Allianz SE

Group Communications and Corporate Responsibility

Media Release

Allianz Global Wealth Report: Recovery in turbulent times

- Financial asset growth climbs above 7%
- Bank deposits remain popular – despite real losses owing to inflation
- Debt rises faster than economic output for the first time since 2009

Today, Allianz unveiled the eighth edition of its "Global Wealth Report", which puts the asset and debt situation of households in more than 50 countries under the microscope. 2016 was politically a very turbulent year, but private wealth shrugged it off: After a weaker 2015 (+4.7%), financial assets[1] grew again by 7.1% last year, more or less matching the post-crisis average. Worldwide, financial assets climbed to a new record high of almost EUR 170 trillion.

Stock markets fuel growth – but savers prefer to put their money into banks

Last year's good performance owed a lot to the year-end rally on stock markets, in particular in industrialized countries. Almost 70% of asset growth last year was attributable to changes in the value of portfolios, only 30% was due to original savings; the year before, it was the other way round. The composition of fresh savings is quite surprising. Private savers sold more securities than they bought but poured as much as two-thirds of fresh funds into banks – a new record high. “The saving behavior of private investors is still decidedly risk-averse”, said Michael Heise, chief economist of Allianz. “While financial assets grew over the last few years mainly thanks to the good performance on securities markets, new money is mostly put into bank accounts, not least in industrialized countries. But here, they not only generate no returns but actually suffer real losses: In 2016 alone, savers are thought to have lost around EUR 300 billion owing to inflation; this year, with rising inflation, the figure might be twice as high. For decision makers in the financial industry, the economy and politics, solving this paradox is one of the biggest challenges in the coming years: How can we create the backdrop that households not only save, but invest, with a long-term horizon and decent returns? Against the backdrop of the necessary build-up of old-age provisions on the one hand and the need to increase real investments in our economy on the other, we are not making the most of the chances global financial wealth offers.”

Asset growth accelerates in industrialized countries

[1] Financial assets include cash and bank deposits, receivables form insurance companies and pension institutions, securities (shares, bonds and investment funds) and other receivables.

Allianz SE
Koeniginstr.28
80802 Munich; Germany
Phone: +49.89.3800.18475
Fax: +49.89.3800.2114
www.allianz.com/news

Last year's acceleration in growth came mostly from industrialized countries, where asset growth doubled to 5.2%. However, Asia (excluding Japan) was once again the uncontested leader in 2016, with growth of 15%. In a long-term comparison, too, Asia (excluding Japan) is the dominant region, particularly when inflation is also taken into account. Gross per capita financial assets in Asia (excluding Japan) grew by almost 11% per year in real terms in the last decade. The other two emerging regions, Latin America and Eastern Europe, achieved growth of only about 5%, which was still more than twice as fast as the growth rates in North America (+2.1% real growth since 2006) and Western Europe (+1.4%). As a consequence, the three regions of Latin America, Eastern Europe and Asia (excluding Japan) accounted for just under 23% of global gross financial assets in 2016. This share has more than doubled over the last ten years. Emerging markets have an even bigger weighting when it comes to asset growth, with 42% of the last decade's growth attributable to this group of countries. However, this is largely due to the development in China, which alone accounted for roughly 30% of global growth since 2006.

Debt is growing faster than the economy

Global household liabilities increased by 5.5% in 2016, the highest rate of growth since 2007. That means that debt also rose faster than nominal economic output for the first time since 2009, and the global debt ratio increased by almost 1 percentage point to 64.6%. The picture varied widely between individual regions. Growth accelerated slightly – starting from a moderate level – in Western and Eastern Europe and in North America. Latin America experienced a further decline in growth. In Asia (excluding Japan), on the other hand, debt growth rose sharply by a further four percentage points to just under 17%; at the top were Chinese households which ratcheted up their liabilities by a whopping 23%. That means that this region accounts for almost 20% of global private liabilities of just under EUR 41 trillion, compared with less than 7% ten years ago. “The debt situation in China should be closely monitored”, commented Michaela Grimm, co-author of the report. “Although the debt ratio of households is not yet in the danger zone, dynamics are alarming: The ratio jumped by 17 percentage points in the last five years, and by almost six points in 2016 alone – both figures are globally outstanding. Just to compare: In the five years prior to the Great Financial Crisis, the debt ratio in the USA increased by roughly 20 percentage points. The Chinese supervisors should not make the mistake to believe that China would be immune to a financial crisis; timely countermeasures would be better.”

Despite the steep rise in debt, net financial assets – gross financial assets minus debt – reached a new global record high of EUR 128.5 trillion at the close of 2016. That represents an increase of 7.6% year-on-year. Although this is slightly below average for the years since the crisis, it is well above the previous year's growth of 4.8%.

