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Anticipations with the Personal Savings Rate: An Outlook in the US Economy Today

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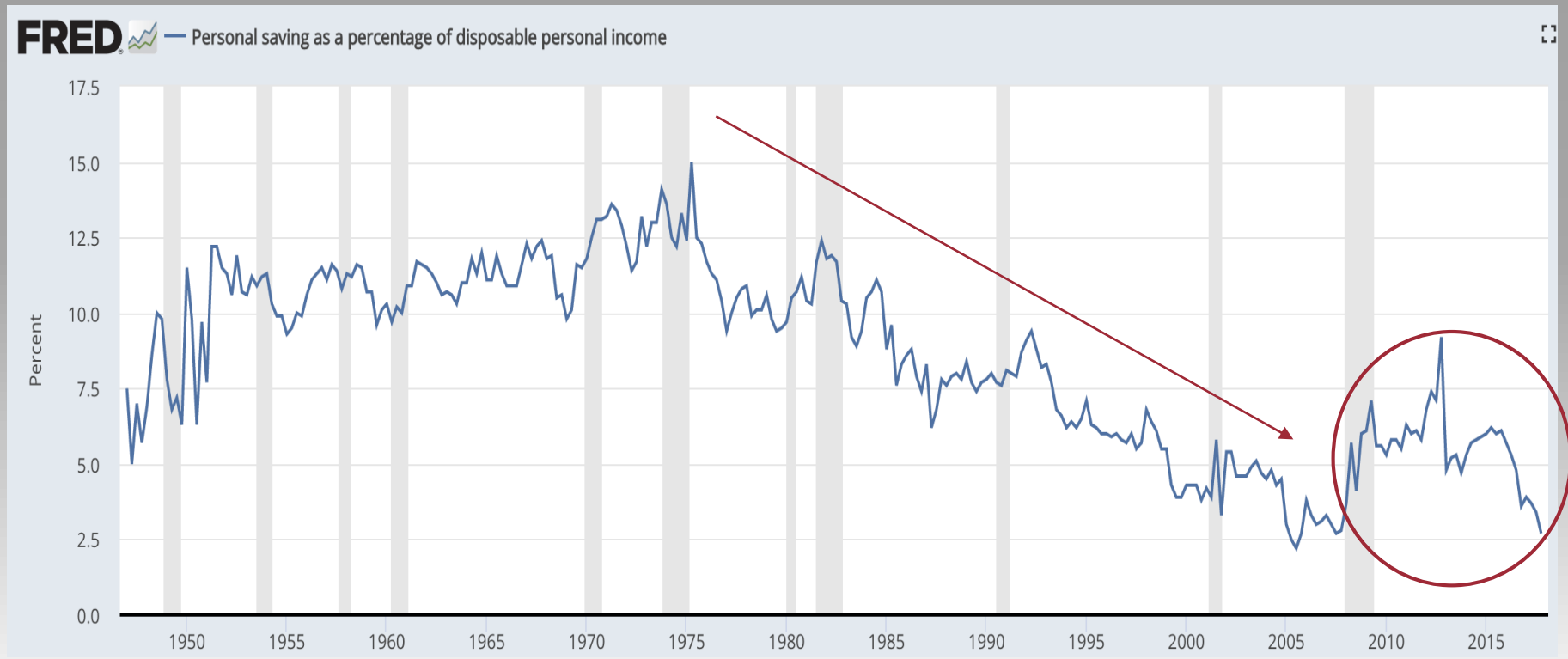
Introduction

Personal Savings



Personal Savings Rate

- Calculation

$$\frac{\text{Personal Income} - \text{Taxes} - \text{Personal Outlays}}{\text{Personal Income} - \text{Taxes}}$$

PURPOSE AND CONTRIBUTION OF THE STUDY

Personal Savings Rate

LITERATURE REVIEW

Barney, L. D., White, H., & Schooley, D. K. (2009). Substituting corporate saving for personal saving. *Managerial Finance, 35*(8), 682-690. doi:http://dx.doi.org/10.1108/03074350910967222

Garner, C. A. (2006). Should the decline in the personal saving rate be a cause for concern? EconomicReview - Federal Reserve Bank of Kansas City, 91(2), 5-8,10-28,2. Retrievedfromhttp://library.pittstate.edu:2048/login?url=https://search.proquest.com/docview/218488415?accountid=13211

Rogers, R. M. (1990). Measuring the personal savings rate: Some technical perspectives. Economic Review - Federal Reserve Bank of Atlanta, 75(4), 38. Retrieved from http://library.pittstate.edu:2048/login?url=https://library.pittstate.edu:4471/docview/200373837?accountid=13211

THE EMPIRICAL MODEL

Multiple Linear Regression Test

(Y)variable=(Personal Savings Rate)

(X)variable=(Disposable Income)+(10 yr. Treasury)+(Aggregate Household Debt)+(CPI)+(Access to Credit)+(Consumer Spending)+(US GDP).

Formula:

***(1981-2017)Personal Savings Rate*=(Disposable Income)+(10 yr. Treasury)+(Aggregate Household Debt)+(CPI)+(Access to Credit)+(Consumer Spending)+(US GDP)**

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \ldots. + \beta_n X_n + \varepsilon$$

Method:

Used Ordinary Least Squares (OLS) method, which estimates the relationship between the x and y variables and gives an indication of goodness of fit based off of the deviations between the Predicted and Actual output.

