



Wealth Inequality and COVID- 19 in the US

EVIDENCE FROM THE
DISTRIBUTIONAL FINANCIAL
ACCOUNT

Note: The analysis and conclusions set forth are those of the authors and do not indicate concurrence by other members of the research staff, the Board of Governors, or the Federal Reserve System.

Elizabeth Holmquist, Federal Reserve Board of Governors | 11th Biennial IFC Conference, BIS, Basel, 25 August 2022

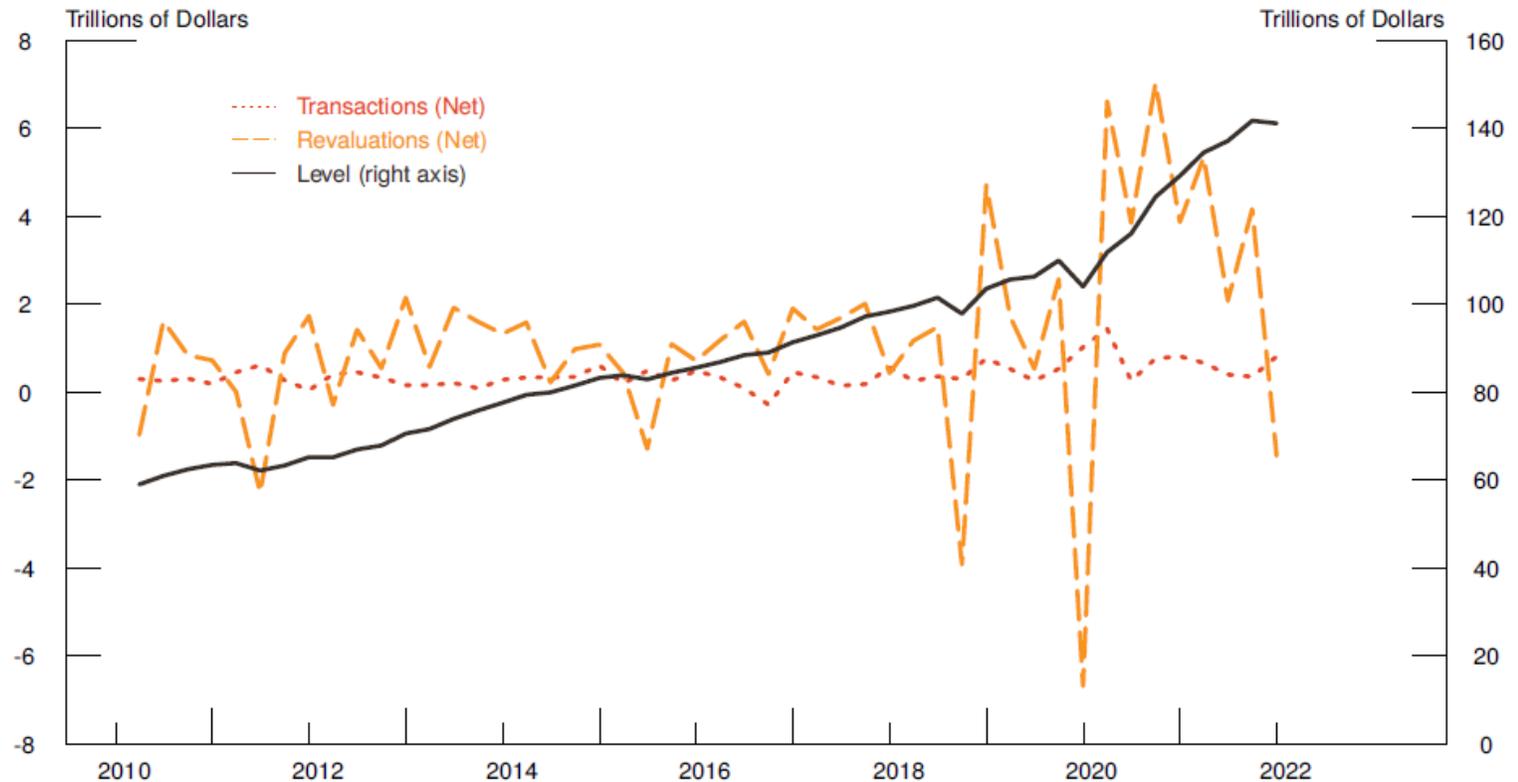
Outline

1. Changes in aggregate household wealth during the COVID-19 pandemic
2. The composition and distribution of wealth over COVID-19 using the Distributional Financial Accounts
3. Implications of pandemic driven excess savings on the distribution of wealth
4. Conclusion

U.S. Households gained \$31 trillion since 2019

- Revaluations account for nearly 80% of wealth creation
- Equity markets rebounded strongly after the 2020:Q1 crash
- Real estate price growth accelerated in 2020:H2

