

Recent Trends in Wealth Inequality: Canada and the World

Jim Davies

CIC Conference on Inequality

June 8, 2021

Our Research

Jim Davies, Susanna Sandström, Tony Shorrocks, and Ed Wolff:

- “The world distribution of household wealth” in J.B. Davies (ed.) *Personal Wealth from a Global Perspective* (OUP, 2008)
- “The level and distribution of global household wealth”, *Economic Journal*, March 2011

Tony Shorrocks, Jim Davies, and Rodrigo Lluberas:

- Credit Suisse Global Wealth Report & Databook 2010, 2011 ..., 2020.
- “Estimating the level and distribution of global wealth 2000-2014” *Review of Income and Wealth*, 2017

Related work: Jim Davies and Livio Di Matteo, “Long Run Canadian Wealth Inequality in International Context”, *ROIW*, March 2021.

Objective of Our Global Wealth Study

To measure the world distribution of *household wealth* across individuals, countries and regions

- wealth = **real assets + financial assets – debts**
 - employer-based pensions included, but not social security
- wealth level results for years **2000 – 2019 and June 2020**
- wealth shares & Gini coefficients for **2000 - 2019**

Methods

I. Estimate country wealth levels

- Official household balance sheets (50 countries, 61% of world pop., 94% of world wealth)
- Econometric approach for other countries

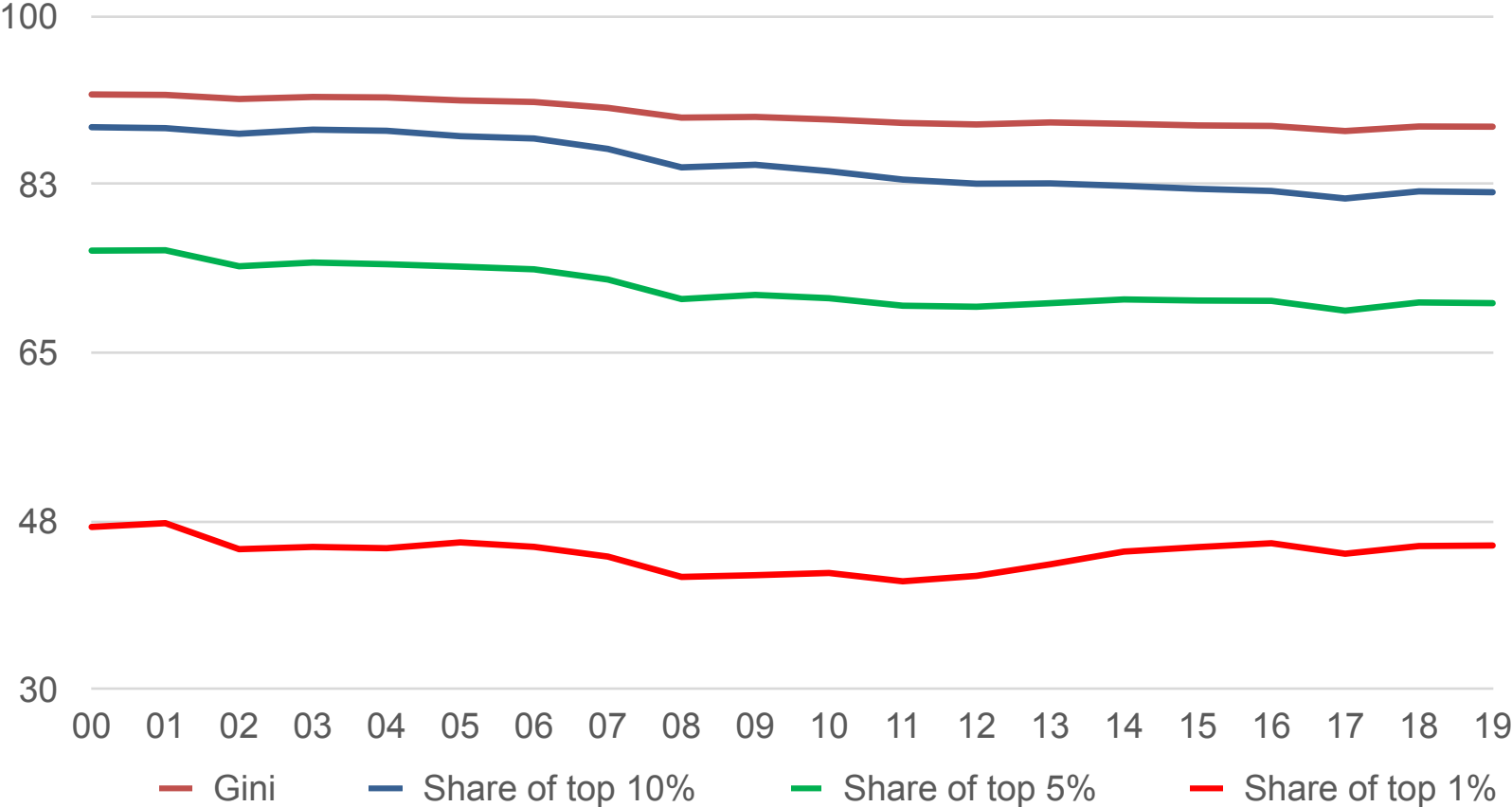
II. Estimate wealth distribution within countries

- Household wealth surveys (35 countries, 55% of world pop., 85% of world wealth)
- Wealth distribution inferred from income distribution elsewhere
- Upper tail made consistent with Forbes world billionaires list

