U.S. Household Finances Are Solid

***e*Research Corporation** is pleased to provide an article by Scott Grannis for his Blog, "Calafia Beach Pundit".

In this article, Mr. Grannis provides firm evidence that household finances in the United States are on solid ground.

The article is reproduced below, beginning on the next page, or you can go to this specific Blog at the following link: **Household finances are on solid ground**

You can also visit Scott Grannis' Home Page for his Blog at the link below:
http://scottgrannis.blogspot.ca/

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Monday, March 27, 2017

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U.S. households' financial burdens (payments for mortgage and consumer debt, auto leases, rents, homeowner's insurance, and property tax, all as a percent of disposable income), are at historically low levels and have not budged for over five years.

Moreover, the overall leverage (total liabilities as a percent of total assets) of the household sector is at 30-year lows. Coupled with the fact that weekly claims for unemployment are at historically low levels, this paints a picture of a household sector that is on financially solid ground, more so than at any time in decades.

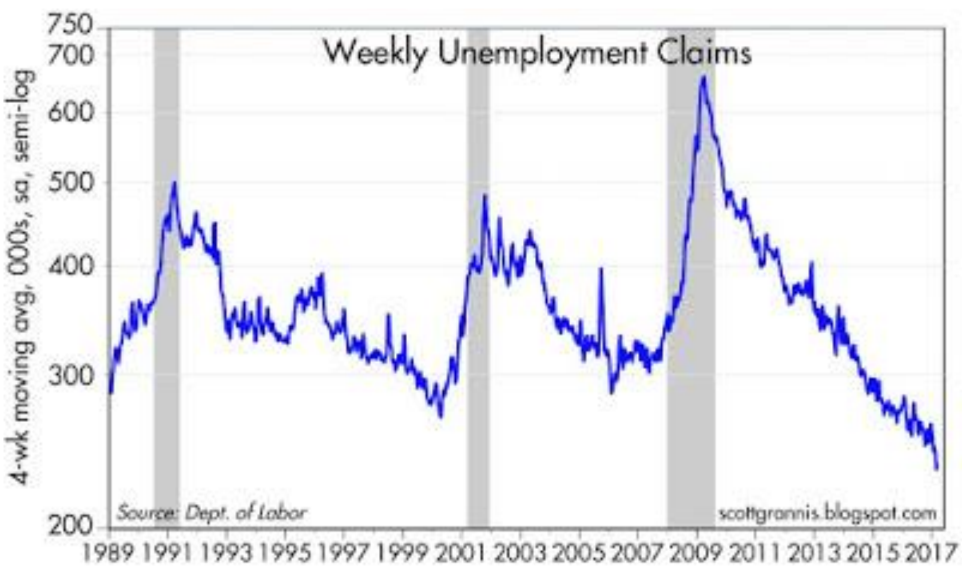
Today, the Fed released data for the fourth quarter of 2016, covering various measures of household's financial burdens.

As the chart above shows, financial burdens have been historically low for over 5 years, and are substantially less now than they were prior to the past 3 recessions.

I note that consumer debt includes student loans, which now total over $1 trillion and which continue to grow at a significant pace—the only area of consumer finance that is deteriorating, thanks to our beneficent government, which is willing to grant student loans with little or no regard for a student's ability to pay.

Households' leverage has plunged by about one-third since the 2008 recession, as the chart below shows, and leverage is now back to levels last seen some three decades ago.

Initial claims for unemployment, shown in the next chart, have not been so low for a very long time. Workers at social security offices around the country must have a lot of time on their hands these days!



The chart below compares unemployment claims to total payrolls. Here we see that the chances of a worker getting laid off are as low as they have ever been, and by a substantial margin. In recent weeks, only about 0.15% of the U.S. workforce has been handed a pink slip.

Household finances appear to be about as solid as they have ever been, and job security is also about as good as it has ever been. This is not to say we don't have problems, but these statistics are reassuring nonetheless, and not widely recognized or reported.

BW: See ABOUT THE AUTHOR on the following page.

ABOUT THE AUTHOR

Scott Grannis was Chief Economist from 1979-2007 at Western Asset Management, a Pasadena-based, global manager of fixed-income portfolios for institutional clients.

He now enjoys keeping up on economics, markets, and politics from his condo overlooking Calafia Beach on the southern California coast, where he likes to think that he is immune to Wall Street group-think.

Married for 45 years to his Argentine wife, Norma, he has four children and five grandchildren (four boys and one girl).

He is a believer in supply-side economic theory, as practiced by his mentors, the late Jude Wanniski, Art Laffer, and Larry Kudlow. John Rutledge is another of his mentors, from the days that they worked together at Claremont Economics Institute.

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