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More signals of a Roaring '20s rebound for Canadian economy when pandemic ends

Despite economic crash, savings surge as consumer confidence hits 3-year high

[Don Pittis](#) · CBC News · Posted: Mar 03, 2021 4:00 AM ET | Last Updated: March 3



Time to party like it's 1920? Revellers in Potsdam, Germany, outside Berlin, celebrate in 2009 in the fashion of the Roaring Twenties. New data out this week suggests that, just like following the 1918 flu pandemic, the Canadian economy is heading for a period of economic, social and artistic innovation. (Thomas Peter/Reuters)

Gloomy headlines about the collapse of the Canadian economy, which faced its worst retreat since records began, may have obscured some startling new evidence for a strong rebound.

As we reported on Tuesday, the impact of the COVID-19 pandemic put Canada's economy into a tailspin, making [2020 the worst year on record](#), with gross domestic product declining by 5.4 per cent.

But other data out this week, including some buried amidst those [latest bleak GDP numbers](#), tells a different story. It shows that high levels of savings and government income support have bolstered the economic well-being of households — notably among the youngest groups and those with lower incomes.

At the same time, one fresh measure of consumer confidence shows Canadians more willing to go out and spend than at any time since 2018.

It all adds a little more evidence to the widely touted theory that, just like following the 1918 flu pandemic, the Canadian economy is heading for something like the Roaring Twenties — a period of economic, social and artistic innovation as people break out of cabin-fever mode.

Relentless joie de vivre

"What typically happens is people get less religious. They will relentlessly seek out social interactions in nightclubs and restaurants and sporting events and political rallies," Yale University medical sociologist and physician Dr. Nicholas Christakis said on the CBC Radio program [White Coat Black Art](#) earlier this year.

"There'll be some sexual licentiousness. People will start spending their money after having saved it. There'll be joie de vivre and a kind of risk-taking, a kind of efflorescence of the arts, I think," Christakis told host Dr. Brian Goldman.

Like many others, Christakis in January foresaw the impact of the coronavirus lingering late into 2021, as the World Health Organization suggested [herd immunity remained far away](#). But despite fears of more insidious variants, with a new flood of vaccines and signs of [a sharp decline in cases](#) south of the border, others have expressed greater optimism.

"By the time we get to the summer, we're going to be in a different place," Dr. Bonnie Henry, British Columbia's provincial health officer, said last week. "In the coming months, we're going

to be able to do all those things that we have been missing for the last year."

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Bank of Canada governor Tiff Macklem has also weighed in on the side of a rebound beginning this year. Tuesday's GDP figures showed the economy already starting to recover in the last three months of 2020, but that was before the most recent lockdown.

Despite beginning the year "in a deeper hole," Macklem has forecast a strong revival in 2021 that would continue into next year, bolstered by the COVID-19 vaccine and low interest rates.

Not just for the rich

One criticism of the Roaring Twenties idea was that poorer households whose jobs have been most affected by the pandemic would be left out. But a report from Statistics Canada released on Monday dispelled some of those fears, demonstrating that the gap between the richest and poorest actually declined in the first nine months of last year.

"Although the everyday experiences of particular households may have differed, on average, the gap in household disposable income between the lowest- and highest-income earners declined," the [Statistics Canada report](#) said.





In March 1929, the well-heeled strut their stuff at President Herbert Hoover's inaugural ball, at the Mayflower Hotel in Washington, D.C. Before the year was over, the Roaring Twenties would come to an end and the Great Depression would begin. (Library of Congress/Handout via Reuters)

In fact, the data showed that "disposable income for the lowest-income households increased 36.8 per cent, more than for any other households." Canada's youngest households saw their net worth rise by 10 per cent. That may be a good sign for the economy once restrictions are reduced because unlike the rich or old, poorer and younger households are in a phase of life that requires them to spend more and save less, recirculating their money into the economy.

Besides government income-support programs, another reason for the increase in well-being is that families across Canada who already owned real estate have seen their wealth increase, even if the amount they owe has stayed the same.

Some studies have shown that "the wealth effect" — in other words, the feeling of being richer — can encourage people to spend more, but if people just sit on their savings, worried about the future, it won't help the consumer-driven economy.

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That's why other sets of data out this week showing an increased willingness to spend adds a little more impetus to the Roaring Twenties argument.

Consumer-confidence measures use different methodologies to derive their results. The Conference Board of Canada — while [seeing a rise in its index](#) for February — still sees a ways to go before reaching pre-pandemic levels.

But a weekly index issued by Bloomberg and Nanos Research seems to show that consumers are ready to go shopping as confidence hits levels not seen since 2018.



If young people feel well-off once the pandemic ends, they'll want to get out and kick up their heels, spreading money out into the wider community. Data from Statistics Canada shows that during the first nine months of 2020, the youngest households saw their net worth rise by 10 per cent. (Shannon Stapleton/Reuters)

"Anticipation of a vaccination rollout, even if not perfect, may be having a halo effect on the mood of consumers," company boss Nik Nanos said in a release of his latest data on Monday. "Consumer confidence, as measured by the Bloomberg Nanos Canadian Confidence Index, continues on a positive trajectory and has hit a three-year high."

Even if Canadians remain more restrained than in the 1920s post-pandemic revival, a new urge to go out and spend will spread the wealth, helping the economy to get back in gear.

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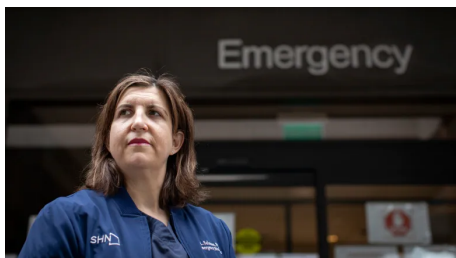
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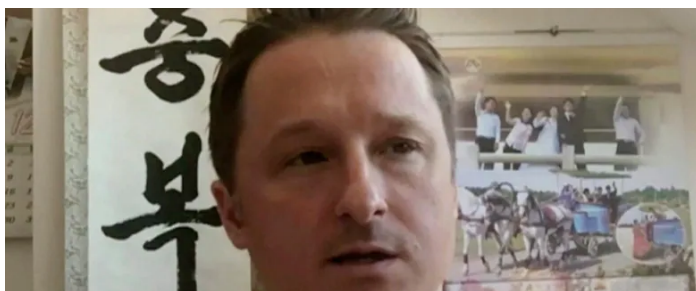
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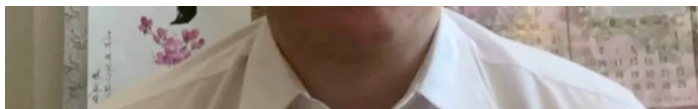
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