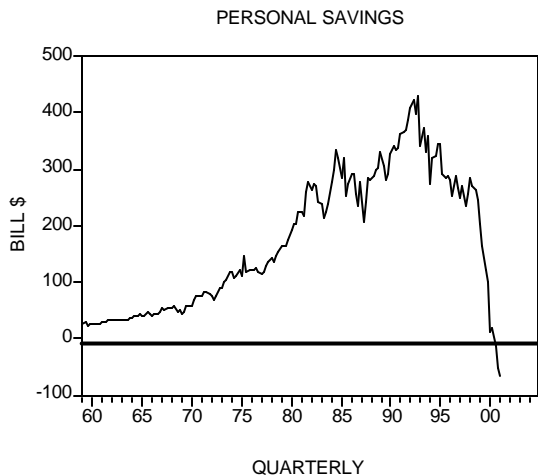
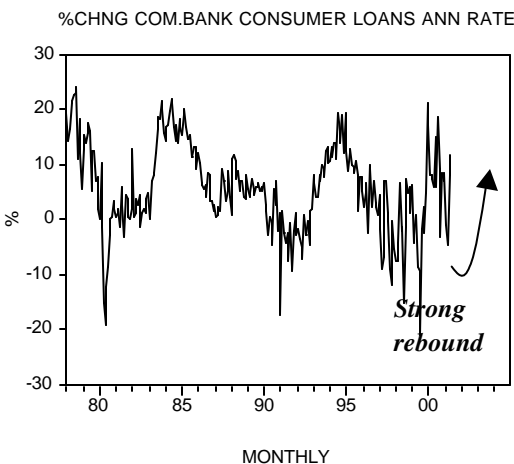


US consumer savings fall further in Q1

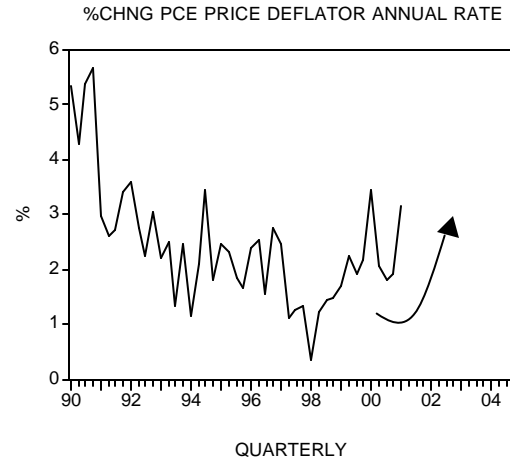
The flow of personal savings fell by **\$64 billion** in Q1 after a fall of **\$52 billion** in the previous quarter. This was the 3^d consecutive quarterly decline in savings (see chart). The sharp fall in personal savings raises the possibility that the real pool of funding is in trouble.



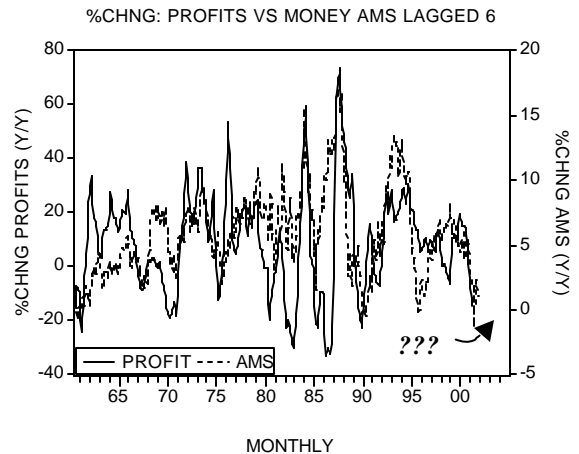
A precondition for a meaningful recovery is a healthy build-up of the pool of funding. However, an artificial lowering of interest rates by the FED prevents this from taking place. The latest commercial bank lending statistics show that consumer borrowings remain buoyant. In the week ending May 16 consumer loans increased by an annual **11%** after rising by **8%** in April (see chart). Moreover, the consumer sentiment index jumped to **92** in May from **88.4** in April.



Meanwhile at an annual rate the consumer price deflator jumped to **3.1%** in Q1 from **1.9%** in the previous quarter (see chart). Also, house prices display buoyancy with the median price rising by **6.3%** year-on-year in April.



After tax profits of non-financial corporations fell by **14.5%** year-on-year in Q1 after a fall of **4.3%** in Q4. Our analysis raises the possibility of a temporary halt to the decline in profits (see chart).



Financial News

- US durable goods orders fell **5%** in April.
- US existing home sales fell by **4.2%** in April.
- US Q1 GDP growth revised to **1.3%** from **2%**.
- In w/e May 18 ECRI index fell to **122.5** from **123.2**.

Thought for today

Every survival kit should include a sense of humour.

Anonymous