

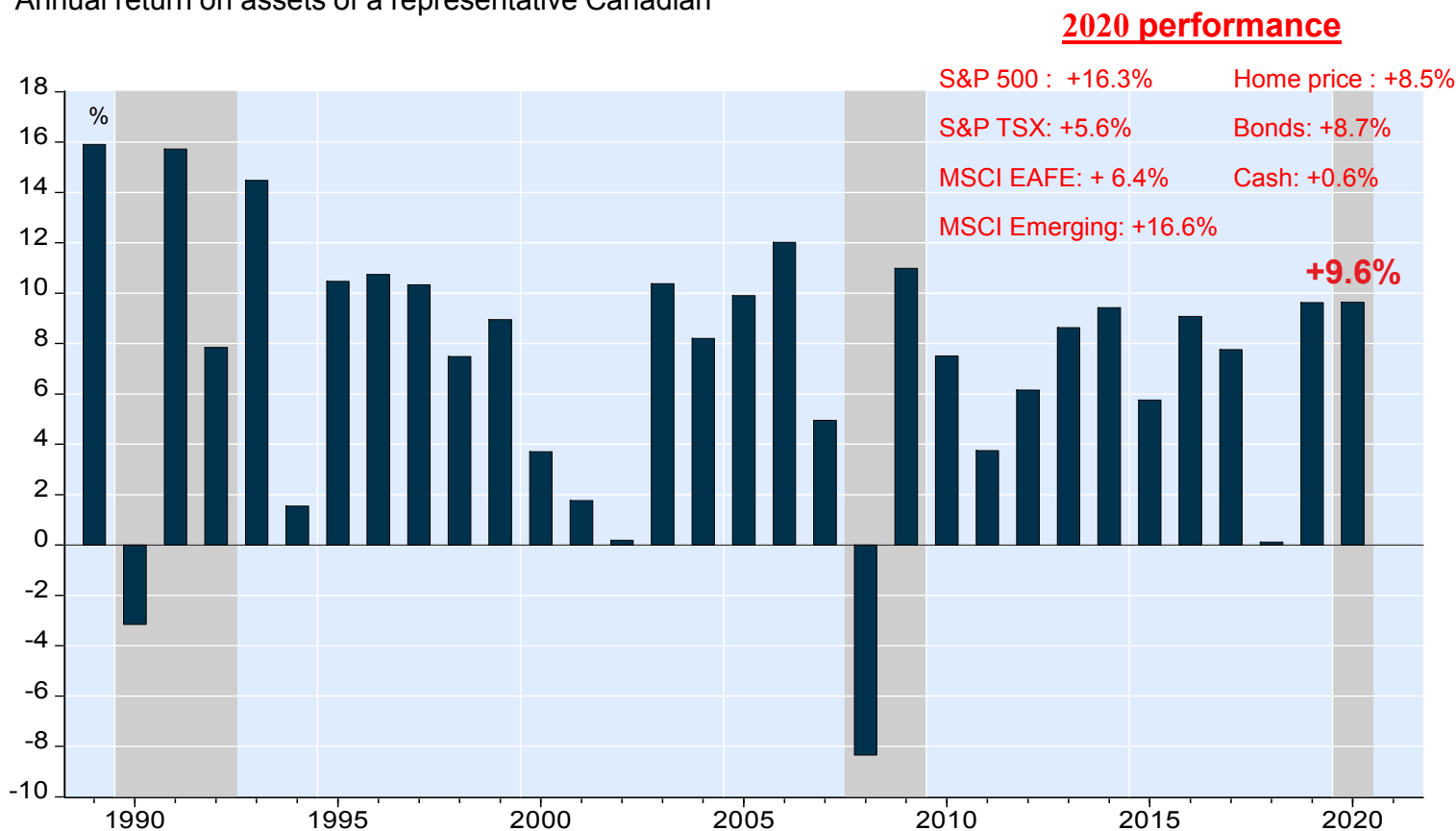
Canada Watch

By Matthieu Arseneau

Back in March 2020, the financial market rout due to the pandemic did not bode well for households. Usually during a recession, a negative wealth effect occurs and erodes consumer confidence and hampers the economic recovery. This time around, however, the rapid and forceful intervention of governments and central banks allowed a solid rebound in financial assets and rising home prices. Now that we can close the books for 2020, we are in a position to assess the evolution of household wealth during this atypical recession year. As today's Hot Chart shows, movements in financial assets and the Teranet/National Bank housing price index suggest a positive wealth effect of 9.6% for a representative Canadian household. For the first time ever, Canadians actually enjoyed an improvement in their balance sheet during the initial year of a recession. This unprecedented development should help sustain the economic recovery in 2021.

Canada: Strong positive wealth effect despite the pandemic

Annual return on assets of a representative Canadian*



* Real estate 35%, financial assets 65% (Breakdown according to NBF portfolio benchmark : bonds 29%, S&P TSX 13%, S&P 500 13%, MSCI EAFE 3% , MSCI Emerging 3%, cash 3%), monthly rebalancing

NBF Economics and Strategy (data from Refinitiv)



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