

# SFA Research Corner

## Households Expect To Spend More in 2021

February 1, 2021

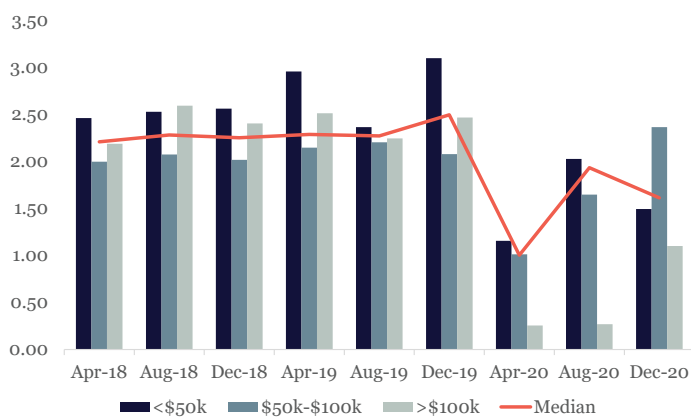


### WHAT WE'RE WATCHING

According to Federal Reserve Bank of New York's [Household Spending Survey](#), household spending continued to grow in December albeit at a slower rate than in August (1.6% vs. 1.9%). Spending lagged in the lower income (<\$50k) tier, a group that has been disproportionately impacted by pandemic-related business closures, and with respondents aged 40 to 60.

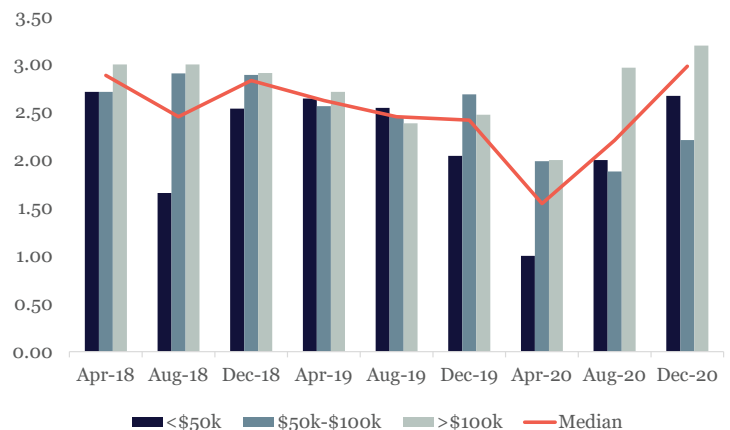
Looking ahead, households are optimistic and feeling more confident about spending. The December survey reports that respondents expect that their household spending to grow by 3% in 2021, a sharp increase over the 2.2% reported August 2020 and the 2.4% in December 2019. The increase was broad based across education and income groups, according to the survey, which is fielded three times a year as part of the New York Fed's broader Survey of Consumer Expectations. The average likelihood that respondents would be making a large purchase in the next four months increased when compared to the August survey, for furniture, home repairs, a house or apartment, vacations, and vehicles. Given the high likelihood that households will be using credit to purchase these larger ticket items, the response supports activity in the securitization markets that fund these loans.

#### Spending Growth Slows for Low-Income Tier in December



Source: [Federal Reserve Bank of New York](#)

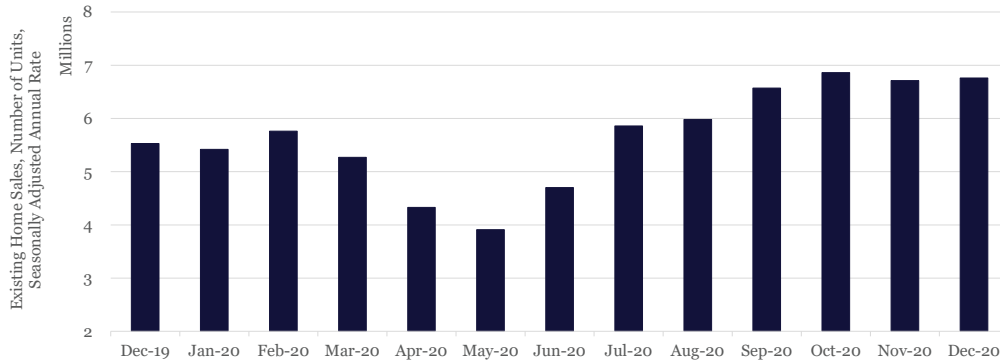
#### Expected Growth in Household Spending in 2021 Increased Sharply Across All Income Groups



Source: [Federal Reserve Bank of New York](#)