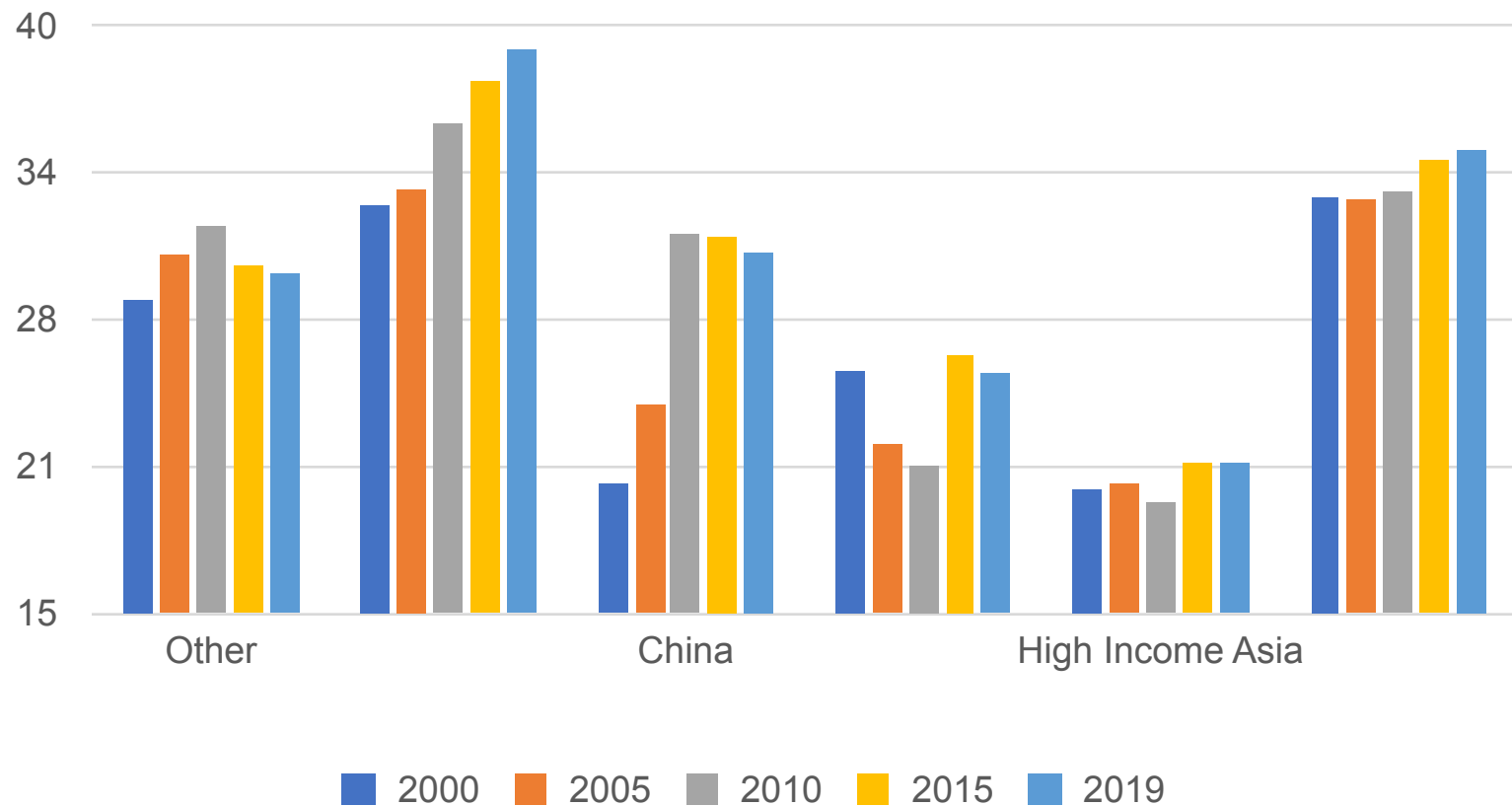
Wealth levels across Countries

Wealth per adult (USD)	2007	June 2020	Average annual %Δ
Switzerland	\$ 387,100	\$ 621,800	3.9%
USA	313,200	442,400	2.8
Canada	239,700	294,600	1.7 (3.9% CAD)
Japan	196,400	239,600	1.6
Brazil	15,600	27,700	4.7
China	14,400	73,900	14.0
India	7,700	17,400	6.7
WORLD	54,600	77,000	2.8
WORLD median	3,800	8,100	6.2

