



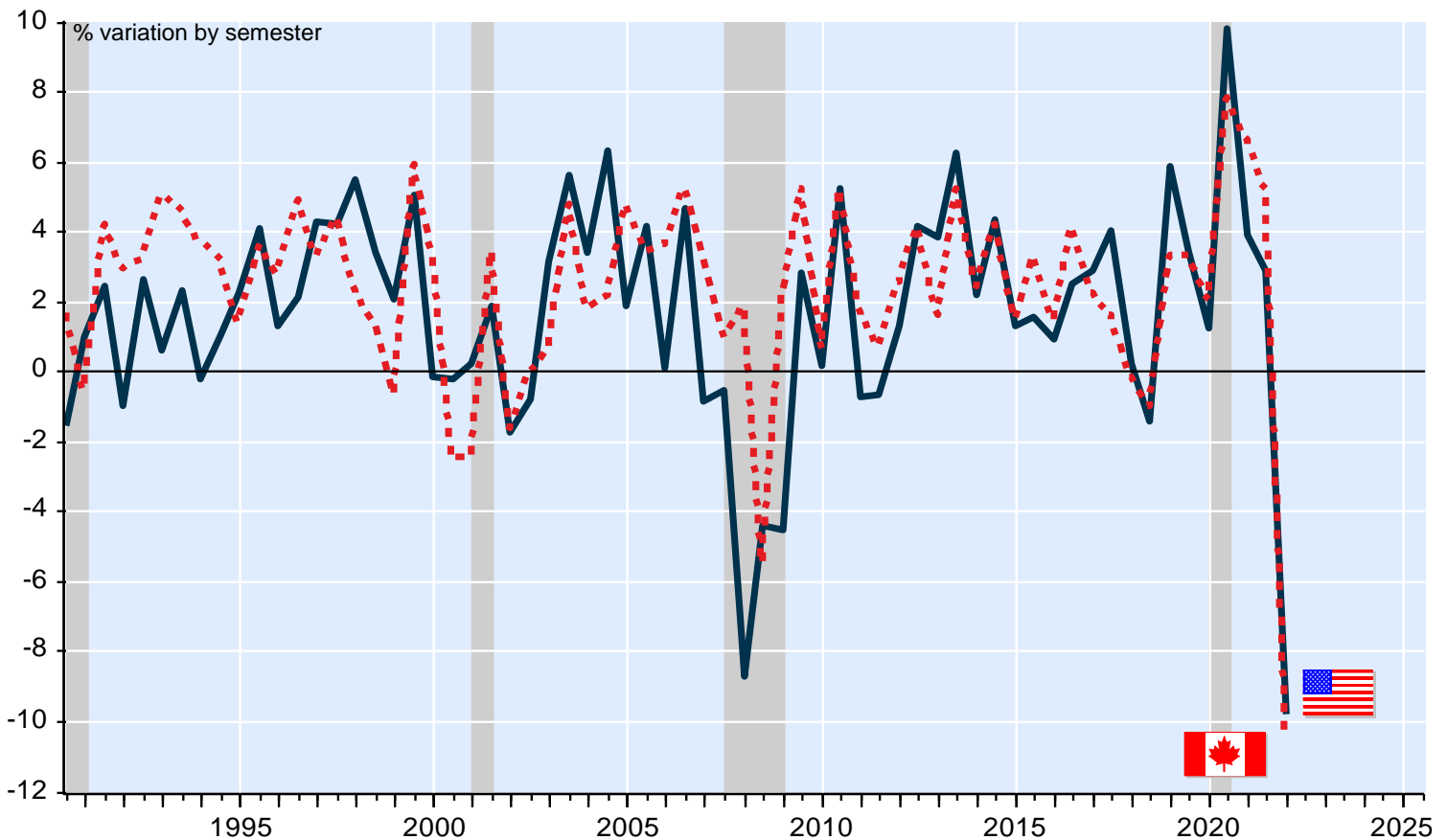
Canada Watch

By Matthieu Arseneau

Statistics Canada released its household balance sheet data yesterday and highlighted a 6% decline in household net worth in Q2 2022, the largest drop on record (data starts in 1990). Not to rub salt in the wound, but the situation is even worse than it first appears. Indeed, household wealth has also been eroded by pernicious inflation since the beginning of the year. As today's Hot charts shows, households have seen their real wealth decline by more than 10% in the first half of 2022, nearly twice as much as the previous worst six-month period at the height of the 2008 financial crisis. South of the border, American households suffered essentially the same fate. Since June, stocks have rallied and the bond market has stabilized, but on the flip side housing values have fallen which is not suggesting a sharp turnaround for household net wealth. There are multiple transmission channels for monetary policy and one of them is via its impact on wealth and consumer confidence. The large negative wealth effect in H1 2022 could negatively impact consumption in the coming quarters.

Canada: Inflation amplified the negative wealth effect in H1 2022

Household net wealth deflated by CPI



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