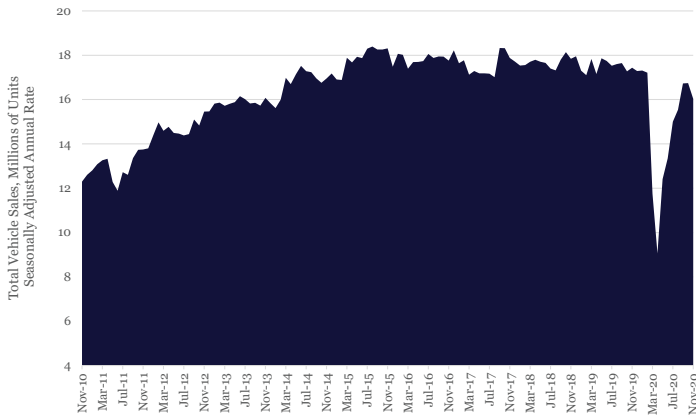
Below we look at the impact of the pandemic-related closures across five consumer sectors – auto sales, durable goods, restaurants, travel and housing. While sales in housing, autos and durable goods have recovered, in-person dining, and travel remain very challenged. For these sectors, the outlook still depends, in large part, on the course of the virus.

**Homes Sales Remain Elevated Entering 2021**



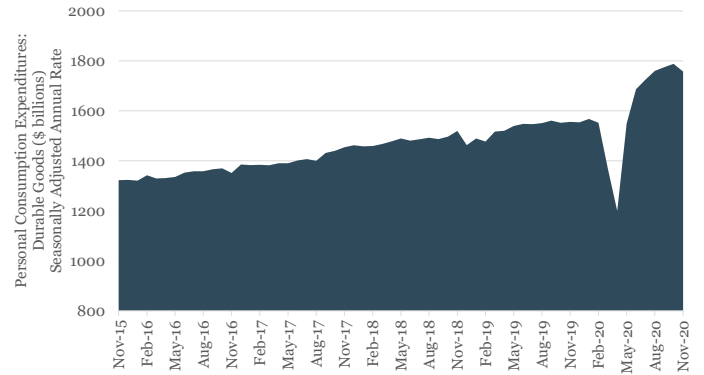
Source: [National Association of Realtors, retrieved from FRED](#)

**Auto Sales Recovered Quickly,  
Sales Still Below Pre-Pandemic Levels**



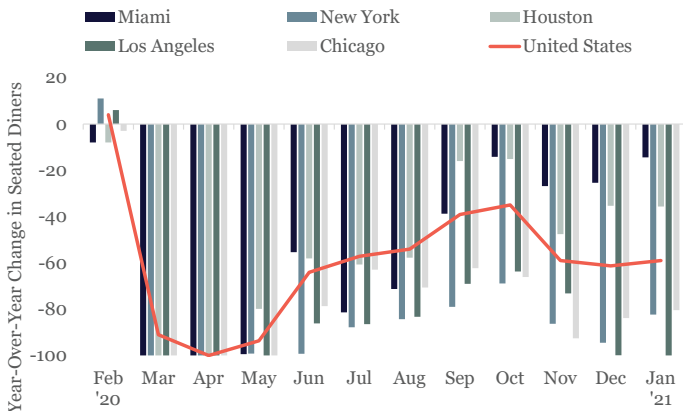
Source: [U.S. Bureau of Economic Analysis](#) retrieved from FRED

**Purchase of Durable Goods  
Exceeds Pre-Pandemic Levels**



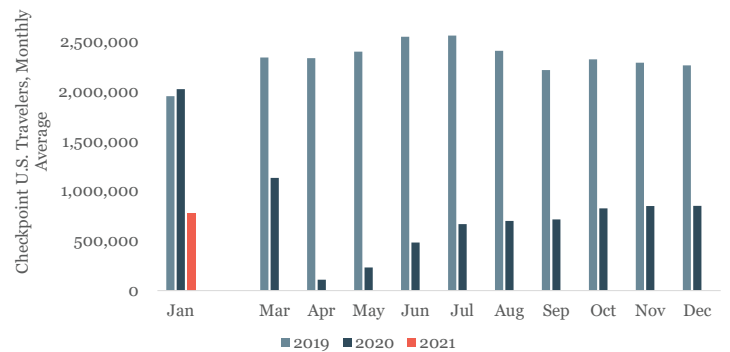
Source: [U.S. Bureau of Economic Analysis](#) retrieved from FRED

**YOY Percent Change in Seated Diners Has  
Improved Across the Nation  
Los Angeles, New York, and Chicago Lagging  
Miami and Houston Are Leading**



Source: [Open Table](#)