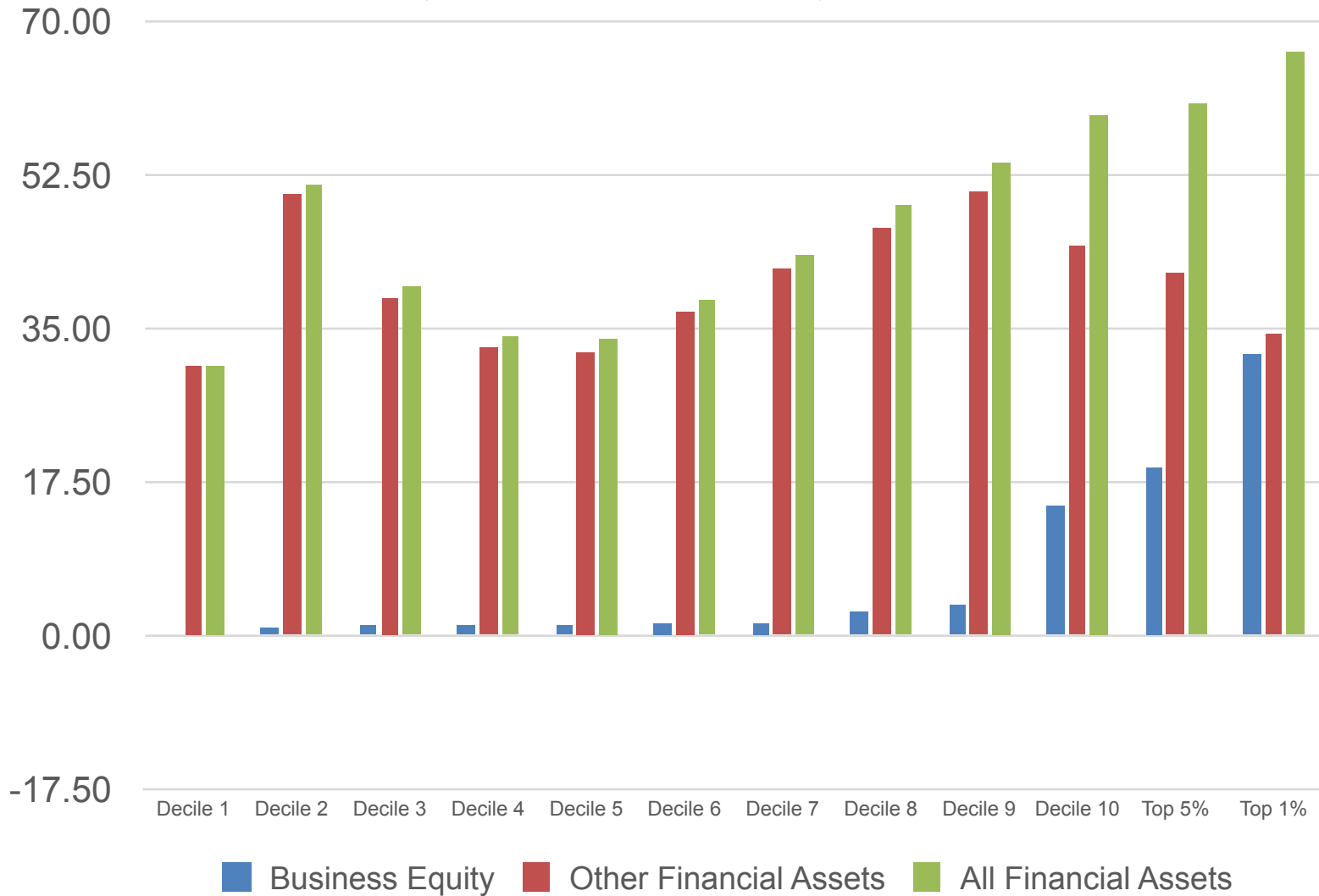
Global Inequality Trends, 2000-2019



Average wealth share of top 1% by country type



Asset Types as % of Total Assets, by wealth: Canada, 2016



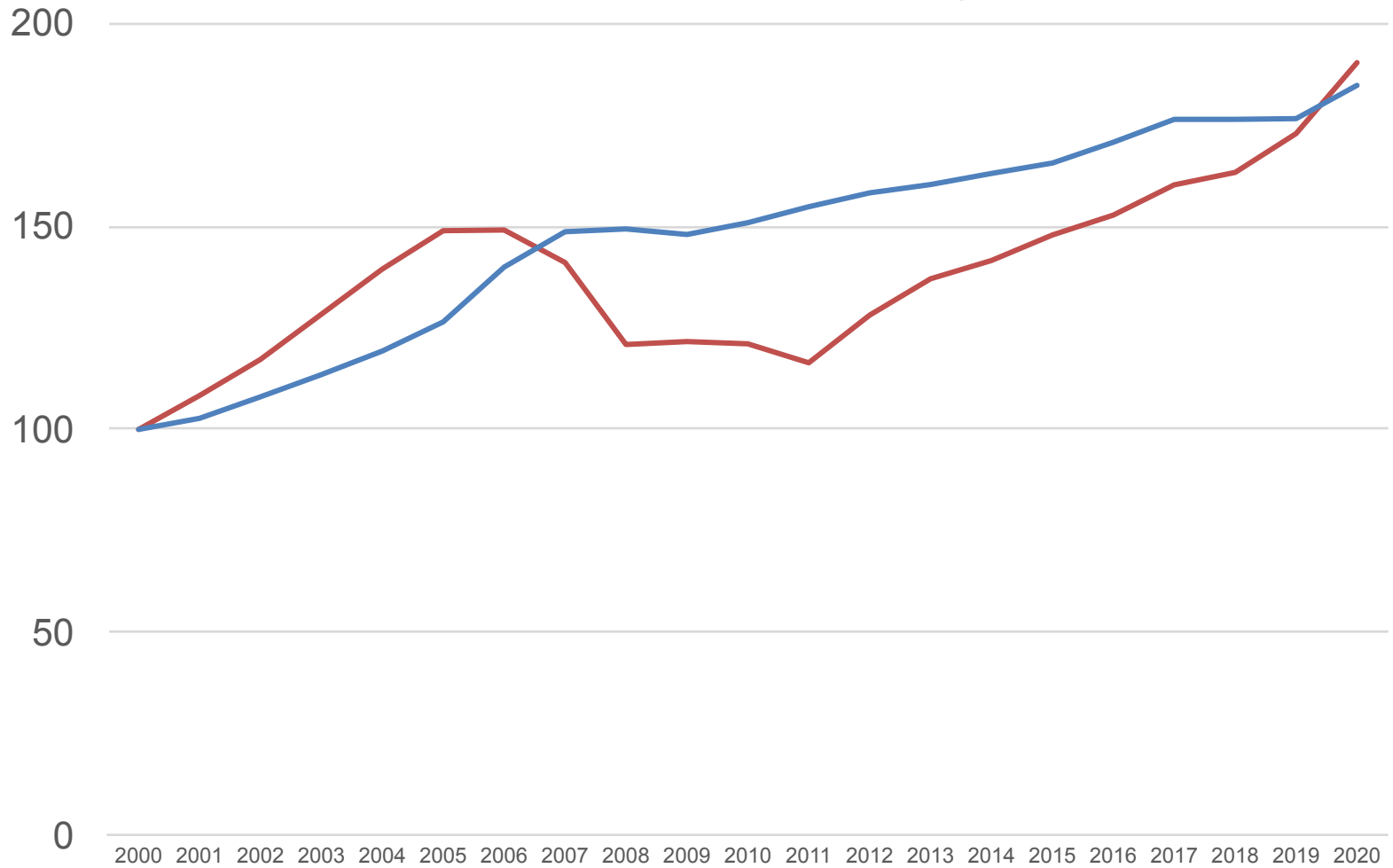
Financial assets and debts as % of total household assets, 2000 - 2019

Year	World		Canada		United States	
	Financial Assets	Debts	Financial Assets	Debts	Financial Assets	Debts
2000	55.4	13.4	55.7	14.4	68.1	13.9
2005	51.5	13.7	53.5	16.5	63.0	15.7
2010	50.7	13.8	52.2	18.5	70.1	17.1
2015	53.1	12.2	52.0	16.9	72.2	13.4
2019	52.8	11.6	53.3	16.6	72.6	11.9