Level and Change in Aggregate U.S. Household Net Worth

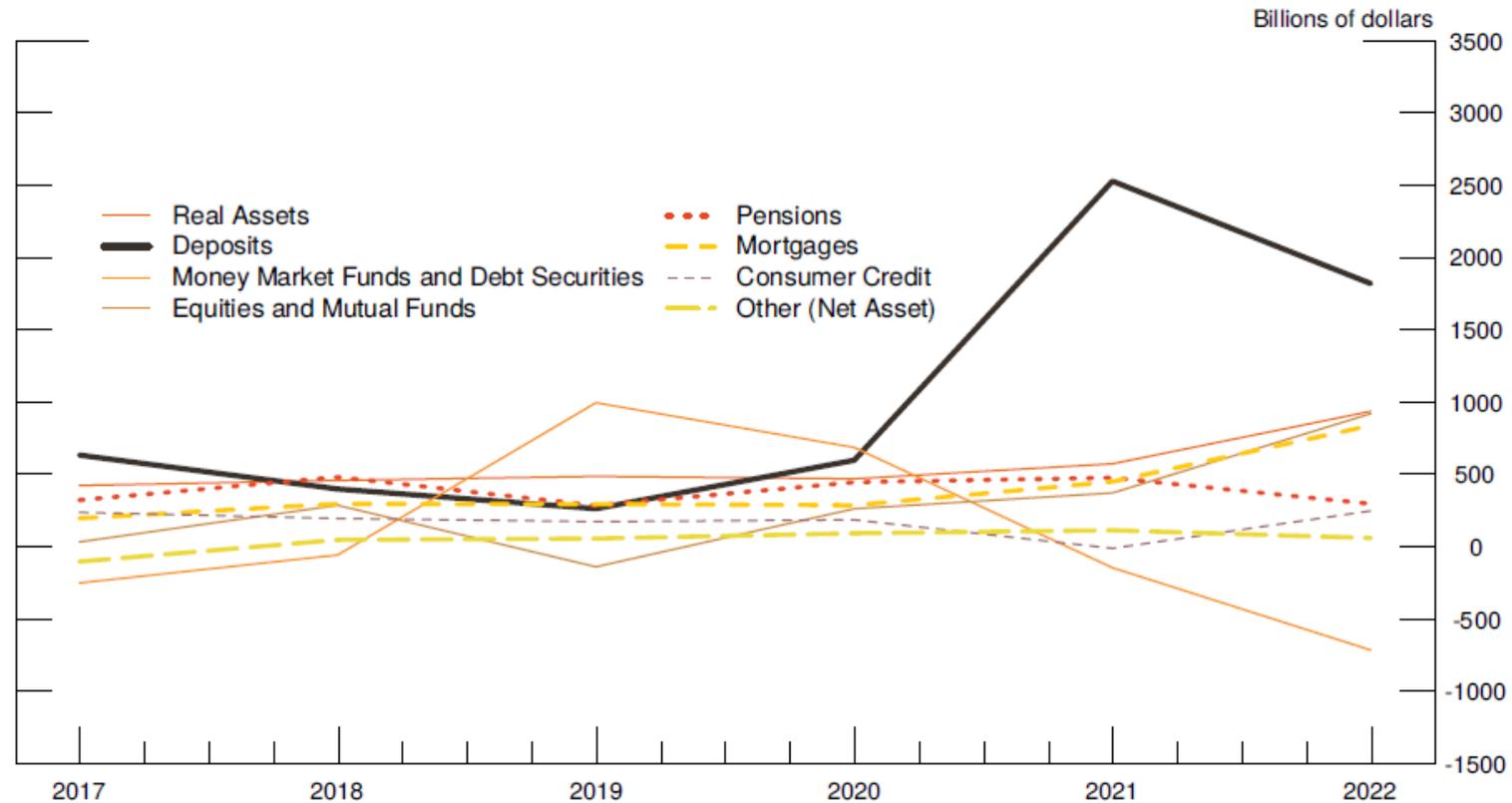


Note: Other changes in volume, which account for a much smaller portion of wealth change, are omitted.
Source: Financial Accounts of the United States, June 9, 2022.

Household savings also surged during the pandemic

