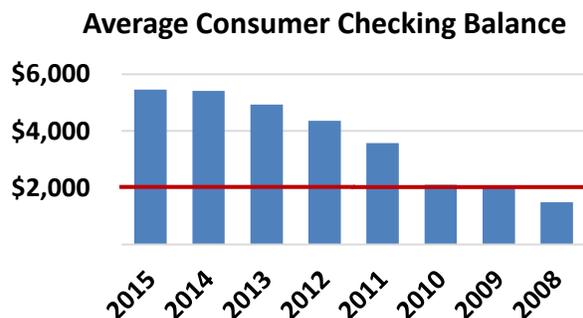


## CONSUMER CHECKING - REFLECTS THE TIMES

*High Average Balances Mean Difficult Economy*



Source: Federal Reserve & Moeb's Services

and low unemployment. On September 15, 2008 when Lehmann Brothers went down and the Great Recession started, balances in consumer checking were around \$1,500 and started to increase. The rise was modest until the impact of the Great Recession started to accelerate the balance build up—a consequence of the Recession which was deemed over in 2009! Depositories in 2008 and since offer consumers savings rates falling below 0.25% – consumers had no place to store their funds and get interest. Even today the amount in consumer accounts commands 0.05% whether in a saving account or interest demand deposit account (DDA) – generating less interest in a year than the cost of a latte.

### THE NORM VERSUS ACTUAL

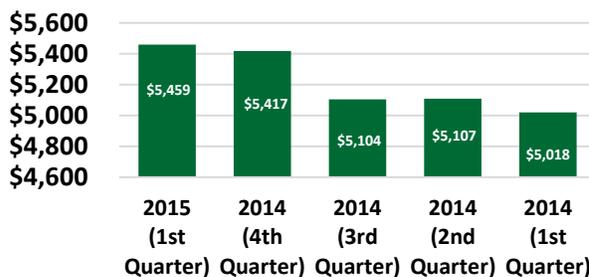
Total Checking is \$1.716 Trillion. This is a historic high for the United States. \$656.8 Billion, or 38% of all DDA, is consumer. The current average consumer balance is \$5,459<sup>1</sup>. The normal average balance from 1994 to 2008 is about \$2,000. So the current average DDA balance for consumers is about 270% higher than the norm. *Why is the consumer keeping so much in DDA?* With interest rates so low the consumer keeps money normally held in interest paying sources in Checking. Also, with gasoline prices falling sharply in the past nine months, the consumer is saving about \$1 a gallon and much of this savings has prompted about a 7% increase in DDA average balances.

### Lake Forest, IL (June 23, 2015)

Average balances in consumer checking accounts have an inverse relationship to the economy. Moeb's Services Study on Checking Accounts reports that since 1994 high balances in consumer checking correlate to difficult economic times. The opposite is also true: low average consumer balances signal good economic times.

For much of 2008 the economy had GDP growing

### Average Consumer Checking Balance



Source: Federal Reserve & Moeb's Services

### WILL THE CONSUMER SPEND EXCESS FUNDS ABOVE THE 'NORMAL'?

Of the \$656.8B in Consumer DDA, about \$280B or 43%, is the normal for the consumer to maintain in a neutral economy at an average balance of \$2,000. If economic times get very good the consumer will keep less in checking. Financial Institutions need to prepare for when the consumer starts to use the balances in checking and/or moves this money. Consumer Checking is a reflection of concurrent economic times – a barometer that investors and Financial Institutions can use to forecast money movements, and even the Fed can use for adjusting rates.

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Footnote: <sup>1</sup>The information on the Average Consumer Checking amount comes from the Federal Reserves' Z.1 Report on the flow of funds and specifically household data; since the Fed is slow to release a portion of this data Moeb's Services estimates a few quarters and then adjusts for actual when reported.

#### About Moeb's Services

Since 1983, Moeb's Services independently collects statistically significant, primary empirical data about financial institutions' services, pricing, operating expenses and financial condition and analyzes the data in a counter intuitive manner, which provides solutions that make sense. For more info please visit [www.moeb's.com](http://www.moeb's.com)