Wealth Shares, 2000 - 2019

Year	World		Canada		United States	
	Top 1%	Bottom 90%	Top 1%	Bottom 90%	Top 1%	Bottom 90%
2000	48.2	11.4	29.2	37.5	32.8	30.2
2005	46.0	12.6	26.1	41.4	32.7	29.4
2010	42.6	16.0	22.6	44.2	33.3	26.2
2015	45.0	17.6	23.6	43.7	34.8	24.6
2019	43.3	19.6	24.0	43.5	35.0	24.3

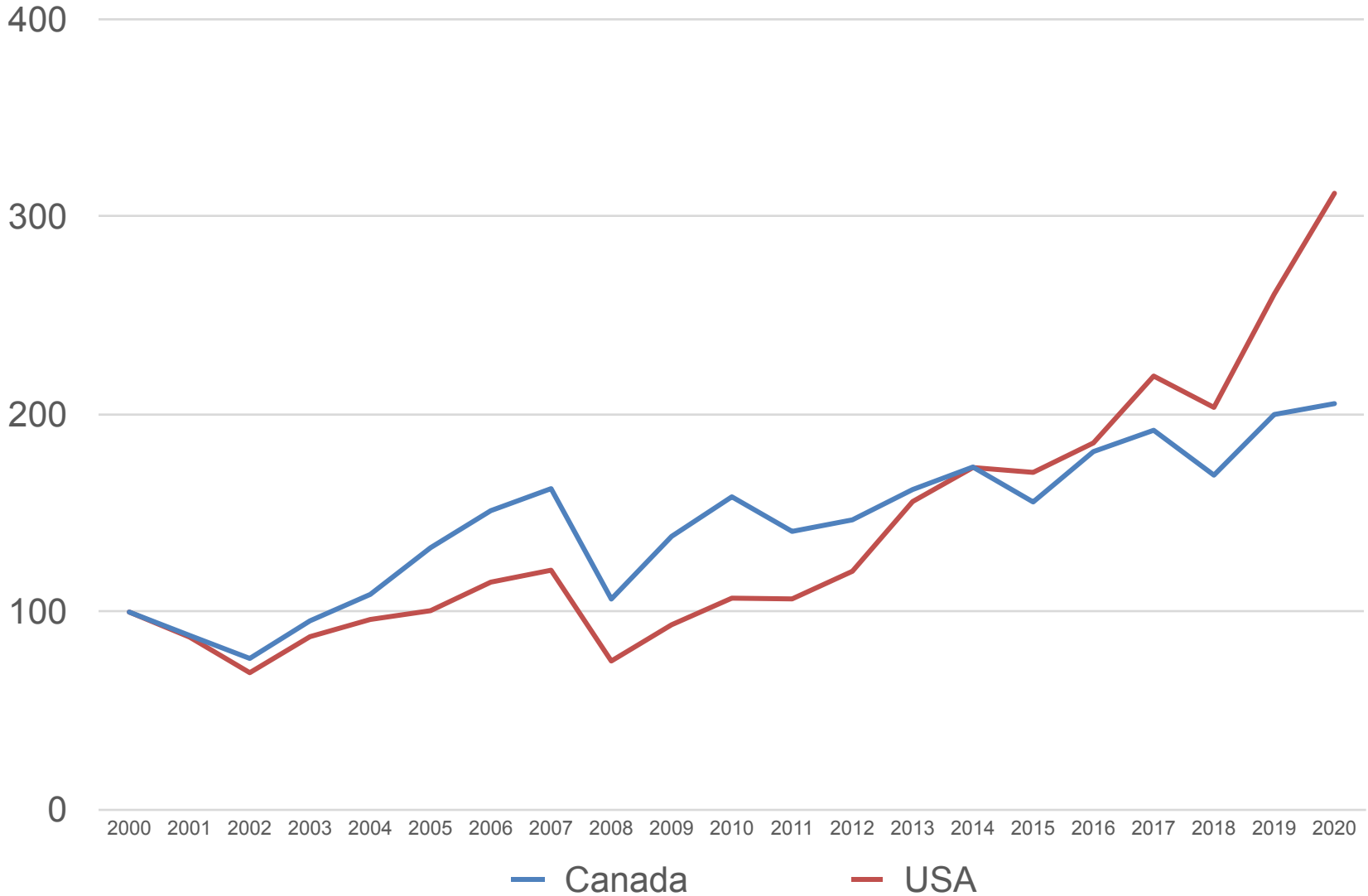
House Price Indexes, 2000 to 2020, year-end



