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Media Release

Allianz Global Wealth Report: The best years are over

- Marked slowdown in asset growth in 2015
- Asia (excl. Japan) the one – and only – dynamic region
- Households in industrial countries still wary of new debt – low interest rates notwithstanding
- German savers “give away” EUR 200bn
- Global inequality declining but in many industrial countries gains go mainly to the happy few at the top

Today, Allianz unveiled the seventh edition of its "Global Wealth Report", which puts the asset and debt situation of households in more than 50 countries under the microscope. Based on the findings of the report, it seems that the good years are a thing of the past: global financial assets climbed by 4.9 percent in 2015, just a whisker above the growth rate of economic activity. In the three previous years, financial assets grew at twice that pace, with an average rate of 9 percent. “For savers, making the right investment decisions is getting harder and harder”, said Michael Heise, Chief Economist at Allianz. “Obviously, extreme monetary policy is losing its impact even on asset prices. As a consequence, an important driver of asset growth no longer exists. At the same time, interest rates continue their remorseless slide, deep into negative territory. Savers face a real dilemma.”

Growth in financial assets in industrial countries slowing

It is certainly no coincidence that slowing growth has hit Europe, the US and Japan the hardest. In Western Europe (3.2 percent) and the US (2.4 percent), growth more than halved in 2015. At the other end of the spectrum is Asia (excl. Japan), where financial assets expanded by 14.8 percent. The region's lead over the rest of the world is only getting bigger. This also applies in relation to the world's other two up-and-coming regions, Latin America and Eastern Europe, where average growth was only half that in Asia. The days in which these regions were able to keep up with their counterparts in Asia are long gone. Of the total global financial assets of EUR 155 trillion, the region Asia (excl. Japan) accounted for 18.5 percent in 2015; this not only means that the proportion of assets held by this region has more than trebled since 2000 but also that the region’s share now far outstrips that of the eurozone (14.2 percent).

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Huge regional disparities in debt growth

At 4.5 percent, the liabilities of households grew in 2015 at the same rate as they had in 2014. All in all, household debt came to EUR 38.6 trillion at the end of the year, a good quarter higher than the value prior to the outbreak of the major financial crisis. Developments varied considerably from region to region: In Asia (excl. Japan), debt growth picked up and in some countries like South Korea or Malaysia debt ratios, i.e. household liabilities measured as a percentage of nominal economic output, came in at levels seen in the US, Ireland or Spain at the height of the housing boom. On the other hand, in Latin America and Eastern Europe – due to the crises dogging the major economies in these regions – debt growth has dropped significantly.

In North America and Western Europe, hardly any change was detected, with liabilities increasing at only a very moderate rate – lagging behind the rate of growth in economic output for what is now the sixth year running. So all in all, households – especially in the advanced countries – were still taking a very cautious approach to borrowing; in many countries in Western Europe, liabilities were still being reduced in 2015. “Only very few households seem to succumb to the temptation of ultra-low loan rates and embark on a credit-fueled spending spree”, commented Heise. “The majority of households act in an economically very sensible manner – defying the intentions of central bankers who are trying to pump up demand via aggressive rate cuts. Following the excesses of the financial crisis, however, households view trimming debt as more important.”

As financial assets and debt grew in sync in 2015, global net financial assets, too, i.e. the difference between gross financial assets and liabilities, expanded at almost the same rate: they were up by 5.1 percent on a year earlier – clearly below the development in the three previous years when growth figures were in the double-digit region.

In Germany, total financial assets climbed by 4.6 percent in 2015, twice the rate of liabilities (2.2 percent). As a consequence, net financial assets grew by a strong 5.7 percent; in Western Europe only Denmark and Sweden, and in the eurozone only Ireland, showed higher growth last year. A strong penchant to save and strict debt discipline – Germany’s debt ratio is the second lowest after Austria’s – are paying off.