- Resilience in certain sectors of the economy, reduced consumption, and large amounts of fiscal relief fueled savings
- Increased savings largely flowed to deposits, which saw unprecedented gains in net transactions over the pandemic

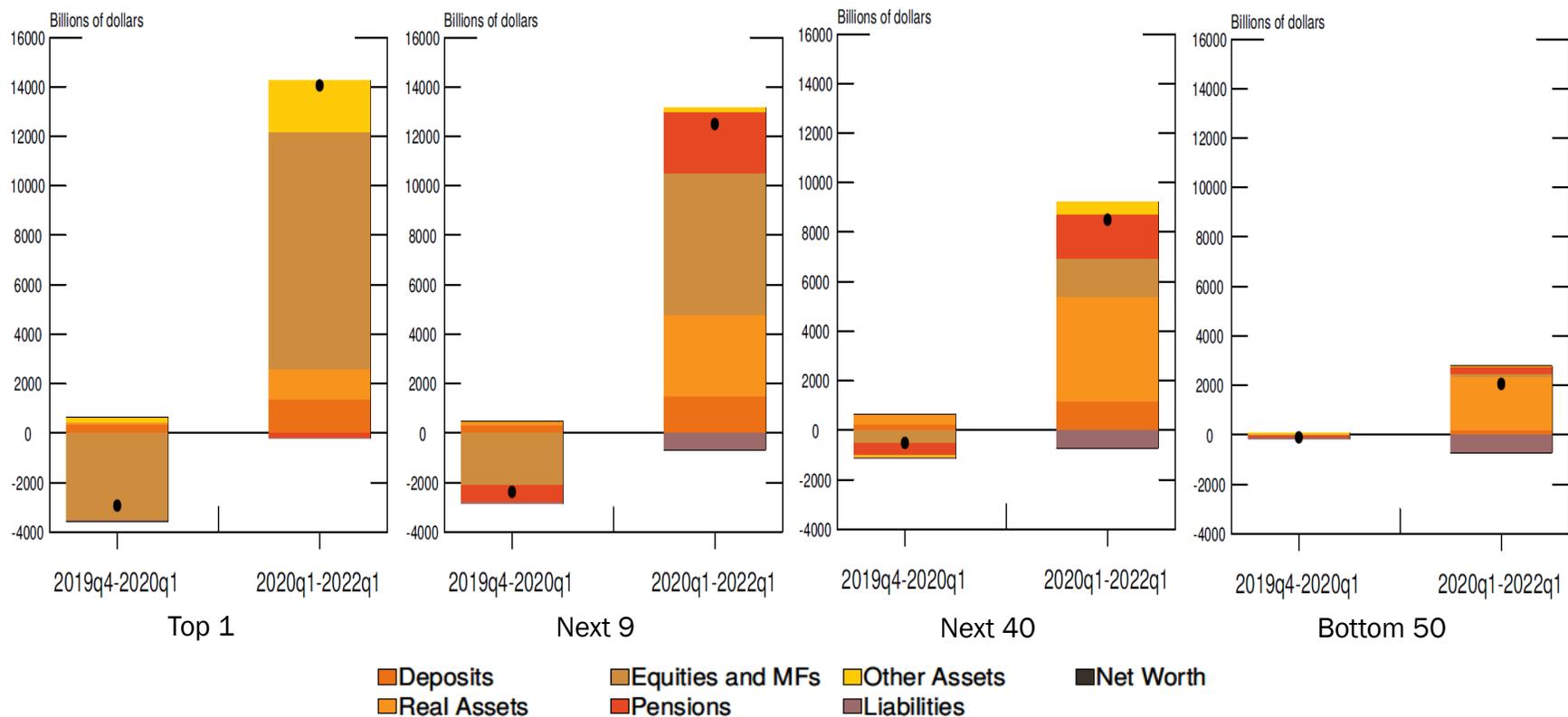
Aggregate Net Transactions by Household Asset and Liability



