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Unlike Foreigners, Americans Aren't Saving. Here's Why That's a Good Thing

If you're spending down your pandemic savings, you're helping the US economy

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For a while there, many people around the world were saving a lot of their money. The pandemic left few opportunities to spend it, and governments were doling out aid to soften the blow of sudden job losses and lockdowns.

But since 2022, Americans have forged their own unique path, [saving much less than they did even before COVID-19](#) and spending down the cushions they built up instead, according to economists at the Federal Reserve Bank of New York.

It's not the most frugal approach, but there's a major upside. This mysterious phenomenon is a major reason why the U.S. has powered through the [pitfalls of inflation](#) and [high borrowing costs](#) better than foreign economies.

“We have no clear explanation for the divergence in U.S. and foreign saving behavior,” economists Thomas Klitgaard and Matthew Higgins wrote in [new research published last week](#). But “the drawdown in U.S. excess savings largely accounts for the U.S. growth advantage since the pandemic.”

Klitgaard and Higgins, both economic research advisors in international studies for the NY Fed's research and statistics group, looked at the U.S., the UK, the euro area of Europe, Japan and Canada.

Across the board, the abnormally high savings rates of 2020 and 2021 have fallen by at least half since then. But in all but the U.S., the pace of saving is still much higher than pre-pandemic norms — in some cases double or more, their research showed.

In the U.S., on the other hand, households have been saving about 4% of disposable income since 2022, not only far below the 13.6% they kept in 2020 to 2021 but less even than the 6.4% they socked away from 2015 to 2019.

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Because of this dichotomy, consumer spending in the U.S. has been a boon to the Americans economy, outperforming the UK, Japan, and the euro area by growing faster than overall gross domestic product.

As of the second quarter, consumer spending in the U.S. was 9% above its 2019 level, while GDP was 6% higher. In the euro area and Japan, by contrast, consumer spending was flat during the same period, and GDP grew 3%. The UK fared even worse.

“Foreign consumers could have drawn on accumulated excess savings to support consumption growth but have chosen not to,” the economists wrote. Instead, weak consumer spending has been a “ fundamental drag on their recoveries.”

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