

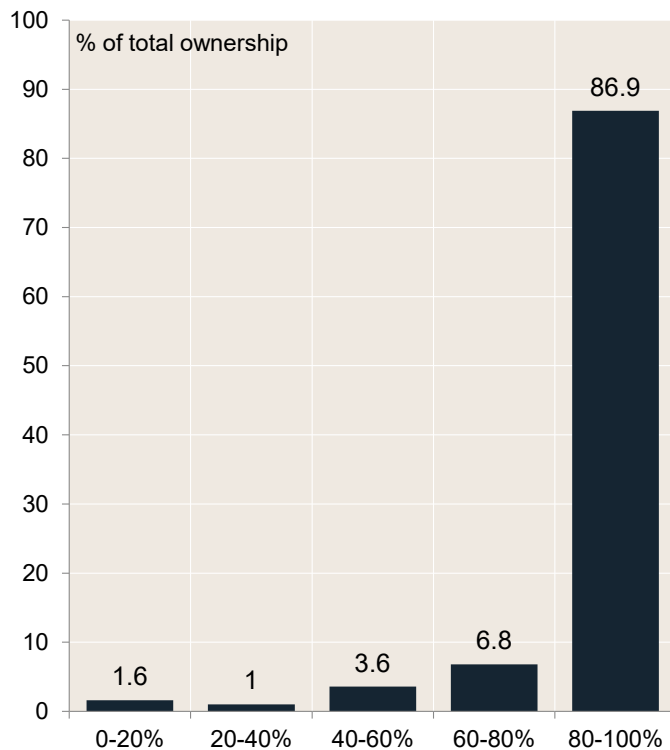
U.S. Watch

By Jocelyn Paquet

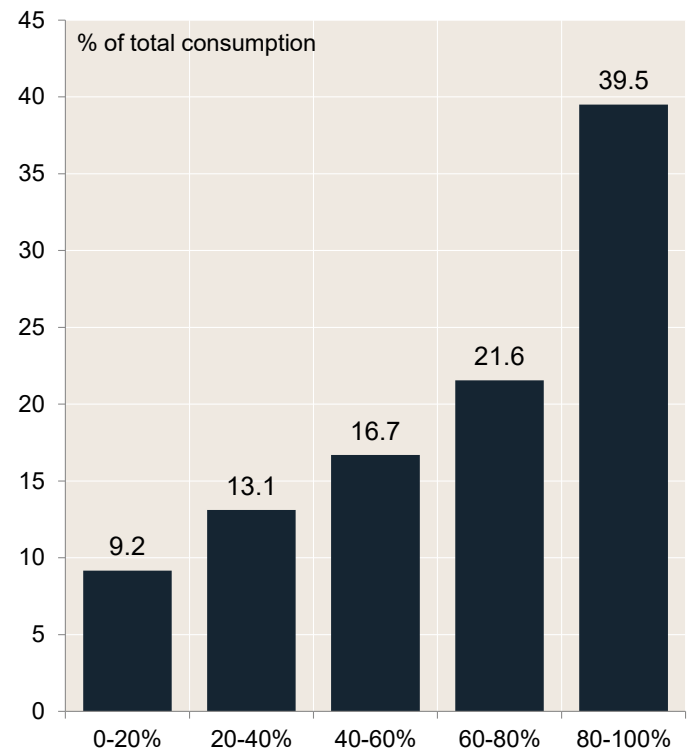
In the second of four Hot Charts aimed at explaining the resilience of the U.S. economy in a context where uncertainty has led to a deterioration in certain economic indicators such as employment (see the first one [here](#)), we examine the wealth effect generated by the rise in the stock markets. The first thing to mention here is that, although economists agree that a rise in equity prices tends to increase consumer spending, the extent to which this is the case may differ from one model to another (from about 2 cents per dollar accumulated to about 10 cents). Regardless of the model used, it is likely that this wealth effect has increased in recent years as households' exposure to the stock markets has grown. Federal Reserve data indeed shows that the share of household financial assets allocated to stocks reached a historic high of 45.4% in the second quarter of 2025, up 12 percentage points over the past ten years. No one will be surprised to learn, however, that stock market gains are not evenly distributed across the population, with no less than 86.9% of all corporate stocks and mutual funds held by the top 20% of earners. It is this concentration that partly explains the current resilience of consumption. While poorer households may currently be responding to the deterioration in labour market conditions by reducing their spending, this restraint is probably more than offset by an increase in outlays among the wealthiest households, whose total revenues are much more dependent on market performance. And seeing how these individuals account for nearly 40% of total consumption, a figure higher than that of the lowest three income quintiles combined, it is easy to understand how the increase in the wealth of the richest can overshadow the pessimism of the majority of households when it comes to economic growth. In fact, consumption by the top 20% of earners alone accounts for no less than 26.8% of total GDP in the United States. In Canada, this figure is only 17.3%.

U.S.: Wealth effect keeps richest households spending

Corporate equities and mutual fund share ownership
by income quintile, 2025Q2



Share of total personal consumption
expenditures by income quintile (2023)



NBC Economics and Strategy (data via the Federal Reserve Z.1 report and Bureau of Labor Statistics, <https://www.bls.gov/cex/pce-ce-distributions.htm>)



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