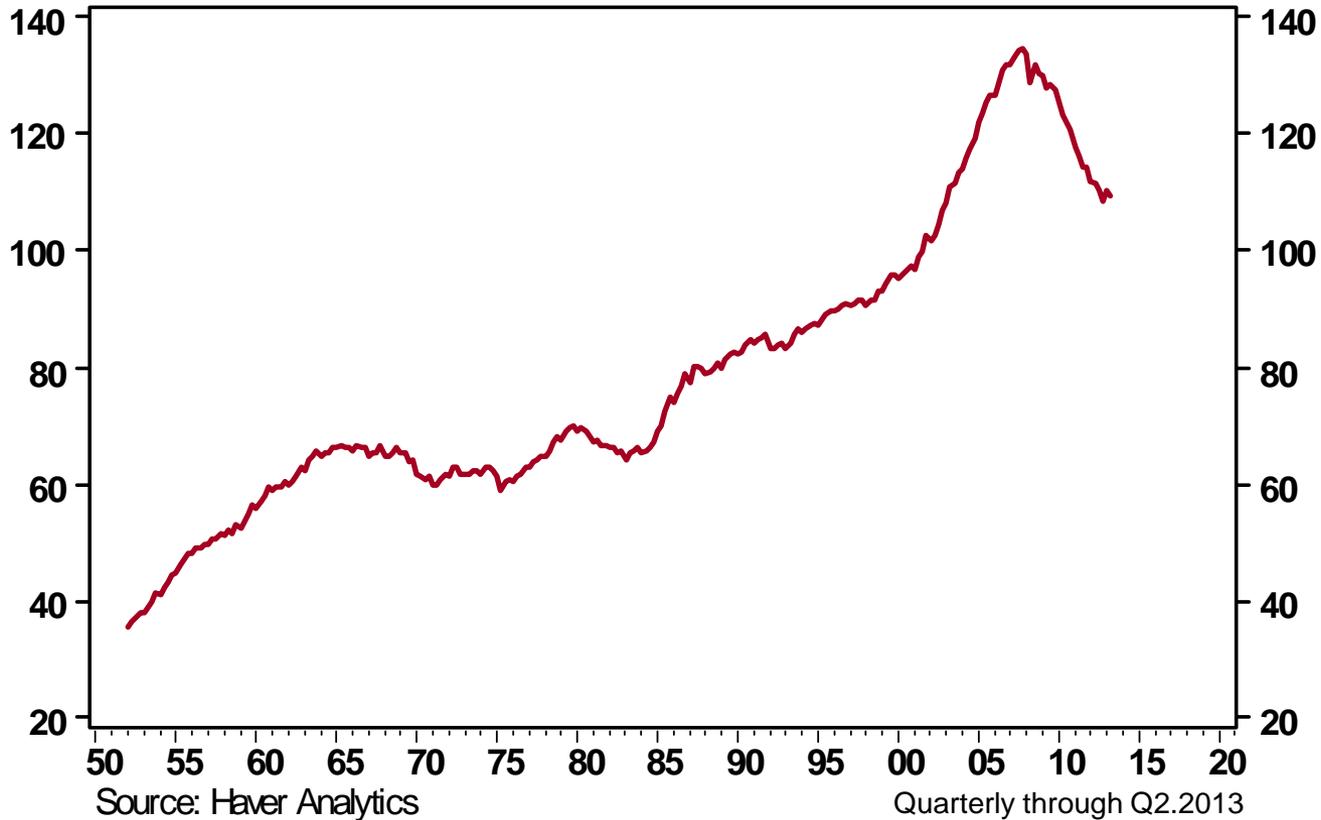


Debt-to-Income Ratio Remains High

Household Liabilities as Percent of Disposable Personal Income

Percent

Percent



Sources:
Federal Reserve Board,
Bureau of Economic Analysis

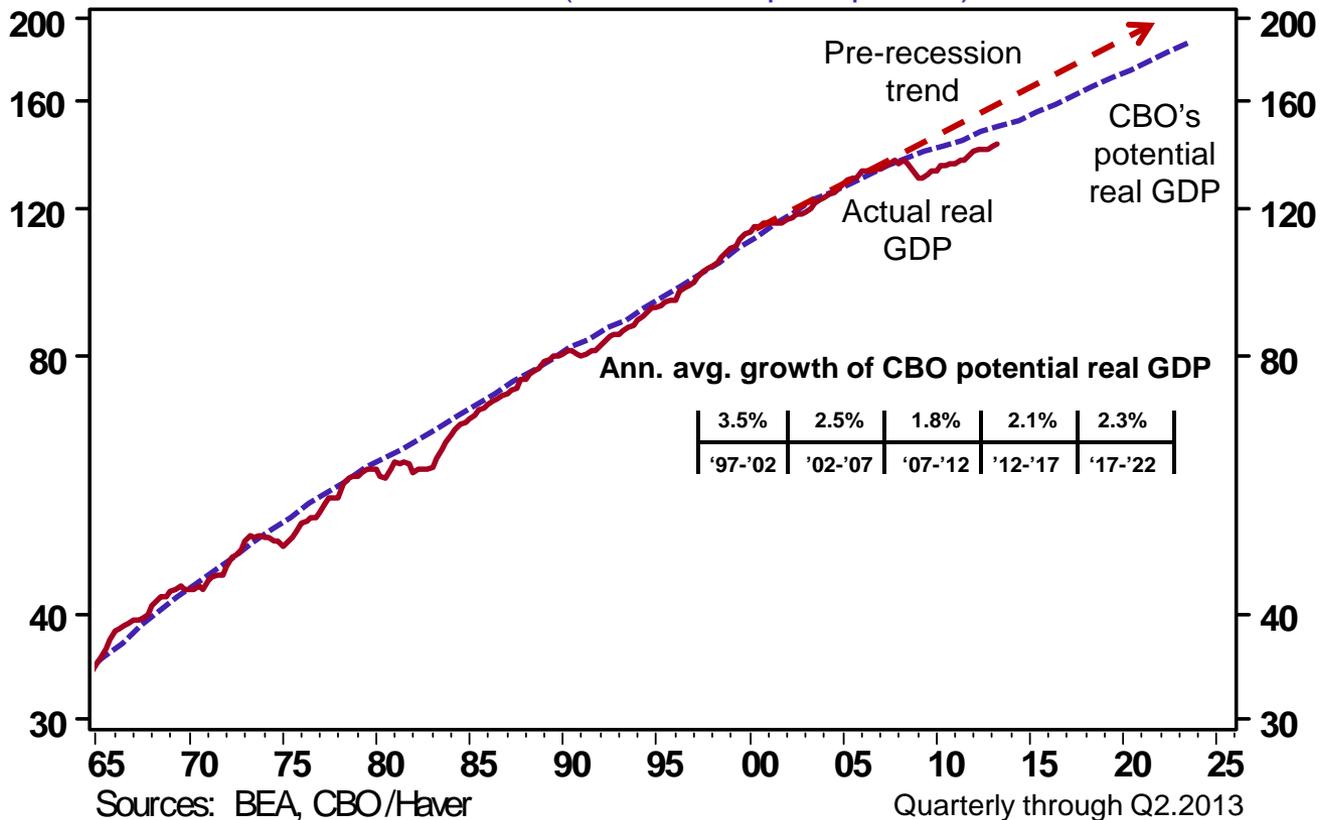


Much If Not All of Recession Output Loss Now Seen as Permanent

Actual Real GDP
Index level set to 100 in 1997 (when actual equaled potential)

CBO Estimate of Potential Real GDP
Index level set to 100 in 1997 (when actual equaled potential)