Germany comes in 18th in the global ranking of net per capita financial assets

However, this does not alter the fact that Germany’s ranking in the list of the 20 richest countries (financial assets per capita, see table) is rather disappointing. In net terms, Germany comes in 18th, in gross terms it has dropped to 20th. The lack of widespread capital funded pension systems is a serious drawback for wealth formation. France and Italy also fell back markedly, joining Germany among the lower ranks. Besides the long-term frontrunners Switzerland and the US, the list is dominated nowadays by Scandinavian and Asian countries. Looking at gross financial assets, there is in fact only one country from the eurozone still included in the Top 10: the Netherlands. This is no coincidence. The Netherlands boasts one of the best pension systems worldwide, with a prominent role played by occupational pensions, which are conducive for systematic asset building in the wider population.

Cautious savings behavior costs EUR 200bn

The comparison of real returns on assets in the eurozone over the last four years reveals that Germany (and Austria) perform rather badly. Whereas German households achieved a real return on assets of 2.3 percent, returns in Italy and Spain were well above 4 percent; French households, too, fared much better, with a rate of return of 3.6 percent. The reason is obvious: the very cautious savings behavior of German households. The costs of this behavior can be shown by a simple simulation: Over the last four years, Germans parked roughly 40 percent of their financial assets at banks – at a loss because bank deposits yielded on average a return of minus 0.4 percent. Had they reduced the share of bank deposits to only 30 percent and re-invested the money in equal parts into listed shares and mutual funds, the rate of return would have been almost one percentage point higher. In this manner, German households would have reaped additional investment income to the tune of EUR 200bn. "With hindsight, it is always easy to make the right decisions but it is evident that times of extreme monetary policy with negative interest rates require adjustments in savings behavior", commented Heise. "Old certainties no longer apply. Supposedly safe assets such as German government bonds are no longer "safe", they jeopardize wealth building. At the same time, to the extent that monetary policy is exhausting its tools, risks and market volatility are increasing. Many savers might be overwhelmed by these challenges. New savings patterns and asset solutions are necessary – a task the financial industry and politics should tackle hand in hand. At the very least, policymakers should not put additional spokes in the wheel, but improve the general conditions for long-term savings."

Global wealth distribution is getting more equal

The analysis of wealth distribution shows a mixed picture. The success story written by the emerging markets helped more and more people to participate in general progress and prosperity and created a new global middle class; in tandem with this development, poverty levels have dropped significantly across the globe over the past few decades. Although the vast majority of the five billion people living in the countries included in our analysis still belong to the low wealth class[1], its share is slightly down: today, 69 percent of the total population (as opposed to 80 percent in 2000) belong to this wealth category. This is because in recent years, more and more people, almost 600 million in total, have achieved promotion to the middle wealth class. The global middle wealth class has grown considerably as a result: in recent years, the number of people has more than doubled to over one billion people; the share of the overall population has climbed from 10 percent to around 20 percent. The proportion of global assets held by this wealth class has also grown significantly, rising to a good 18 percent at the end of 2015, almost three times the figure at the start of the millennium. So the global middle class has not only been getting bigger in terms of the number of people it encompasses; it has also been getting increasingly richer.

Although there are now fewer households who count among the global high wealth class in the traditional advanced economies, this wealth class has also been growing in recent years: at the end of 2015, around 540 million people across the globe could count themselves among the high wealth class, a good 100 million or 25 percent more than in 2000. This also means that the high wealth class is much more diverse than it was in the past, when it was more or less a club open exclusively to western European, American and Japanese households: these regions and countries now account for 66 percent of the group as a whole, compared with over 90 percent in the past. The share of global financial assets attributable to this wealth class has also fallen. This development reflects a broader

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[1] As in previous years, the "Allianz Global Wealth Report" splits asset owners into three global wealth classes. The global wealth middle class encompasses all individuals with net assets of between EUR 7,000 and EUR 42,000.

distribution of wealth, at least at global level. “The emergence of a truly global middle class in such a short timespan is one of the most important developments for the world economy. To date, this process is being driven primarily by China. If in future more populous countries such as India manage to unleash their potential in full, this success story can continue for the foreseeable future”, commented Heise.

