082526 The Consumer's Narrowing Margin of Safety

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US Rates Strategy Daily August 25, 2026 Troy Ludtka, US Economics troy.ludtka@smbcnikko-si.com 1 212-224-5483 The Consumer 's Narrowing Margin o f Safety After reaching a regional peak of 7.2% y/y in June 2023, real disposable incomes (DPI) have steadily trended lower to just 0.5% in June. Despite this, personal consumption is running 0.8% above its pre-Covid trend. This robust level of spending has been made possible by households reducing their savings rate to just 2.7% (July data are released August 26), which is among the lowest readings on record! Key to this dynamic is that periods of dissaving are tightly associated with robust wealth gains (shown below), meaning that wealth, equity wealth in particular, has become a marginal driver of consumption. While this dynamic has helped to sustain near-term growth, it also leaves the consumption outlook highly exposed to changes in asset prices. Please subscribe to our new research website for access to our content (here). Household Net Worth (% of DPI) vs. Savings Rate … Source: Federal Reserve, BEA, Haver, SMBC Nikko 0 2 4 6 8 10 12 14 500 550 600 650 700 750 800 850 95 00 05 10 15 20 25 HH Net Worth (%, of DPI) Personal Savings Rate (%, rs)

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