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Media Release

Allianz Global Wealth Report: No winners

- Global financial assets fall in 2018 for the first time since the financial crisis
- Convergence between poorer and richer countries comes to a halt
- Growth in liabilities stabilize at high level
- Germany: Financial assets grow slightly against global trend
- Global wealth middle class stagnates

Today, Allianz unveiled the tenth edition of its "Global Wealth Report", which puts the asset and debt situation of households in more than 50 countries under the microscope. A sad premiere: in 2018, financial assets in industrial and emerging countries declined simultaneously for the first time; even in 2008, at the height of the financial crisis, this was not the case. Worldwide, savers were in a bind: On the one hand, the escalating trade conflict between the US and China, the endless "Brexit saga" and increasing geopolitical tensions, on the other hand, the tightening of monetary conditions and the (announced) normalization of monetary policy. The stock markets reacted accordingly: Global equity prices fell by around 12% in 2018. This had a direct impact on asset growth. Global gross financial assets of households[1] fell by 0.1% and remained more or less flat at EUR 172.5 trillion. "The increasing uncertainty takes its toll", said Michael Heise, chief economist of Allianz. "The dismantling of the rule-based global economic order is poisonous for wealth accumulation. The numbers for asset growth also make it evident: Trade is no zero-sum game. Either all are on the winning side – as in the past – or on the losing side – as happened last year. Aggressive protectionism knows no winners."

Convergence between poorer and richer countries comes to a halt

In 2018, gross financial assets in emerging markets not only declined for the first time, but the decline of -0.4% was also more pronounced than in the industrialized countries (-0.1%). The weak development in China, where assets fell by 3.4%, played a key role in this. However, other important emerging markets such as Mexico and South Africa also had to absorb significant losses in 2018.

This is a remarkable trend reversal. Over the last two decades, the growth gap between poorer and richer regions of the world still stands at an impressive 11.2 percentage points on average. It seems that the trade disputes have set an abrupt stop sign for the catching-up

[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

process of the poorer countries. Industrialized countries, however, did not benefit either. Both Japan (-1.2%), Western Europe (-0.2%) and North America (-0.3%) had to cope with negative asset growth.

The price of low yields

At the same time, fresh savings set a new record. They increased by 22% to more than EUR 2,700 billion. The increase in the flow of funds, however, was solely driven by US households, who – thanks to the US tax reform – upped their fresh savings by a whopping 46%; two thirds of all savings in industrialized countries thus originated in the US. But the analysis of fresh savings in 2018 reveals another peculiarity: Savers seemed to turn their backs on the asset class of insurance and pensions. Its share in total fresh savings has fallen from more than 50% before and immediately after the crisis to a mere 25% in 2018. And while US households increased in return their demand for securities, all other households preferred bank deposits (and sold securities): In Western Europe, for example, two thirds of fresh savings ended up in bank coffers; worldwide, bank deposits remained the most popular destination for fresh savings, for the eighth year in a row. This penchant for liquid and supposedly safe assets costs savers dearly, however: Losses suffered by households as a result of inflation are expected to have risen to almost EUR 600 billion in 2018.

“It is a paradox savings behavior”, said Michaela Grimm, co-author of the report. “Many people save more because they expect a longer and more active life in retirement. At the same time, they shun exactly those products that offer effective old-age protection, namely life insurances and annuities. Seemingly, the low yield environment undermines the willingness for long-term saving. But the world needs nothing more than long-term savers and investors to deal with all the upcoming challenges.”

Growth in liabilities stabilize at high level

Worldwide household liabilities rose by 5.7% in 2018, a tad below the previous year's level of 6.0%, but also well above the long-term average annual growth rate of 3.6%. The global debt ratio (liabilities as a percentage of GDP), however, remained stable at 65.1%, thanks to still robust economic growth. Most regions saw a similar development in that respect. Asia (excluding Japan) is a different story. In the last three years alone, the debt ratio jumped by almost ten percentage points, driven mainly by China (+15 percentage points).

