Saving Rate – Did You Know?

Definition
• The saving rate is personal saving as a percentage of disposable income
• Personal saving is personal income (like wages or salary) minus spending
• Disposable income is personal income minus taxes

Calculation
• The most common measure of the U.S. personal saving rate is based on the National Income and Product Accounts (NIPA)
• NIPA is also used to calculate gross domestic product (GDP) and gross domestic income (GDI)

Relationship
• Personal saving reflects a tradeoff between current and future consumption
• Increased current saving reduces current consumption and enables future consumption

By 2000 personal saving (as a percent of disposable income) had dropped to 43% of its 1980 rate.

Personal Saving Rate
(% values, averages for years shown)

Sources: Bureau of Economic Analysis & FRBSF calculations

www.frbsf.org/education/teacher-resources/datapost
Personal Saving Rate (%)

Seasonally adjusted values, Jan. 2000 – Mar. 2020

Source: Bureau of Economic Analysis
During the latest recession, the average saving rate was 5.4% compared to an average of 5.1% during the 2001 recession.

Households often save more during a recession.
What Do You Think?

1. What was your personal saving rate last month?
   A. Within a given month, add up all earnings, taxes paid, and expenses to calculate your personal saving rate:

   \[
   \left( \frac{\text{Disposable Income} - \text{Spending}}{\text{Disposable Income}} \right) \times 100
   \]

2. Compare your personal saving rate with the U.S. average in 2019.