Data

- IBISWorld
- Business Environment Profiles

Notables: CITI Bank and Google.

FINDINGS

Econometrics Study

R^2 = .9971

Durbin Watson: 1.15

$p < .05$

Significant

Not Significant

FINDINGS
Econometrics Model

Independent Variables	P-Value	Coefficient
Disposable Income	.0003	.0009% +
10 Year Treasury Yield	.0009	.4013% +
Aggregate Household Debt	.8049	-.0459% −
Consumer Spending	.8418	-2.5428% −
US GDP	.0196	.0004% +
CPI	.0006	-.3132% +
Access to Credit	.0851	-.0013% −

Conclusions:

Notable Trends

1981 - 1985

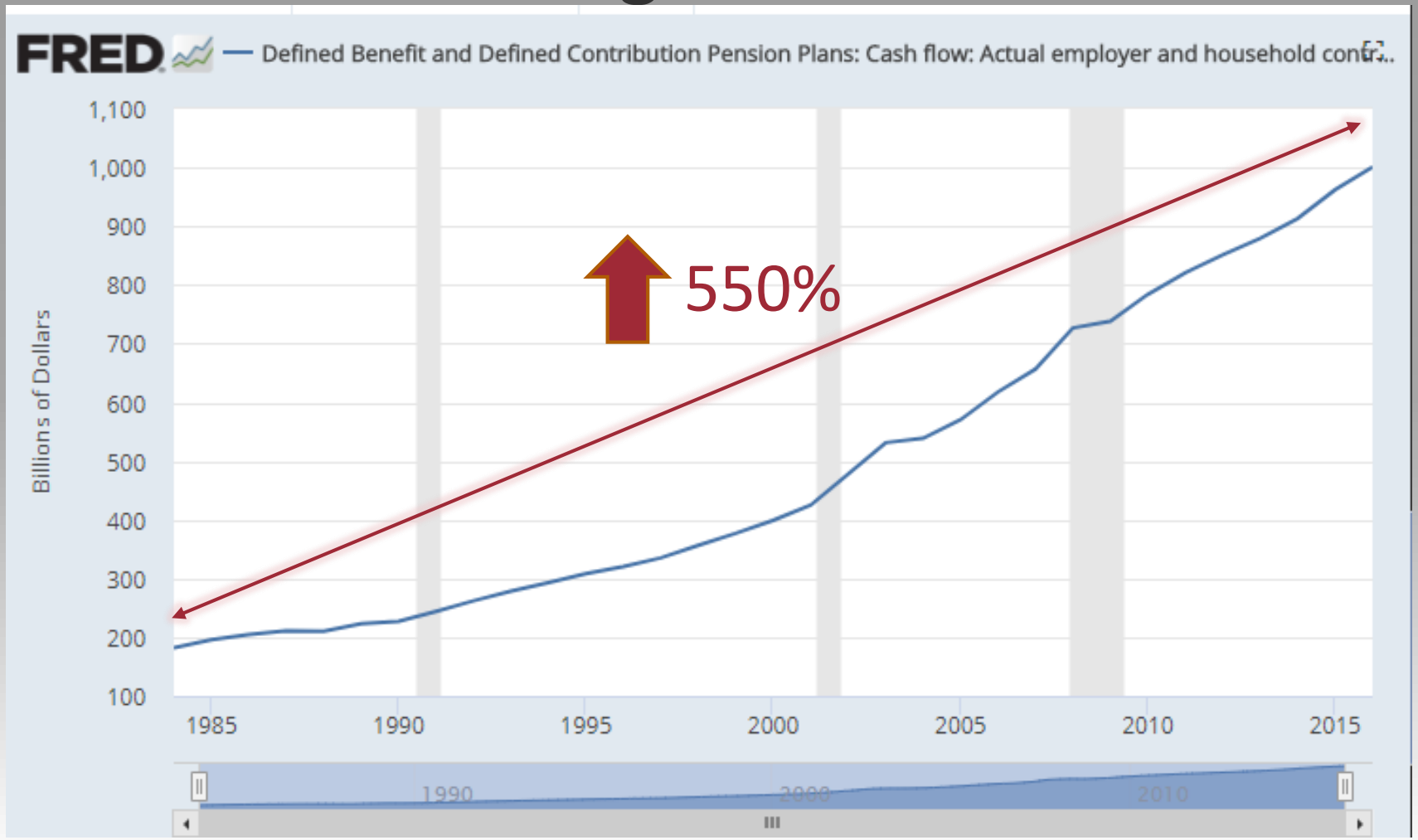
Personal Savings Rate	Disposable Income	10 Year treasury yield
11.19	20,454.00	13.91
11.46	20,686.00	13
9.45	21,214.00	11.11
10.73	22,479.00	12.44
8.57	22,961.00	10.62

VS

2013 - 2017

Personal Savings Rate	Disposable Income	10 Year treasury yield
5	36,369.00	2.35
5.66	37,432.00	2.54
6.09	38,702.00	2.14
4.88	38,956.00	1.84
3.41	39,156.00	2.33

Additional Findings



Accessibility to Markets

QUESTIONS