“Debt dynamics in Asia and particularly in China are, at least, concerning”, commented Patricia Pelayo Romero, co-author of the report. “With a debt ratio of 54%, Chinese households are already relatively as indebted as, say, German or Italian ones. The last time, we had to witness such a rapid increase in private indebtedness was in the USA, Spain and Ireland shortly before the financial crisis. Compared to most industrialized countries, debt levels in China are still markedly lower. Supervisory agencies, however, should no longer stand by and watch. Debt-fueled growth is not sustainable – even China is not immune against a debt crisis.”

Because of the strong growth in liabilities, net financial assets i.e. the difference between gross financial assets and debt fell by 1.9% to EUR 129.8 trillion at the close of 2018. Emerging countries in particular suffered a drastic decline, net financial assets shrank by 5.7% (industrialized countries: -1.1%).

Germany: Financial assets grow slightly against global trend

The gross financial assets of German households rose by 2.2% in 2018, bucking the trend. Germany was thus not only one of the few European countries to achieve any growth at all, but was also only outperformed by Norway (2.8%) in Western Europe. Of the Big Five in Europe, only Great Britain was able to report positive growth (1.0%), France (-0.8%), Italy (-4.8%) and Spain (-1.6%), on the other hand, ended the year in negative territory.

Germany's good performance is remarkable for two reasons. On the one hand, the German stock market (DAX) performed significantly worse than many other markets as the globally positioned German companies suffered particularly from the trade disputes. And on the other hand, German households – contrary to their reputation – were not the most cautious savers in the past year. Although the share of bank deposits in fresh savings rose significantly again to 57% in 2018, this figure was 68% in the rest of Western Europe. And while German savers invested at least one-fifth of their assets in equities and investment funds, other households sold securities. The reason for Germany's positive performance lies in the sheer volume of savings. With the record sum of EUR 244 billion in savings the losses in value of approximately EUR 110 could be more than compensated. German asset growth reflects the robust German labor market with rising employment and wages. This allowed German households to save more than almost anyone else: in 2018, fresh savings amounted to just under 4% of existing assets; in Japan they reached 1.1%, in the rest of Europe 1.4% and even in the USA, which was boosted by the tax reform, only 2.4%.

Liabilities grew by 3.4% – the fastest increase since the turn of the century; it was above the Western European average and US growth (each 3.2%). However, there is no such a thing as a credit boom in Germany, although the debt ratio of households has slightly increased for the first time since 2009. But with 53,4%, Germany's debt ratio is still one of the lowest in the industrialized world.

Asian and Scandinavian countries on the rise, euro countries on the descending branch

Net financial assets in Germany increased by only 1.6% in 2018, the weakest growth in the last seven years, when an average increase of 5.4% was achieved. With net financial assets per capita of 52,860 euros, Germany remained in 18th place in the ranking of the 20 richest countries (financial assets per capita, see table). At the top, the USA replaced Switzerland again, not least thanks to the strong dollar. Even though 18th place is disappointing for Germany as a whole, it is one of the few eurozone countries – along with the Netherlands and Austria – that has been able to maintain its position since the turn of the century. Italy (-10 places), France (-5 places) and Belgium (-4 places), for example, have slipped sharply. On the other hand, the big winners include first and foremost Singapore (+13 places) and Taiwan (+10 places) as well as Sweden (+6 places), Australia (+5 places) and South Korea (+5 places).

Just a bump in the road?

For the first time in over a decade, the global wealth middle class did not grow: At the end of 2018, roughly 1,040 million people belonged to the global wealth middle class – which is more or less the same number of people as one year before. Against the backdrop of shrinking assets in China, this does not come as a big surprise. Because up to now the emergence of the new global middle class was mainly a Chinese affair: Almost half of their members speak Chinese as well as 25% of the wealth upper class. “There are still plenty of opportunities for global prosperity”, said Arne Holzhausen, co-author of the report. “If other heavily populated countries such as Brazil, Russia, Indonesia and in particular India would have had a level and distribution of wealth comparable to China, the global wealth middle class would be boosted by around 350 million people and the global wealth upper class by around 200 million people. And the global distribution of wealth would be a little more equal: at the end of 2018, the richest 10% of the population worldwide owned roughly 82% of total net financial assets. Questioning globalization and free trade now deprives millions of people around the world of their opportunities for advancement.”