US at the top for the first time

At the top of the list of the 20 richest countries (net financial assets per capita, see table), a changing of the guard occurred in 2016, with the USA capturing the top spot from Switzerland. However, its lead is razor-thin and some of the credit goes to a stronger dollar. Japan managed to retain the third position – thanks to a statistical revision which reduced household debt by almost a fifth. Otherwise, the list gives the now usual picture, with Scandinavian and Asian countries dominating. There is in fact only one country from the eurozone still included in the Top 10 in both lists (net & gross): the Netherlands.

Global wealth distribution slowly evening out

Development of global wealth distribution since the turn of the millennium has been defined by one phenomenon in particular: rampant growth in the global wealth middle class[2]. The number of people belonging to this category has more than doubled during this period, from around 450 million in 2000 to over 1 billion today. The vast majority of those joining the middle class have come from the wealth lower class, with almost 600 million people making the leap since 2000.

Despite the emergence of a new global wealth middle class, the world as a whole is still a long way from a “fair” distribution of wealth. If we divide the population of the countries we have analyzed into global population deciles based on net per capita financial assets, it becomes clear that the richest 10% of the world together own 79% of net financial assets. Nevertheless, the concentration of wealth was still as high as 91% in 2000.

[2] The classification of wealth classes is based on global average net per capita financial assets. In 2016, these came to EUR 25,510. The global wealth middle class includes all individuals with assets of between 30% and 180% of the global average. This means that for 2016, asset thresholds for the global wealth middle class are EUR 7,700 and EUR 45,900.

Top 20 in 2016 by…

	… **net** per capita financial assets		
	in EUR	y-o-y in %	rank 2000
#1 USA	177,210	5.8	2
#2 Switzerland	175,720	2.7	1
#3 Japan	96,890	1.8	3
#4 Sweden	95,050	7.0	14
#5 Taiwan	92,360	9.6	12
#6 Belgium	92,080	4.3	4
#7 Singapore	89,570	7.9	15
#8 Netherlands	87,980	9.4	9
#9 Canada	87,590	7.8	8
#10 New Zealand	86,030	0.6	7
#11 UK	84,080	8.6	5
#12 Denmark	81,590	2.8	13
#13 Israel	73,330	5.4	10
#14 Australia	67,390	8.8	19
#15 France	56,040	6.3	11
#16 Italy	54,530	0.2	6
#17 Austria	51,980	2.0	17
#18 Germany	49,760	5.2	18
#19 Ireland	45,100	6.6	16
#20 Finland	28,650	4.8	20

	… **gross** per capita financial assets		
	in EUR	y-o-y in %	rank 2000
#1 Switzerland	268,840	2.4	1
#2 USA	221,690	5.1	2
#3 Denmark	146,490	2.2	7
#4 Netherlands	137,540	6.0	5
#5 Sweden	136,270	6.6	14
#6 Australia	133,010	6.9	13
#7 Canada	128,510	6.6	8
#8 Singapore	126,640	5.8	9
#9 Japan	118,950	1.9	3
#10 UK	116,570	7.3	6
#11 Belgium	115,430	4.1	4
#12 New Zealand	113,660	2.1	10
#13 Taiwan	111,310	8.7	16
#14 Norway	93,640	4.9	20
#15 Israel	91,830	5.3	18
#16 France	78,840	5.0	12
#17 Ireland	77,860	2.4	15
#18 Austria	73,160	2.4	19
#19 Germany	70,350	4.5	17
#20 Italy	70,130	0.4	11

Munich, September 27, 2017

You can find the study on our homepage:
https://www.allianz.com/en/economic_research/ in the Publications/Specials section.

An interactive world map on households' assets and liabilities can be found here:
https://www.allianz.com/en/economic_research/research_data/interactive-wealth-map

For further information please contact:

Dr. Lorenz Weimann Tel. +49.69.24431-3737, e-mail: lorenz.weimann@allianz.com

About Allianz
The Allianz Group is one of the world's leading insurers and asset managers with more than 86 million retail and corporate customers. Allianz customers benefit from a broad range of personal and corporate insurance services, ranging from property, life and health insurance to assistance services to credit insurance and global business insurance. Allianz is one of the world's largest investors, managing over 650 billion euros on behalf of its insurance customers while our asset managers Allianz Global Investors and PIMCO manage an additional 1.3 trillion euros of third-party assets. Thanks to our systematic integration of ecological and social criteria in our business processes and investment decisions, we hold a leading position in the Dow Jones Sustainability Index. In 2016, over 140,000 employees in more than 70 countries achieved total revenue of 122 billion euros and an operating profit of 11 billion euros for the group.

These assessments are, as always, subject to the disclaimer provided below.

Cautionary note regarding forward-looking statements
The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements.

Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the euro/US-dollar exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

No duty to update
The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law.