Index levels
equal 100 in
1997



Sources:
Bureau of
Economic
Analysis,
Congress
-ional
Budget
Office

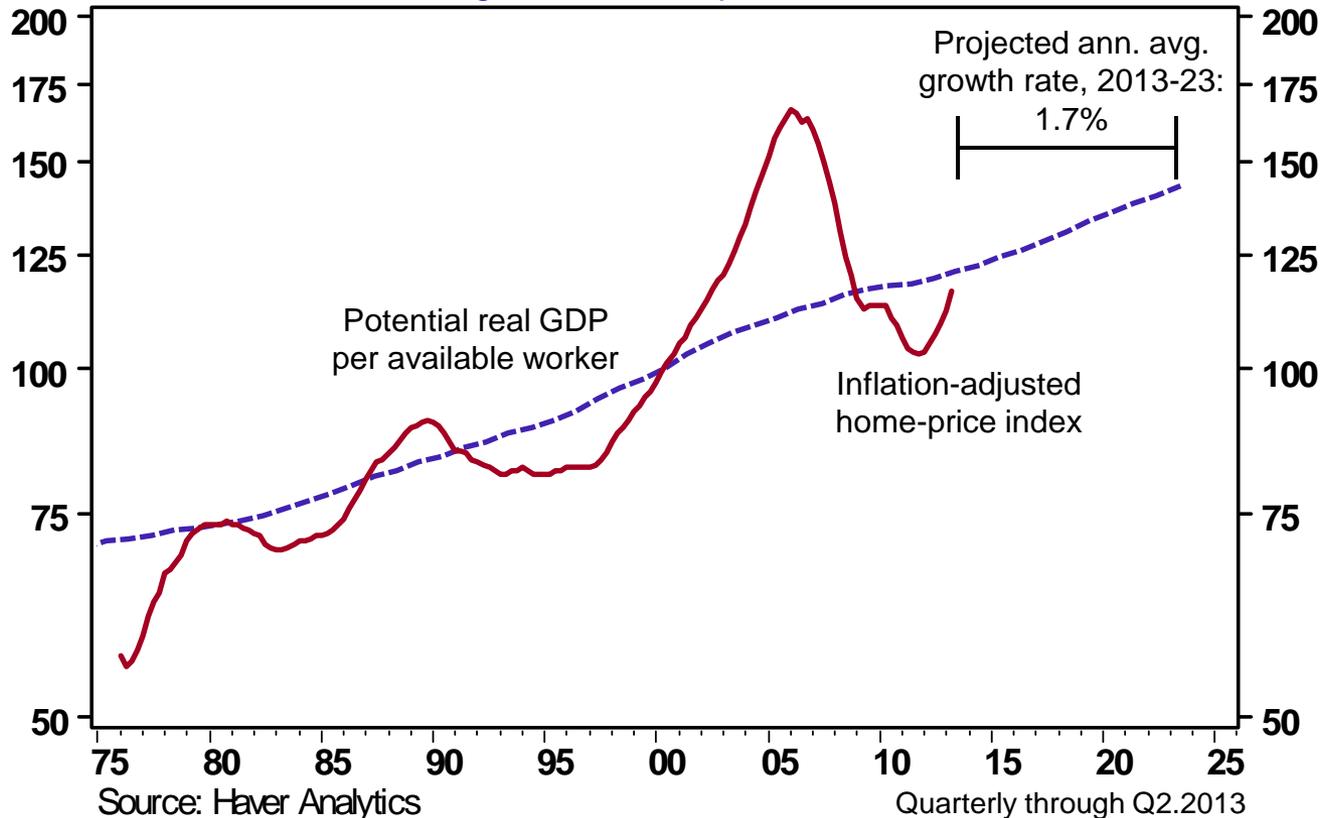


Real House Prices May Not Return to 2006 Peak for Decades

Inflation-Adjusted CoreLogic National Home-Price Index
Average level in 2000 equals 100