Source: Financial Accounts of the United States, June 9, 2022.

Change in Net Worth by Wealth Group

Change in Net Worth by Asset and Liability Type



Change in Net Worth Shares

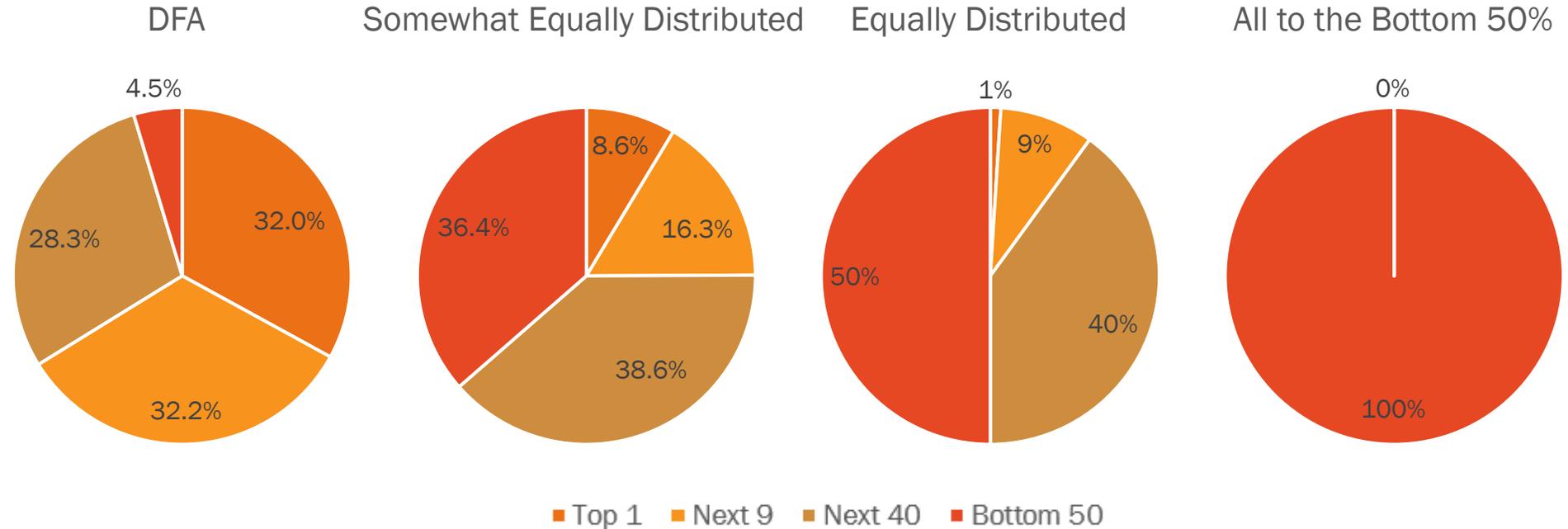
	19:Q4	22:Q1	Change
Top 1	30.7%	31.8%	1.1%
Next 9	38.7%	37.3%	-1.4%
Next 40	28.8%	28.1%	-0.7%
Bottom 50	1.8%	2.8%	1.0%

Source: Distributional Financial Accounts, June 17, 2022.

