



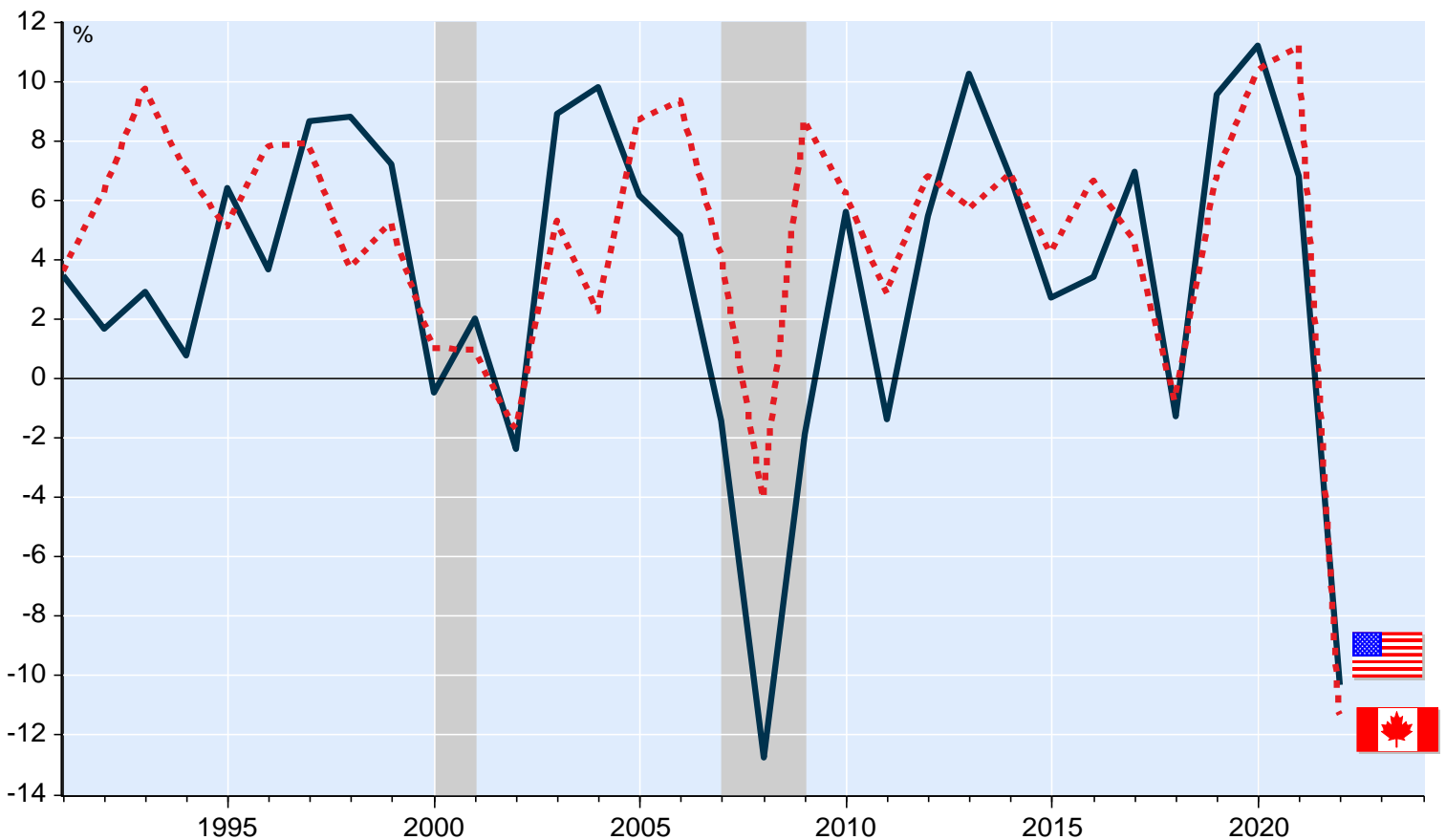
Canada Watch

By Matthieu Arseneau

National household balance sheet data just released by Statistics Canada showed a 2.1 percent decline in household net worth in the third quarter of 2022, a second consecutive quarterly decline that brings the year-to-date loss to 6.0 percent. 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, Canadians have seen their real wealth decline by more than 11% in the first three quarters of 2022, a record loss that is three times larger than in 2008. So far in Q4, inflation has moderated, stocks and bonds have rallied, but housing values have continued to fall. So 2022 remains on track to be one of the worst years on record for both Canadian and American households. This negative wealth effect, combined with the increase in the burden of interest payments and the negative real income shock, will contribute to consumption weakness in the coming quarters.

Canada: Inflation has amplified the loss of wealth

Household net wealth deflated by CPI – annual return except for 2022 (first three quarters)



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