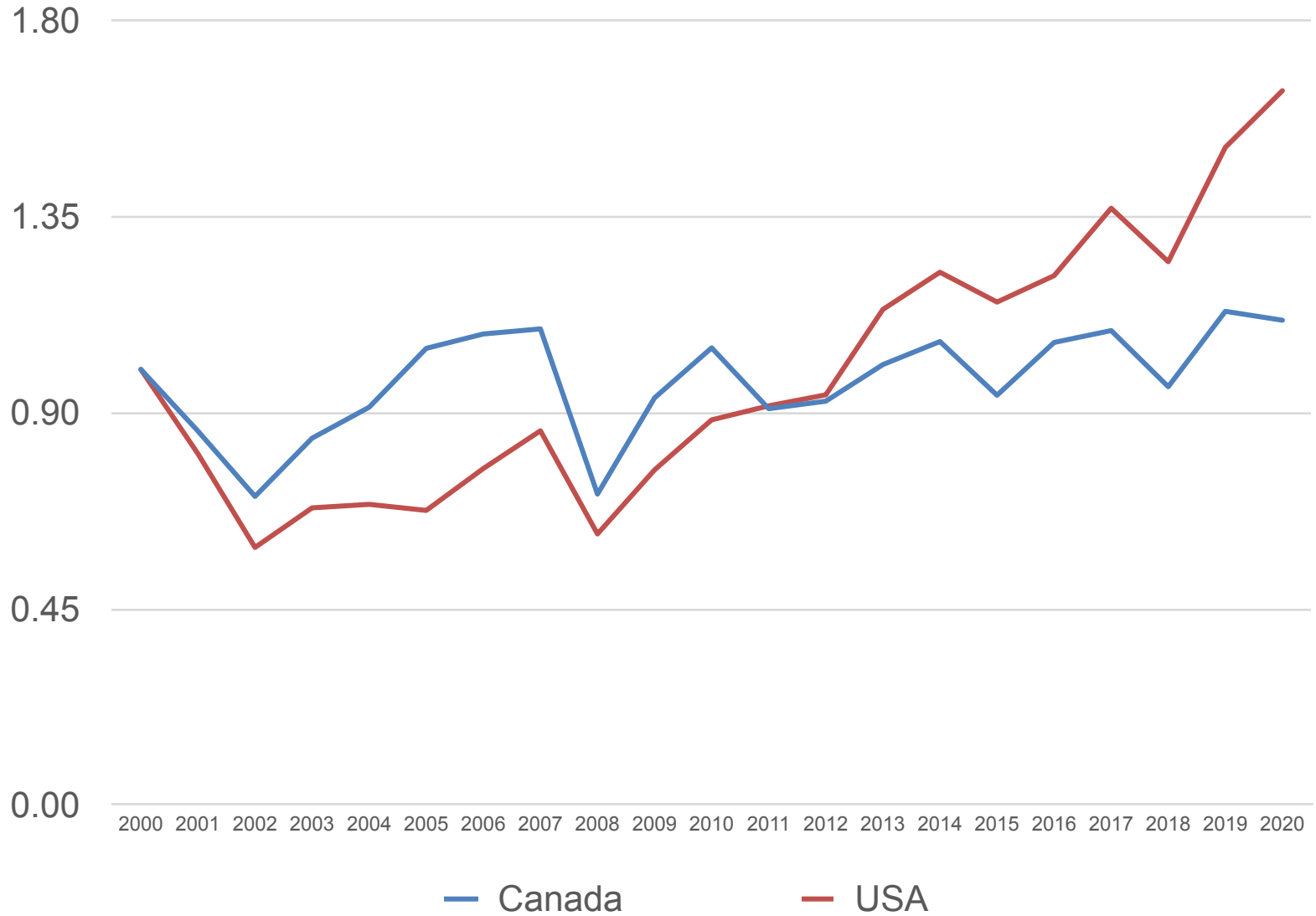
— Canada

— USA

Stock Price Indexes, 2000 to 2020, year-end



Ratio of Stock Price Index to House Price Index, 2000 to 2020, year-end

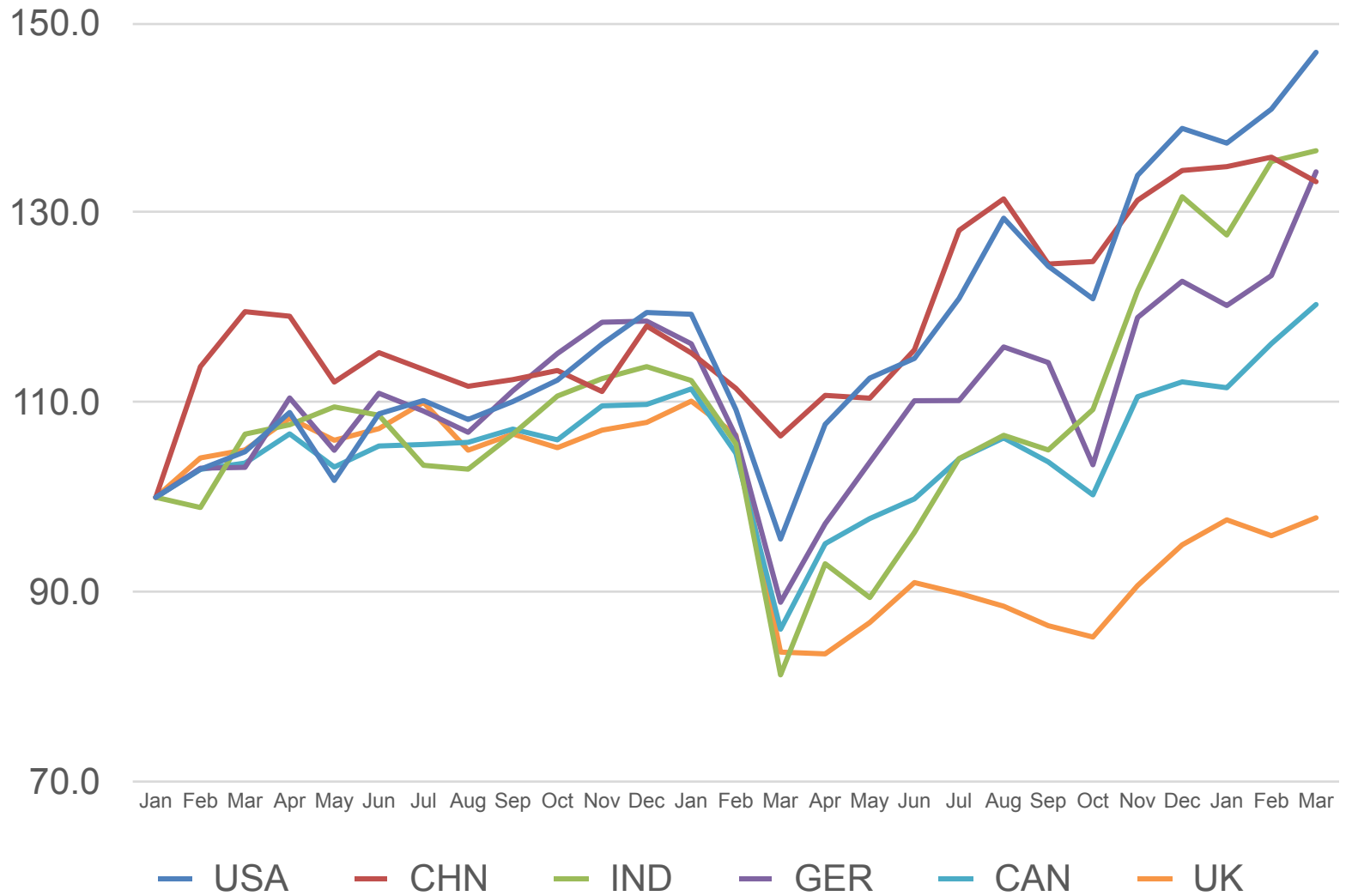


The Pandemic and Wealth Inequality

- GDP ↓ in most countries → wealth ↓ and inequality ↑
 - unemployment ↑↑ in North America, but weaker effect in Europe
- Emergency benefits & “stimulus” in rich world
 - Disposable income & saving ↑
 - Public debt % of GDP ↑ 10-20 %
- Stock prices initially ↓ but ↑↑ since March 2020
- House prices ↑ 5 to 10% in many countries

