

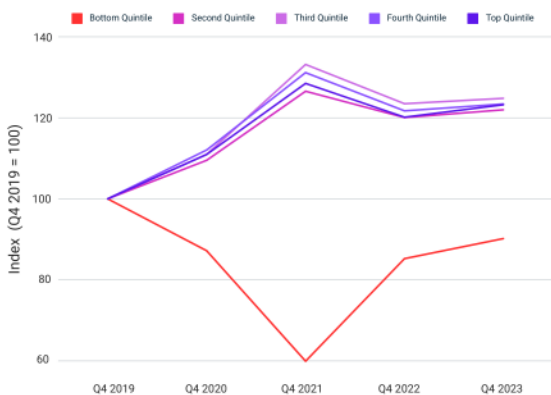
COVID, INFLATION, & WEALTH INEQUALITY

Gabriel Louër, University of Winnipeg

WEALTH INEQUALITY worsened over the pandemic. Between Q4 2019 and Q4 2023, the average household in the top quintile **gained 23%** in total assets, whereas those in the bottom quintile **lost 10%** in total assets.*

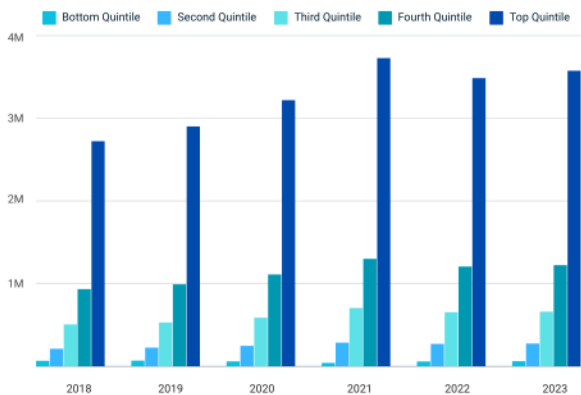
Distribution of Household Total Assets

The poorest households lost ground rapidly in the first years of the pandemic



Source: Statistics Canada

The wealthiest households have almost 60 times the total assets of the poorest



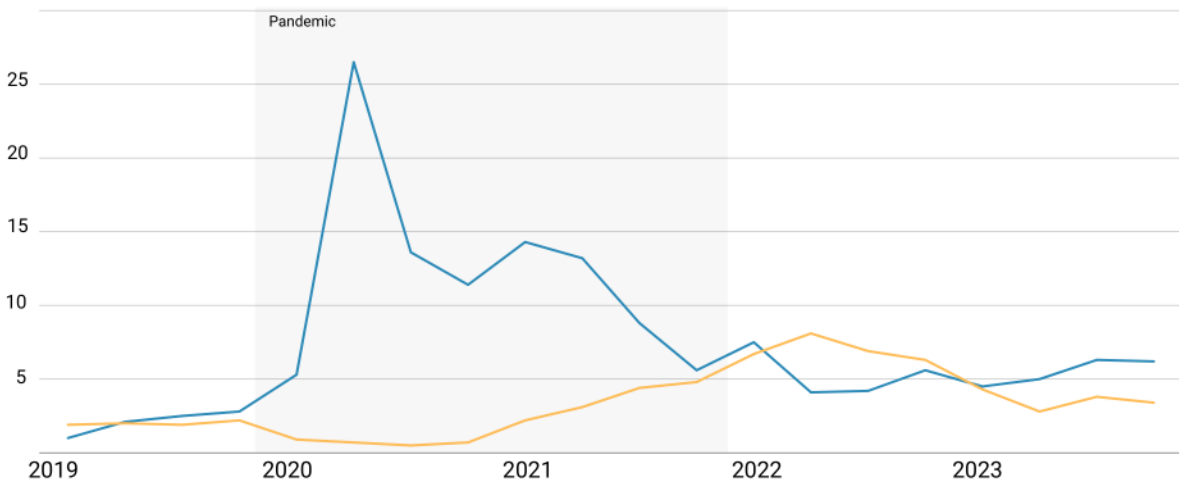
Source: Statistics Canada

WHY DID INEQUALITY WORSEN? The pandemic brought with it not just disease but economic upheaval which necessitated dramatic fiscal and monetary responses, heightening inflation in the process. In the wake of the pandemic, inflation peaked at **8.1%** compared to the historical average of around **2%** during the last ten years.† Rising prices meant the real value of wealth for the least wealthy eroded even more than in nominal terms.

WHAT CAUSED INFLATION? Supply chain disruptions due to covid, heightened geopolitical tensions, and too many dollars chasing too few goods all contributed.

Household Savings and Inflation

■ Household Savings Rate ■ CPI



Source: Statistics Canada, Bank of Canada

MONETARY POLICY The Bank of Canada increased the interest rate to combat inflation. As a result, many low-income Canadians were hurt by the increased borrowing costs, along with the transfer of wealth.

FISCAL POLICY Canadians have among the lowest household savings of OECD countries.‡ By encouraging saving and adopting progressive taxation policies the federal government can help reduce wealth inequality and assure greater preparedness for the next pandemic.

* Statistics Canada, Table 36-10-0660-01

† Bank of Canada, 'Total CPI', 2023

‡ OECD, 'National Accounts of OECD Countries', 2022