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Press

Allianz Global Wealth Report: Global asset growth plummets

- Global growth in net per capita financial assets only 0.6% in 2011
- No real asset growth over the past eleven years
- Ongoing debt discipline and recourse to safety
- Germany is slowly catching up – 16th place in the global league table for net per capita financial assets
- More and more people worldwide are participating in prosperity

Today, Allianz unveiled the third edition of its "Global Wealth Report", which puts the asset and debt situation of private households in more than 50 countries under the microscope. The report shows that the marked recovery in financial assets witnessed in the aftermath of the financial crisis of 2007/08 came to an abrupt standstill last year: net per capita financial assets increased by only 0.6% in 2011, as against 7.8% and 9.7% in the years 2009 and 2010.

This disappointing development is due primarily to low growth in gross financial assets: although the EUR 100 trillion mark was surpassed in 2011 – also thanks to the weak euro – pushing the global financial assets of private households up to EUR 103.3 trillion in total, the growth rate came in at only 1.6% and in per capita terms at a mere 0.8%. "It is obvious that uncertainty, low interest rates and the euro crisis have left their mark on asset development", said Michael Heise, chief economist of Allianz SE. "Savers are bearing the brunt of the fact that no real progress has yet been made as far as reorganizing the financial markets and solving the crisis in the eurozone are concerned."

Looking back, it also becomes clear that savers have been faced with a hostile savings environment for some time now: since 2000, gross per capita financial assets have been growing at an average rate of 3.1% a year; this is more or less identical to the average rate of inflation during the same period. In other words: savers worldwide have not been able to achieve any real asset growth over the past eleven years. "A sobering conclusion", commented Heise.

On the other hand, savers have been showing a more disciplined approach to debt since the financial crisis of 2007/08. The global debt mountain once again increased only moderately, by 2.2%, in 2011, much slower than the growth in nominal economic output. As a result, the

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global debt ratio (liabilities as a percentage of global GDP) slid by 2½ percentage points last year alone, to less than 67%. In the years prior to the crisis, global debt growth was often above the 8%-mark, with the debt ratio peaking at almost 72%.

Over the entire period starting in 2000, however, debt growth (averaging 5.5% per year) has clearly outstripped the growth in the assets of private households (4% per year). This is why the average growth in net per capita financial assets came in at only 2.5% a year. What is more: at EUR 14,880, the 2011 figure was still down slightly on the historical high recorded in 2007 in absolute terms. Although four years have passed since the global market and economic slump, the consequences on personal financial assets have yet to be digested in full.

In addition to the greater debt discipline, global asset development in the post-Lehman era is characterized by another phenomenon: the ongoing desire to seek refuge in secure investments, a trend that is primarily benefiting the banks themselves – irrespective of the banking crisis. Over the last four years, bank deposits in every region of the world proved to be the fastest-growing asset class. Last year alone, savers worldwide ramped up their bank deposits by more than 6%, or around EUR 2 trillion. This means that the proportion of the asset portfolio parked in bank deposits has increased by 5½ percentage points since 2007 to 32.8%. At the same time, the proportion of securities has dropped by 6½ percentage points to 34.6%. "This is not entirely unproblematic from a macroeconomic perspective", said Heise. "As far as the savers are concerned, the negative consequences of low interest rates become all the more potent as they flee to supposedly low-risk and short-term investment forms; the meager yields necessitate more savings for old-age. And less long-term capital is available to tackle the challenges that lie ahead of us – from climate change to demographic trends."

These global figures do, of course, mask very varied developments at regional and national level. Broadly speaking, the world can be split in two when it comes to both asset levels and momentum. On the one hand, we have the up-and-coming economies of Latin America, Asia and eastern Europe. Savers in these regions have been consistently reporting stellar asset growth rates since the turn of the millennium, with net per capita financial assets growing at annual rates running into the double digits on average. Although the financial crisis of 2007/08 also prompted a marked slowdown in these regions, the annual growth rates remain robust at between 7% and 10%. On the other hand, average per capita assets only correspond to a fraction of the values seen in the established industrialized nations.