	GDP Per Capita 2019 (USD)	GDP Fall 2020 (%)	Covid Stimulus (% of GDP)
USA	68,942	2.3	26.5
Canada	46,345	5.0	18.6
Germany	46,239	2.0	39.3
Italy	33,111	7.2	37.6
Mexico	9,897	14.0	1.9
Brazil	8,864	24.0	12.0
South Africa	5,966	14.1	2.8
India	2,089	6.3	8.6

Major Stock Price Indexes: January 2019 – March 2021



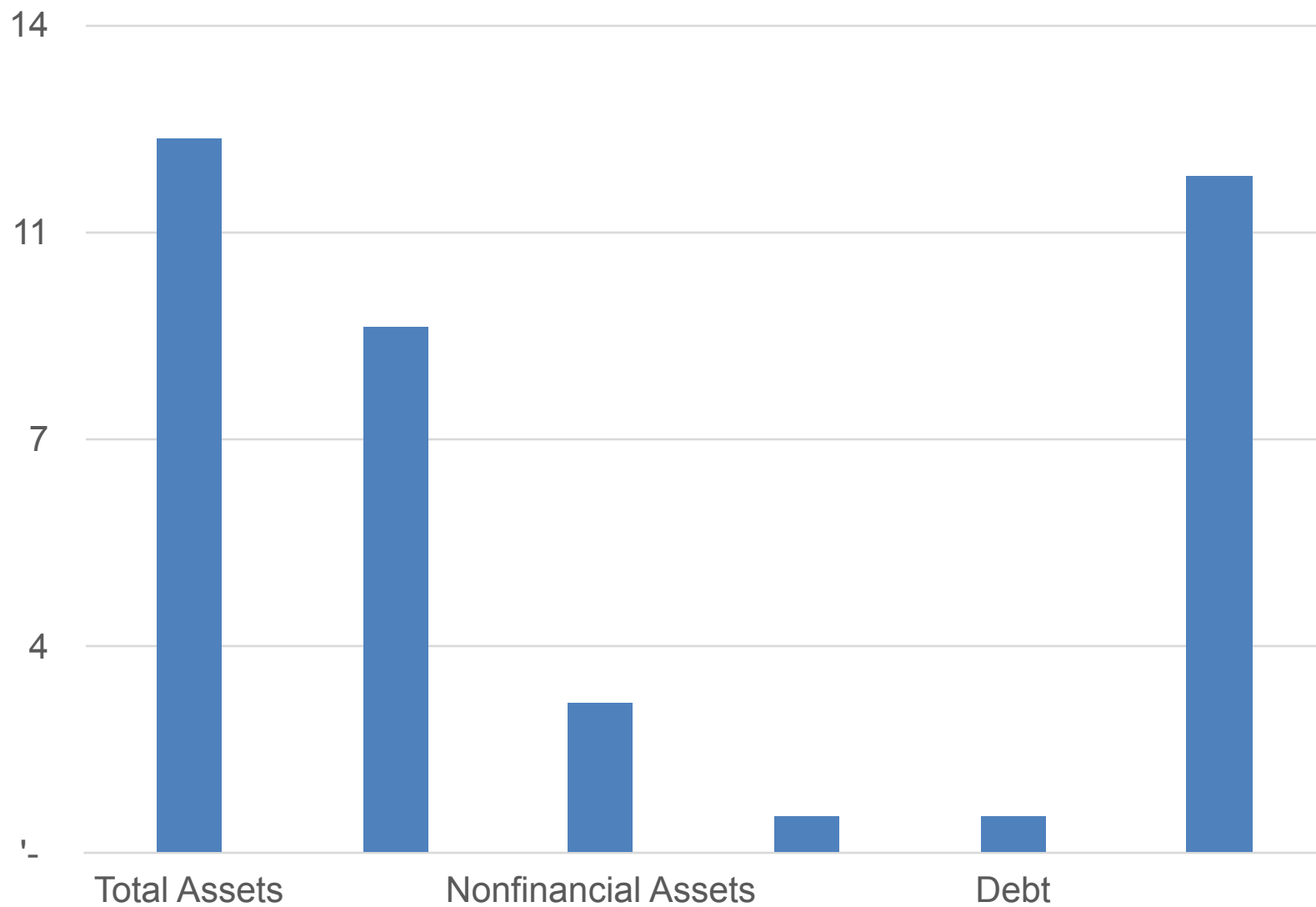
Billionaires' Wealth Changes After February 19, 2020: USD and Per Cent

	March 2020		June 2020		June 2021	
Top 10	-339b	(-33%)	-159b	(-16%)	+256b	(+25%)
Top 100	-1,142b	(-31%)	-483b	(-13%)	+722b	(+20%)
Top 1000	-2,721b	(-30%)	-1,400b	(-15%)	+1,240b	(+14%)
Top 10 Tech	-238b	(-29%)	-49b	(-6%)	+157b	(+19%)
Top 100 Tech	-446b	(-29%)	-48b	(-3%)	+418b	(+27%)

Public Sector Bails Out Household Sector: USA, 2020

- GDP Reduction: \$1,379 b
- Covid-19 Stimulus: \$5,200 b
- Increase in Public Debt: \$3,985 b
- Increase in Household Saving: \$2,600 b
- Increase in Household Wealth: \$6,661 b