When analyzing the movements between the wealth classes, the scars of the financial and euro crisis become visible again. Whereas emerging countries – particularly in Asia – can look back on two decades of mostly social rise, the picture for Western Europeans and Americans is bleaker. In fact, it’s only in these two regions that the ranks of the low wealth class have increased since 2000 – by 4% of the population in Western Europe – and those of the high wealth class have decreased – by 6% and 9% of the population in Western Europe and North America, respectively –, when adjusted for population growth. In Germany, on the other hand, the situation remained relatively stable.

Eluding simple generalizations

Our new proprietary Allianz Wealth Equity Indicator (AWEI) helps to provide a more nuanced picture of national wealth distribution, in a comparative perspective. In some cases, it substantiates the general perception, think of the two opposing poles USA – showing a very skewed distribution of wealth – and Japan, belonging to the more egalitarian societies. In other cases, the AWEI produces rather surprising insights. The Scandinavian countries, in contrast to their reputation, have a rather unequal wealth distribution (cue: high mortgage loans); Germany, too, belongs to this group (cue: late reunification). On the other hand, Spain and Italy, despite the recent crises, are still among the countries with a more balanced distribution. And it shows also that wealth distribution in China gets appreciably worse. The years of rampant growth lifting almost automatically all boats are gone. The social question is gaining more and more in urgency in China, too.

Top 20 in 2018 by…

	…Net financial assets per capita				…Gross financial assets per capita		
	in EUR	y/y in %	rank 2000		in EUR	y/y in %	rank 2000
#1 USA	184,410	-1.7	2	#1 Switzerland	266,320	-0.9	1
#2 Switzerland	173,840	-2.4	1	#2 USA	227,360	-0.9	2
#3 Singapore	100,370	4.4	16	#3 Denmark	156,320	0.5	6
#4 Taiwan	97,850	5.0	14	#4 Netherlands	146,155	1.4	4
#5 Netherlands	97.345	1.4	6	#5 Singapore	136,940	3.3	10
#6 Japan	96,310	-1.7	3	#6 Sweden	135,800	-1.5	14
#7 Sweden	92,320	-4.0	13	#7 Australia	129,030	2.0	17
#8 Belgium	89,540	-3.6	4	#8 Canada	120,280	-1.8	8
#9 New Zealand	87,620	-1.0	9	#9 Japan	118,350	-0.9	3
#10 Denmark	85,895	-3.6	12	#10 Taiwan	117,430	4.9	16
#11 Canada	80,670	-3.9	8	#11 New Zealand	115,050	0.5	11
#12 Great Britain	79,760	-1.0	5	#12 Belgium	114,730	-2.2	5
#13 Israel	73,180	1.8	11	#13 Great Britain	112,870	0.4	7
#14 Australia	68,670	1.3	19	#14 Israel	91,990	2.4	18
#15 France	57,095	-3.0	10	#15 Norway	91,430	2.0	20
#16 Austria	53,980	-0.5	17	#16 France	83,295	-1.0	12
#17 Italy	53,140	-6.5	7	#17 Ireland	77,580	-2.3	13
#18 Germany	52,860	1.1	18	#18 Austria	75,880	0.2	19
#19 Ireland	47,060	-1.0	15	#19 Germany	74,620	1.7	15
#20 South Korea	29,720	-2.2	25	#20 Italy	68,660	-4.7	9

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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

For further information please contact:
Dr. Lorenz Weimann Tel. +49.69.3800-16891, e-mail: lorenz.weiman@allianz.com

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

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