**U.S. Air Travel Has Not Achieved Lift off -  
Airline Fares Down 18% YOY in December**



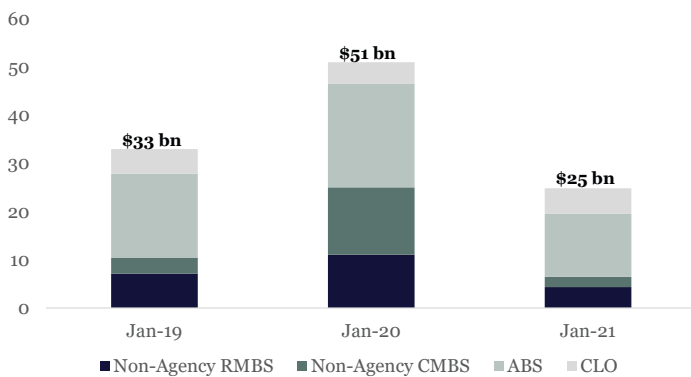
Source: [TSA.gov, USTravel.org](#)

**MARKET SUMMARY**

The securitization market kicked into gear last week as \$17 billion of new-issue supply came to market, bringing the month’s total to \$25 billion. So far, ABS backed by consumer and commercial loans account for 77% of the bonds issued in January. ABS backed by prime and subprime auto loans and retail leases accounted for \$10 billion of the total. In what could be taken as yet another marker on the return to normalcy, the markets saw the first Aircraft ABS issuance of the year, marking only the second offering of this kind since former President Trump declared a state of emergency for COVID-19 on March 19. Since the beginning of 2020, there have been five aircraft ABS offerings, totaling \$2.4 billion. Compare this to 2019 when \$10 billion of Aircraft ABS, across 20 transactions, was issued.

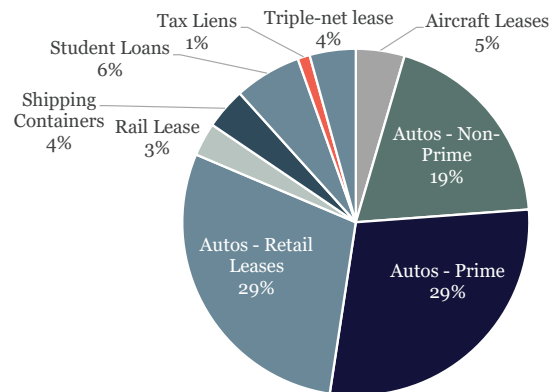
Demand for securitized products remained robust, despite the welcomed infusion of new supply. Bond prices in the secondary market were pushed higher, pushing the bid-ask spreads across products tighter by 1-5 bp from last week’s already tight levels.

**Jan 2021 New Issue (\$BN)  
Non-Agency RMBS, CMBS, ABS and CLO**



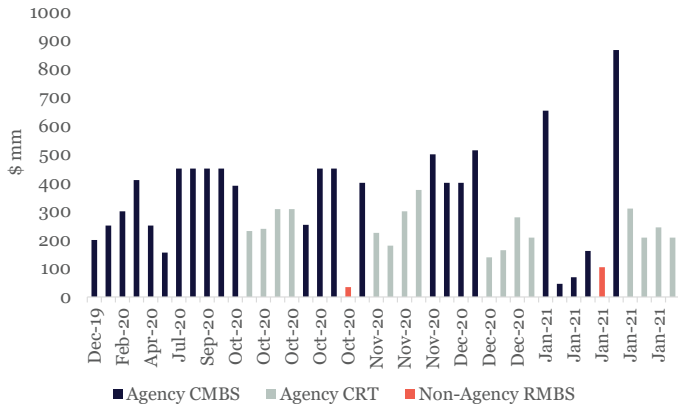
Source: Market Compilation

**Jan 2021 ABS Issuance Only - \$13 BN  
By Sub-sector**



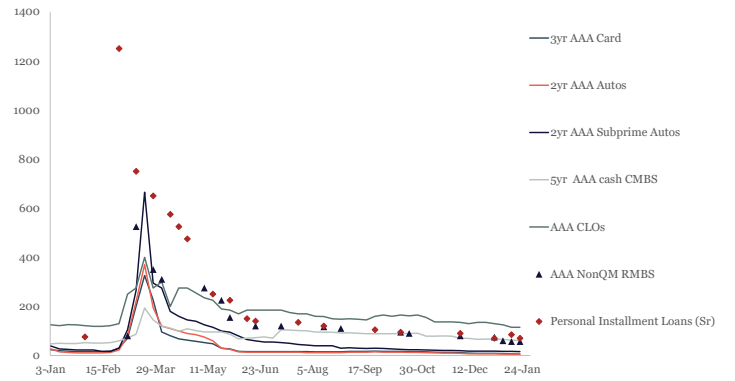
Source: Market Compilation

**SOFR-Based Issuance (\$MM)**



Source: [FinSight](#)

**Secondary Market Bid-Ask Spreads**



Source: Market Compilation

**Secondary Market Bid-Ask Spreads**

(bps)	22-Jan	15-Jan
3yr AAA Card	6	7
2yr AAA Prime Autos	5	6
2yr AAA Subprime Autos	16	17
5yr AAA Cash CMBS	61	63
AAA CLOs	115	115