

SFA Research Corner

Consumer Resilience and Stress: Insights from the LIFE Survey at the SFA Research Symposium

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On August 7, the [Structured Finance Association](#) (SFA) held its [inaugural Research Symposium](#) at PWC’s offices in midtown Manhattan. Attendees were enthusiastic about the event, praising the insightful and forward-looking content. The symposium’s discussions were particularly timely, coinciding with a volatile market response to the weaker-than-expected jobs report on Friday, August 2. The CBOE Volatility Index, or the VIX, which is often referred to as the market’s “fear index,” saw historic intraday swings on the Monday and Tuesday following the announcement. The spike in volatility and growing uncertainty around macro conditions led to more sellers than buyers entering the market. The imbalance widened secondary market credit risk spreads across securitized products on the week, which in turn caused bond prices to fall, with higher-rated bonds experiencing less widening compared to lower-rated bonds.

Secondary Market Credit Risk Spread Movements

	8/9/24 Spreads (bp)	8/2/24 Spreads (bp)	Change (bp)
2yr Triple-A Card ABS	46	40	6
2yr Triple-A Auto ABS	58	48	10
2yr Triple-A Subprime Auto ABS	75	70	5
2yr Private Credit SL ABS	85	80	5
AAA CLO	132	124	8
BBB CLO	332	315	17
AAA <u>NonQM</u> RMBS	145	135	10
BBB <u>NonQM</u> RMBS	225	215	10
AAA CMBS	121	120	1
A CMBS	443	429	14

Source: Deutsche Bank Securitized Products Market Databank, August 12, 2024

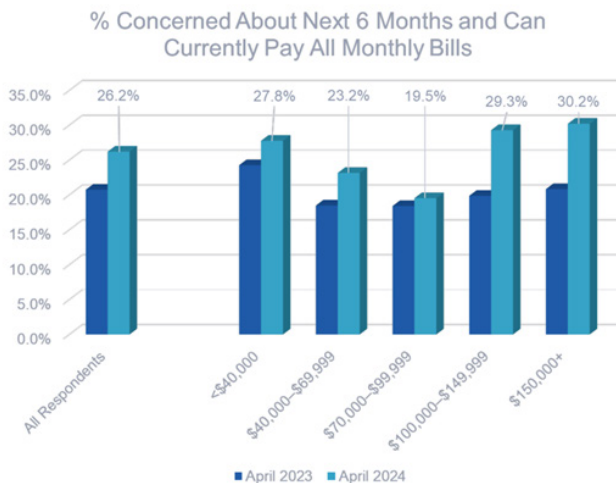
A highlight of the symposium was the [presentation](#) on the LIFE (Labor, Income, Finances, and Expectations) Survey by Tom Akana, Senior Advisor and Research Fellow at the Philadelphia Fed.¹ This presentation focused on consumer behavior, offering insights that resonated with participants, especially amid growing concerns about macro uncertainty and the specter of a recession. These findings provide a consumer-level view of the current economic environment, emphasizing both the resilience and the emerging vulnerabilities within the consumer sector.

¹ Mr. Akana’s presentation and any comments attributed to him are his alone and do not necessarily reflect the views of the Federal Reserve Bank of Philadelphia, the Federal Reserve Board of Governors, or the Federal Reserve System.

Launched in 2023 and publicly introduced in March 2024, the LIFE Survey is a quarterly survey gathering data from 5,000 U.S. adults on key aspects of their financial lives. It examines employment, income, financial coping strategies, and future expectations, providing valuable insights into consumer finances, credit access, and overall economic well-being.

The presentation for the Research Symposium highlighted three key takeaways regarding consumer behavior and financial trends. First, it was observed through administrative data sources that consumers have largely reverted to pre-pandemic patterns of spending, debt accumulation, and delinquency, suggesting a return to normal economic behavior despite the volatility in the market. However, the presentation also noted that LIFE Survey data reveal a growing concern over financial stress, with more individuals struggling to pay their bills on time compared to the previous year. Finally, while there is overall optimism about income growth in 2024, this sentiment is not uniformly shared, as lower-earning groups express less confidence in their financial prospects.

Expectations – Concerns About Making Ends Meet



How concerned are you about your ability to make ends meet over these time periods, on a scale of 1 (not at all concerned) to 5 (very concerned)?

- *Between today and six months from now*
- *Between 7 and 12 months from now*

Source: Federal Reserve Bank of Philadelphia Consumer Finance Institute LIFE Survey Data – April 2024

LIFE survey trends offer valuable insights into consumers’ financial lives and may be useful in enhancing risk assessments, improving models, and guiding investment decisions. Employment trends, in particular, aid in evaluating the performance and credit risks of RMBS and ABS, helping to develop more resilient investment strategies during market volatility.