In many industrial countries the middle class is on the retreat

In the national perspective, another story emerges, in particular in the industrial countries. In order to analyze national wealth distribution, this year's Global Wealth Report investigates the share of total assets held by the middle class and, in particular, how this share has developed over time. No uniform pattern can be identified. In around one third of the countries analyzed, the middle class is shrinking, i.e. the story is one of the gradual emaciation of the middle class, which is participating less and less in overall wealth. Significantly, this trend applies mainly to the euro crisis countries (Italy, Ireland, Greece) and the traditional industrialized nations (the US, Japan, the UK). In around half of the countries in the analysis, on the other hand, the share of wealth attributable to the middle class has increased: the middle class is gaining ground and, at the same time, wealth is becoming less concentrated at the top, i.e. wealth distribution is becoming more equal. Especially in emerging markets like Turkey, Thailand or Brazil, this development is also associated with an increase in the number of people who belong to the middle class – because they have made the leap up from the low wealth class. Finally, in one fifth of the countries the status of the middle class has hardly changed at all – including Germany, which is remarkably stable in terms of distribution. So, the conclusion is mixed: There are certainly no signs of a general erosion or the decline of the middle class as a global phenomenon – but in many industrial countries this is the case.

The tip of the wealth pyramid is moving further and further away from the average

However, even in places where the middle class is not shrinking, there is no clear-cut answer to the question of wealth distribution as examples such as Switzerland, France or the eurozone as a whole show. Among the three wealth classes, only the middle class is growing. The high wealth class contracted in terms of their share of both the population and net financial assets. However, this does not apply to one particular group within the high wealth class, namely the richest population decile. This group's share of total wealth has been growing continuously. To sum up: More people are participating in average wealth, while at the same time, the tip of the wealth pyramid is moving further and further away from this average (and is getting smaller and smaller at the same time). Ultimately, this description also applies to the situation across the globe. “The question of distribution is more complex than the catchy headlines referring to rising inequality would like to suggest”, commented Heise. “Policymakers should also differentiate accordingly in the way they deal with the distribution issues facing them. This does not, however, mean there is not an acute need to take action in some countries – particularly the traditional developed countries. The end of a policy of negative interest rates would surely be a good start.”

Top 20 in 2015 by…

… **net** per capita financial assets			
	in EUR	y-o-y in %	rank 2000
#1 Switzerland	170,590	0.2	1
#2 USA	160,950	1.6	2
#3 UK	95,600	0.8	5
#4 Sweden	89,940	9.3	11
#5 Belgium	85,030	3.3	4
#6 Japan	83,890	1.4	3
#7 Denmark	81,290	11.7	12
#8 Taiwan	81,240	3.9	15
#9 Netherlands	80,180	4.7	7
#10 Singapore	79,260	3.7	14
#11 Canada	76,960	5.7	8
#12 Israel	71,370	4.2	10
#13 New Zealand	67,900	4.6	13
#14 Australia	58,870	6.3	19
#15 Italy	53,490	2.8	6
#16 France	53,430	5.1	9
#17 Austria	51,060	0.8	17
#18 Germany	47,680	5.6	18
#19 Ireland	41,910	10.2	16
#20 Finland	27,470	5.1	20

… **gross** per capita financial assets			
	in EUR	y-o-y in %	rank 2000
#1 Switzerland	260,800	0.6	1
#2 USA	202,490	1.6	2
#3 Denmark	145,110	6.1	7
#4 UK	132,310	1.2	4
#5 Sweden	130,660	8.3	11
#6 Netherlands	129,700	3.2	6
#7 Australia	120,520	5.7	14
#8 Singapore	114,160	2.7	9
#9 Canada	113,830	5.1	8
#10 Japan	108,660	1.9	3
#11 Belgium	107,880	3.3	5
#12 Taiwan	99,260	4.4	16
#13 New Zealand	90,600	5.0	19
#14 Israel	85,310	4.4	17
#15 Norway	82,090	4.2	20
#16 Ireland	75,720	2.3	13
#17 France	75,610	4.4	12
#18 Austria	71,870	1.4	18
#19 Italy	68,850	2.2	10
#20 Germany	67,980	4.6	15

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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

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

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