

Macro Roundup Article

Headline: [Lessons from the Great Reflation](#)

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Tweet: [.@generaltheorist](#) notes that during the pandemic for every additional \$1T in currency and deposits, American households saw \$6T in non-monetary wealth driven by equities and real estate.

Summary: Household net worth expanded by USD34 trillion from end-2019 through end-2021, an increase of >150% of end-2019 GDP in only 2 years. This wealth increase was mainly due to the increase in financial and non-financial assets (housing). The chart below shows the change in the value of outstanding assets held by households for select items from end-2019. Currency and deposits held by households began the sharp increase in the first quarter of 2020, during the initial lockdowns, and increased by about USD4½ trillion in total. The increase in equity and real estate assets, mainly due to valuation adjustments, followed—and in value terms was a much larger influence on household net worth. At its peak, equity and investment fund shares, which fell in value by USD6 trillion by end-March 2020, increased nearly USD18 trillion by end-2021 on end-2019, or USD24 trillion peak-to-trough. The declines experienced last year during the interest rate normalization have weighed on such wealth since, but the levels remained above pre-pandemic norms. Real estate assets continued to increase in value still in 2022Q3, though at a diminishing pace as housing feels the strain of higher rates. Still, nearly USD13 trillion was added to household wealth through real estate since end-2019. Put another way, at its peak, every additional USD1 trillion in monetary wealth during the pandemic came to be reflected in roughly USD6 trillion in non-monetary wealth, mainly equities and housing.

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