

Special Analysis

Money flowing out of term deposits – particularly short term

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Implications

- Consumers are continually shying away from short-term deposits, opting for longer-term commitment of over one year.
- A likely reason for avoiding short-term deposits is the anticipation of high inflation during 2010, which yields net negative returns on deposits.
- Insured deposits are still the preferred choice of many consumers, as total deposits have increased by \$158 billions during 2009.

Overview

Despite an increase in total deposits in domestic offices of FDIC insured institutions, the balances of term deposits is trending down, specifically in term deposits of less than one year.

Purpose

The purpose of this analysis is to examine the level of decrease and shift in term accounts. The findings of this analysis will shade some light on the mood of depositors in terms of their actual deposit behavior, and may suggest some implications related to the consumers' confidence in economic recovery in the short term.

Analysis

- We analyzed the total amount of deposits in FDIC insured institutions from January 1, 2009 to December 31, 2009 (Four quarters).
- We analyzed the amount of term deposits in FDIC insured institutions for the same time period.
- We analyzed the balances of short (less than one year) and long-term (one year and over) deposits in FDIC insured institutions for the same time period

Findings

- We found that the total deposits in domestic offices at FDIC institutions grow from \$7,540 billion to \$7,697 billion during the examined period. An increase of \$157 billion or 2.1 percent (Table 1).
- We found that all-term deposits declined from \$2, 529 billion to \$2,191 billion during the examined period. A decline of \$337 billion, or 13.4 percent (Table 1).

- We found that short-term deposits of up to one year declined from \$2,729 billion to \$2,227 billion during the examined period. A decline of \$502 billion, or 18.4 percent (Figure 2).
- We found that term deposits of one year and over increased from \$494 billion to \$548 billion during the examined period. An increase of \$54 billion, or 10.9 percent (Figure 2).

Table 1
Increase/decrease in deposit type during 2009 (Billions)

Period	Total deposits in US offices	All-term deposits	Non-term deposits	Less than one year	One year and over
Q1 2009	\$7,538	\$2,528	\$5,010	\$2,729	\$494
Q2 2009	\$7,555	\$2,439	\$5,116	\$2,611	\$501
Q3 2009	\$7,553	\$2,321	\$5,232	\$2,437	\$529
Q4 2009	\$7,696	\$2,191	\$5,505	\$2,227	\$548
Variance	\$158	-\$337	\$495	-\$502	\$54

Source: FDIC Summary of Deposits, 2/25/2010

Figure 1
Shift from term to non-term deposits during 2009 (Billions)

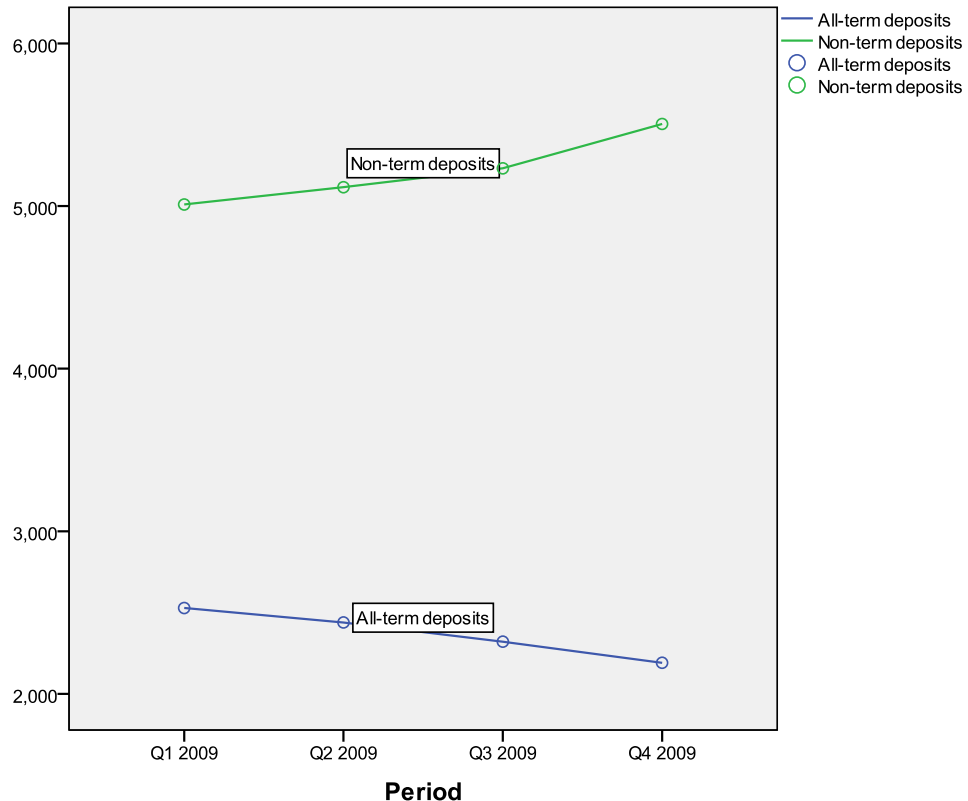


Figure 2
Decrease in short-term deposits during 2009 (Billions)

