

Wickham Investment Counsel Inc.

Quarterly Review

June 2021

Pandemic Millionaires

The global pandemic decimated the global economy last year. In the second quarter of 2020, real GDP fell by 11.3% in Canada and by 9.0% in the United States. Unemployment rose sharply, from pre-pandemic 3.7% in the US and 5.7% in Canada, to 13.1% in both countries. Reported deaths due to covid-19 soared. Given the severity of the global crisis, it is a great paradox that the locked down economy has shown that global household wealth has been very resilient to these adverse economic conditions. These household wealth outcomes in 2020 were generally not foreseen.

According to the global wealth report for 2021 by Credit Suisse, the global number of millionaires expanded by 5.2 million to reach 56.1 million last year. ***As a result, an adult now needs more than \$1 million USD to belong in the global top 1%. In Canada, average wealth per adult increased by a remarkable 9.6% in US dollar terms. The number of Canadians who are USD millionaires rose from 1.4 million to 1.7 million in the past year of the pandemic.***

Wealth impacts of the pandemic have differed among population sub-groups; Canada recorded one of the largest percentage increases in government borrowing during the pandemic, including large amounts of generous government relief payments, loans to businesses and other public assistance. Real personal disposable income rose by 2.3% in Canada and 7.2% in the US. As private consumption fell, households engaged in “excess savings”, rather than spending, or being unable to spend, on non-essentials. Globally, Moody’ Analytics estimates the global “excess savings” due to the pandemic totaled \$5.4 US trillion. Public debt as a percent of GDP rose from 86.8% to 117.8% in Canada and from 108.2% to 127.1% in the United States.

With lower interest rates and government stimulus, most stock markets around the world performed well after their initial dive in March 2020. Portfolio composition and asset allocation tended to boost the wealth of those with a higher share of equities among their assets. As well, homeowners in most markets have seen capital gains due to low interest rates and rising house prices. Across 56 countries, house prices rose by an average of 5.6% in 2020; by 10.8% in the US, one the fastest rates of increase on record, and more robustly in other countries including Canada. The confluence of rising asset prices and currency appreciation resulted in substantial gains in total wealth. Few countries suffered a loss. Canada has been a global standout in a sharp contrast between soaring household wealth and imploding economic output, experiencing a 15-percentage point gap.

The pandemic has done little to influence wealth inequality in the world, although all countries are making progress in an absolute sense of overall wealth. Since the global financial crisis in 2008, stock prices has risen more in the US than Canada, while home prices have risen faster in Canada. In the US, the share of wealth of the top 10% is 75.7% compared with 56.5% in Canada. The wealth share of the top 1% in the US was 31.4% in 2020. While more than 1% of global adults are dollar millionaires (mainly in the US, China, Japan and Germany), among the global adult population of 5.2 billion in 2020, ***a person needed net assets of just \$7,552 USD to be among the***

wealthiest half of the world's citizens. Appallingly, the bottom 50% of adults in the global wealth distribution together accounted for less than 1% of the total global wealth. On the other hand, eight billionaires have roughly 50% of the world's wealth; namely, Bill Gates (Microsoft), Jeff Bezos (Amazon), Warren Buffet (Berkshire Hathaway), Mark Zuckerberg (Facebook), Larry Ellison (Oracle), Michael Bloomberg (Bloomberg terminals), Carlos Slim (Telmex), Amancio Ortega (Zara).

Table 1: Change in the number of millionaires by country, 2020

Main gains			Main losses				
Adults (thousand) with wealth above USD 1 m			Adults (thousand) with wealth above USD 1 m				
Country	2019	2020	Change	Country	2019	2020	Change
United States	20,222	21,951	1,730	Brazil	315	207	-108
Germany	2,319	2,953	633	India	764	698	-66
Australia	1,412	1,805	392	Russia	313	269	-44
Japan	3,272	3,662	390	Hong Kong SAR	560	520	-40
France	2,159	2,469	309	United Arab Emirates	208	169	-39
United Kingdom	2,233	2,491	258	Saudi Arabia	268	236	-32
China	5,022	5,279	257	Thailand	108	86	-21
Canada	1,436	1,682	246	Kuwait	93	79	-14
Netherlands	826	1,039	214	Chile	77	64	-12
Italy	1,293	1,480	187	Mexico	274	264	-10
World	50,873	56,084	5,211	World	50,873	56,084	5,211

Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2021

	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2018	Dec 31, 2019	Dec 31, 2020	June 30, 2021	% Change Dec-Jun
Stock Market Indices									
S&P/TSX Comp.	14,632	13,010	15,288	16,209	14,323	17,063	17,433	20,166	15.68%
Dow Jones Ind.	17,823	17,425	19,763	24,719	23,328	28,538	30,607	34,503	12.73%
S&P 500	2,059	2,044	2,239	2,674	2,507	3,231	3,756	4,298	14.43%
Nasdaq Comp.	4,736	5,007	5,383	6,903	6,635	8,973	12,888	14,504	12.54%
Commodities									
Gold - US\$	1,184	1,060	1,252	1,309	1,281	1,523	1,895	1,772	-6.49%
Crude Oil WTI - US\$	53.27	37.04	53.72	60.42	45.41	61.06	48.52	73.47	51.42%
Natural Gas - US\$	2.91	2.35	3.74	2.95	2.94	2.19	2.54	3.65	43.70%
Currencies									
€ in Cdn \$	1.41	1.50	1.42	1.50	1.56	1.46	1.56	1.47	-5.77%
£ in Cdn \$	1.82	2.04	1.66	1.69	1.74	1.72	1.74	1.71	-1.72%
US\$ in Cdn \$	1.16	1.38	1.34	1.26	1.37	1.30	1.27	1.24	-2.36%
Interest Rates									
Cdn Prime rate	3.00	2.70	2.70	3.20	3.95	3.95	2.45	2.45	0.00%
US Prime rate	3.25	3.50	3.50	4.50	5.50	4.75	3.25	3.25	0.00%
Cdn 10 Yr bond	1.79	1.41	1.72	2.04	1.95	1.64	0.70	1.42	102.86%
US 10 Yr bond	2.17	2.27	2.44	2.40	2.69	1.92	0.93	1.45	55.91%

Source: The Globe & Mail