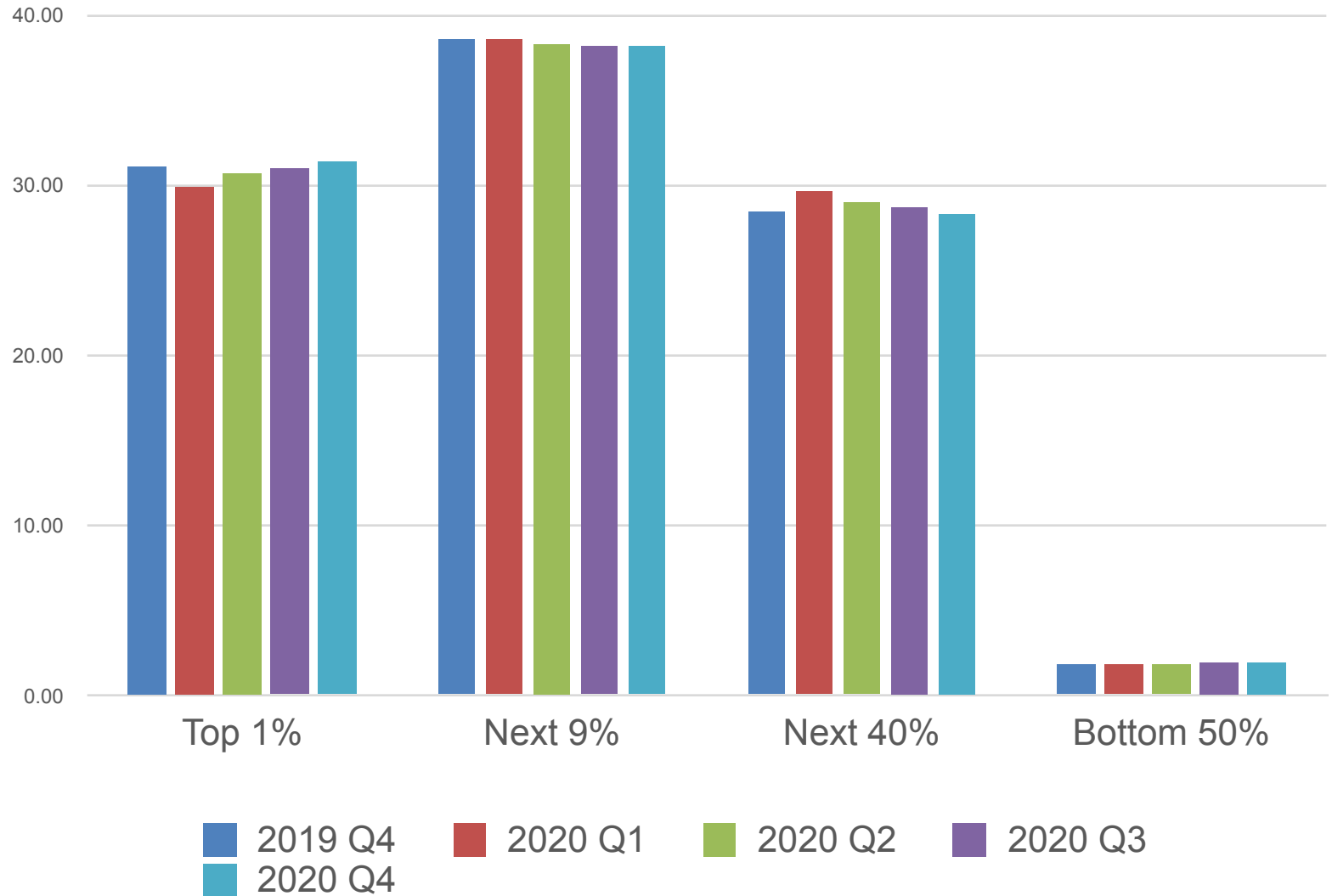
Changes in Asset, Debt and Net Worth Totals, USA 2019 Q4 to 2020 Q4 (\$trillion)



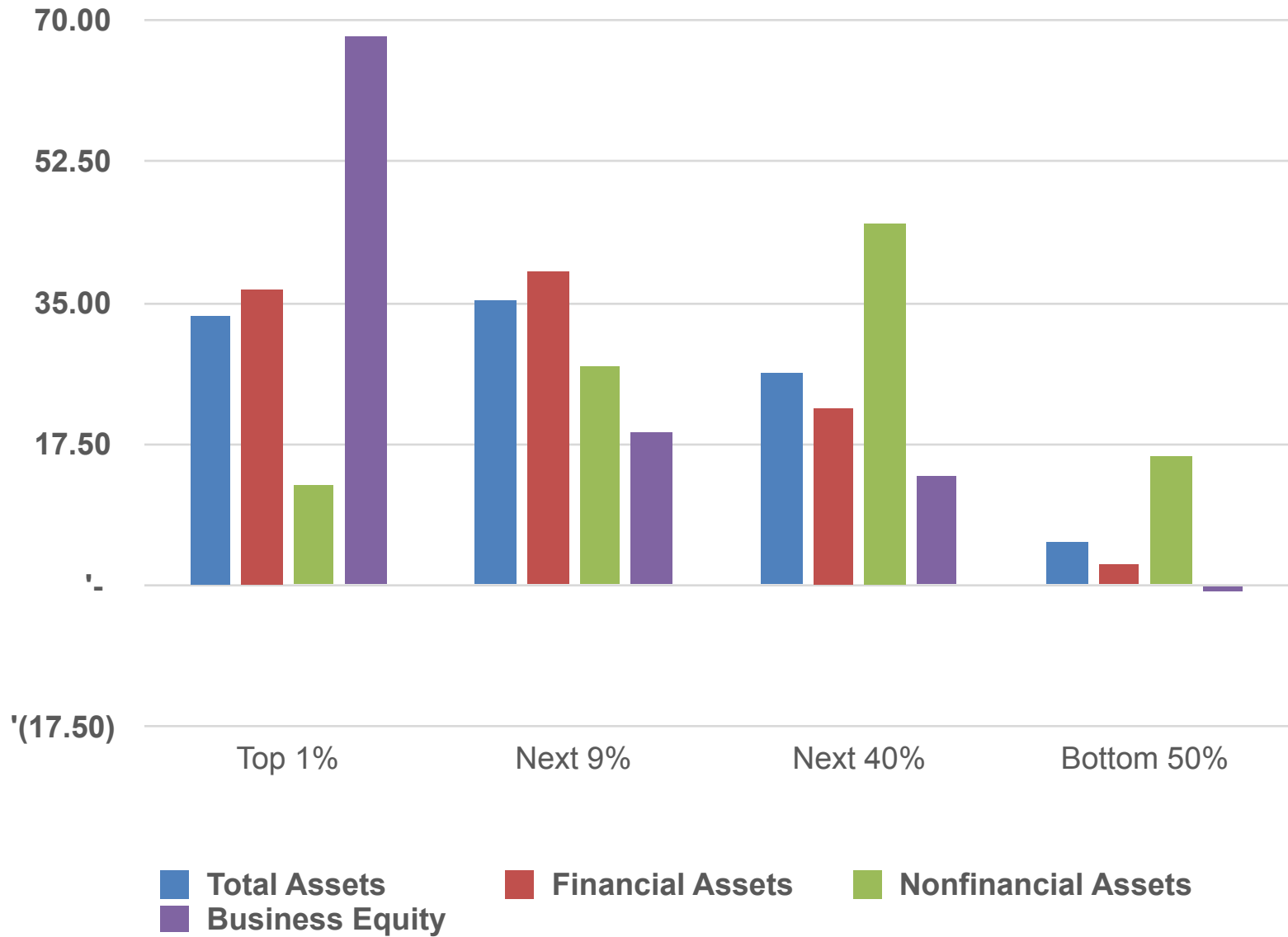
DFA Estimates of USA Wealth Shares 2019-2020 (%)