Real Potential GDP Per Available Worker
Average level in 2000 equals 100

Index levels equal 100 in 1997



Sources:
CoreLogic,
Bureau of
Economic
Analysis,
Congressional
Budget
Office

Source: Haver Analytics

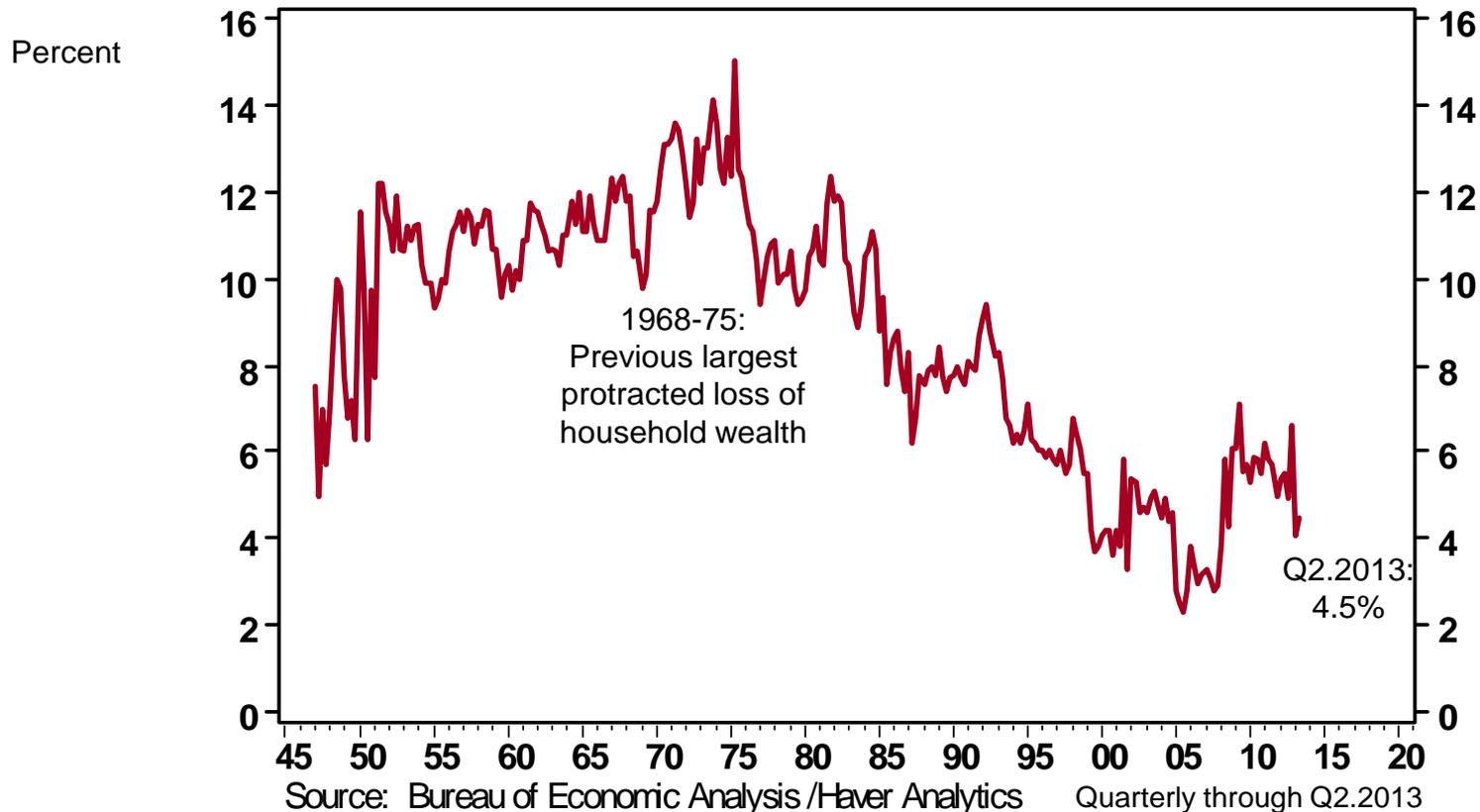
Quarterly through Q2.2013



A Wealth Puzzle: If HHs are Rebuilding Wealth, Why Isn't HH Saving Rate Higher?

Personal Saving Rate

Percent of disposable personal income





Household Wealth and the Economy: Is Wealth Rebuilding Finished?

- **Housing losses probably had the biggest effect on consumer spending and will be slow to recover.**
- **Household deleveraging continues.**
- **Slower projected economic growth suggests incomes and house prices unlikely to increase much.**
- **The typical family faces stagnant income and house prices, and still may have too much debt—it's not easy to rebuild wealth!**