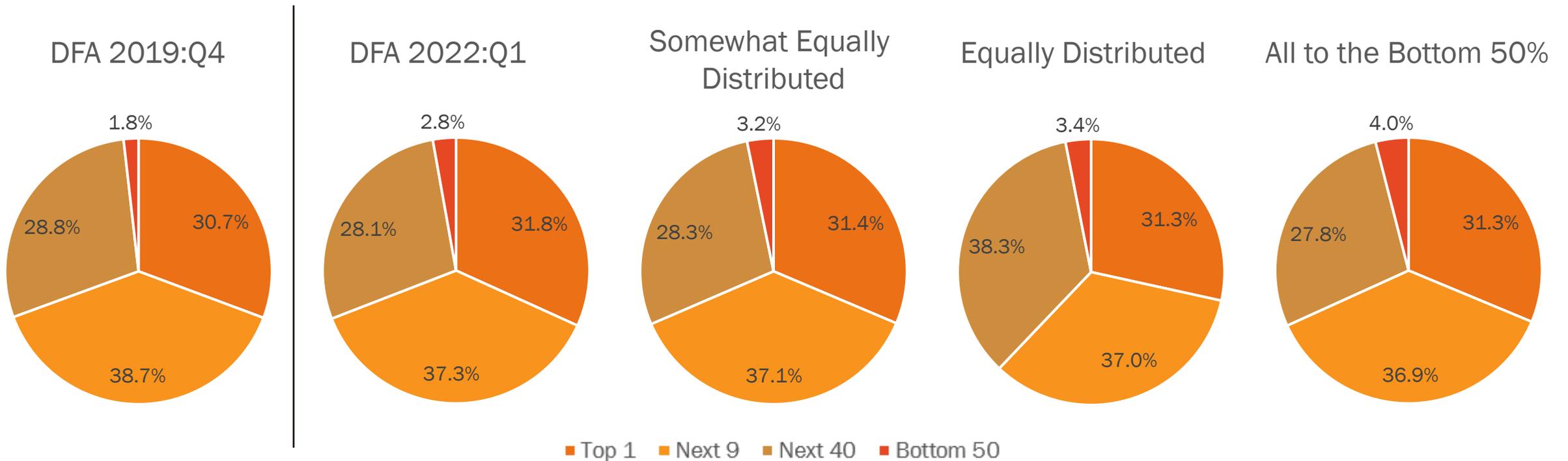
Alternative Distribution Scenarios for Excess Savings: Wealth Groups

Excess Savings: Net increase in asset and liability transactions over the 2019 rate

Period	Excess Savings (\$ bill)
2020:H1	1,417
2020:H2	132
2021:H1	591
2021:H2	-140
2022:Q1	365
Total	1,837



Net Worth Shares: Wealth Groups



Excess savings did not substantially reshape the wealth distribution

Net Worth Growth Rate

WEALTH GROUP	DFA 2022:Q1	SOMEWHAT EQUALLY	EQUALLY	ALL TO BOTTOM 50%
Top 1	32.9%	31.3%	30.9%	30.8%
Next 9	23.8%	23.0%	22.7%	22.3%
Next 40	25.3%	26.2%	26.2%	23.9%
Bottom 50	99.4%	129.5%	142.1%	188.8%

Rapid relative growth for Bottom 50 across the scenarios but material uncertainty about growth rate

Conclusion

- The distribution of wealth has been relatively stable despite the massive upheaval caused by the pandemic
- Gains on assets concentrated towards the top of the distribution were so large that they dwarf the historic increase in savings and leave limited margin for uncertainty on the distribution of excess savings
- This simulation exercise reveals the challenges of relying on historical relationships to model the wealth distribution during unprecedented circumstances

<https://www.federalreserve.gov/releases/z1/dataviz/dfa/>