Quarter	Top 1%	Next 9%	Next 40%	Bottom 50%
2019 Q4	31.1	38.6	28.5	1.8
2020 Q1	30.0	38.5	29.6	1.9
2020 Q2	30.8	38.4	29.0	1.9
2020 Q3	31.1	38.2	28.7	2.0
2020 Q4	31.4	38.2	28.3	2.0

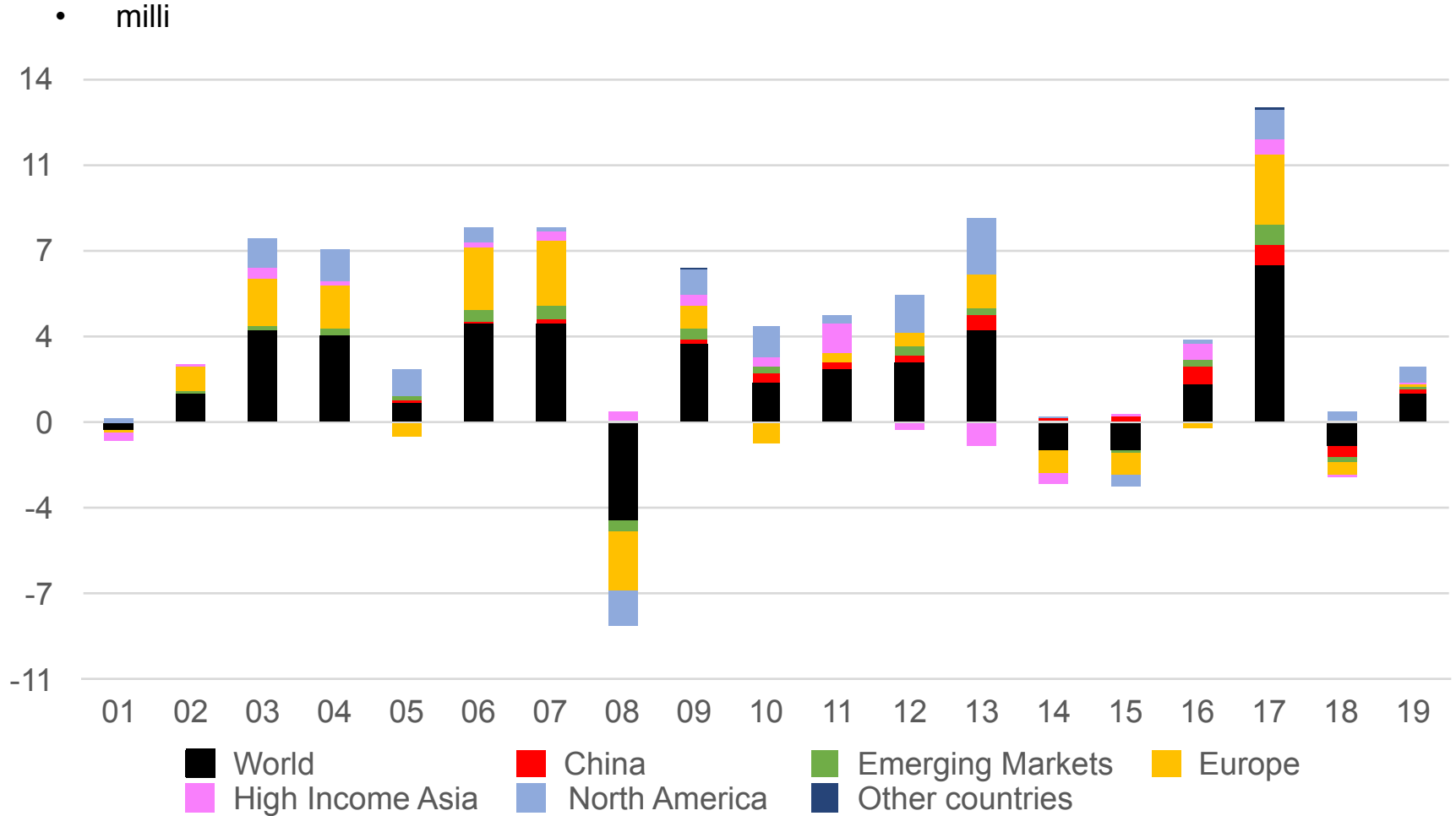
% Wealth Shares USA, 2019 Q4 to 2020 Q4: DFA Data



% Shares of Increase in Assets, USA 2019 Q4 to 2020 Q4



Change in global number of USD millionaires



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Special topics in our annual reports

2010: Gender dimensions; Wealth Composition

2011: Long-run trends in levels Wealth & Age

2012: Debt; Inheritance

2013: Mobility; Wealth in the Eurozone

2014: Inequality trends since 2000

2015: The global middle class

2016: The bottom billion 2018: Women and wealth

2017: The millennials 2019: Evolution of wealth levels and
distribution, 2010 – 2019