By contrast, growth in the richer countries in North America, western Europe, Japan and Oceania has been anemic in the past. Since 2000, net per capita financial assets in these countries have only been growing at annual rates of between 1.2% (Japan) and 2.4% (Oceania). This is particularly worrying from a European perspective: if we look at asset growth and the annual growth rate of 1.3%, western Europe is already starting to resemble Japan. And the rich regions of the world have yet another negative development in common: net per capita financial assets have contracted since the Lehman crisis, although in western Europe this is solely attributable to the decline seen last year. The substantial asset losses in those European countries that have been hit by crisis are the main factor weighing on asset development in the region as a whole.

In this respect, Germany fares well in comparison. Last year, Germany reported at least a modest increase (+1.5%) in its net per capita financial assets, putting the value for 2011 a respectable 9% or thereabouts ahead of the pre-crisis high reached in 2007. If we consider an even longer timeframe, Germany, on a par with Austria but trailing just behind Denmark, is actually sitting near the top of the European league table when it comes to growth in net per capita financial assets (annual rate since 2000: +4.3%). This solid performance is owed solely to Germany's strict abstinence from debt excesses of any kind; the development in gross per capita assets, on the other hand, is less impressive at 2.7%, which is in line with the (weak) European average. In a global comparison, German ranked 16th in the list of the richest countries, with average net per capita financial assets totaling EUR 38,520 at the end of 2011. This list has been headed up by Switzerland (with a large gap separating first from second place) for years now; Japan and the US follow in 2nd and 3rd place respectively (see table).

As in the previous year, the "Allianz Global Wealth Report" splits the countries included in the analysis into three wealth classes. Germany belongs to the group of "high wealth countries" (HWCs), where average net per capita financial assets come in at more than EUR 26,800. A total of 16 countries form the group of "middle wealth countries" (MWCs; average net per capita financial assets of more than EUR 4,500); they have almost doubled in number in recent years. As in the past, however, the "low wealth countries" (LWCs; average net per capita financial assets of less than EUR 4,500) form the largest group in terms of both the number of countries and the populations they represent.

The analysis of the micro distribution of assets is, however, of more informational value than the country categorization. Only this sort of analysis can show the full extent of the fundamental shifts on the global wealth map. At the end of 2011, around 720 million people across the globe belonged to the wealth middle class, meaning that this figure has more than doubled since 2000. This group accounted for 15% of the total population of the countries analyzed. This growth is being fed largely from the world's poorest countries (LWCs): at 355 million, they now constitute the largest group within the global wealth middle class; this figure has increased almost tenfold since 2000. By contrast, the growth of the middle class in the HWCs is fairly modest at 14%; most importantly, the growth is also moving in a different direction in these countries: more members of the wealth middle class means fewer members of the wealth upper class. All in all, this means that the number of "rich" people has fallen slightly – in spite of population growth – since 2000 (-4%), a trend that also applies to the world's "poor" (-2%). The global wealth middle class is the only class that is growing. "In a global comparison, more and more people are managing to participate in general prosperity. And these people no longer come from the typical prosperous regions, but from up-and-coming economies, particularly in Asia. This will fundamentally change the face of the global financial, asset and goods markets over the next few years", according to Heise.

Net per capita financial assets, 2011, Top 20:

	in EUR	y/y in %
Switzerland	138,062	0.6
Japan	93,087	0.0
USA	90,417	2.0
Belgium	68,491	3.4
Netherlands	61,315	3.9
Taiwan	60,893	1.6
Canada	59,913	-4.9
Singapore	58,215	3.4
UK	52,600	-1.3
Israel	51,562	-5.4
Denmark	49,220	5.7
Italy	42,875	-5.3
France	42,643	-2.7
Sweden	42,104	-8.2
Austria	40,648	-1.1
Germany	38,521	1.5
Australia	37,330	-7.5
Ireland	25,461	10.2
Portugal	19,572	-3.3
Finland	19,105	-13.1

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In 2011, around 142,000 employees in some 70 countries achieved total revenue of 103.6 billion euros and an operating profit of 7.9 billion euros. Benefits for our customers reached 86.5 billion euros.

This business success with insurance, asset management and assistance services is based increasingly on customer demand for crisis-proof financial solutions for an ageing society and the challenges of climate change. Transparency and integrity are key components of sustainable corporate governance at Allianz SE.

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