Economic Research

Allianz Global Wealth Report 2016

Allianz

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Preface

Seven years of plenty: in the seven years since the major financial crisis, global private financial assets have grown by 61 % – almost twice the rate of growth in economic output. It does not take long to pinpoint who is responsible for this exceptional development: the world's central banks have been continually flooding the markets with new liquidity ever since the financial crisis, driving asset prices up to ever new highs. So are savers currently enjoying the best of all possible worlds? Certainly not.

Because there is a flip side to the success story of rampant financial asset growth in recent years, especially in the developed countries that also have extremely low interest rates to contend with: the trend comes hand-in-hand with increasing inequality in wealth distribution. This is reflected less, however, in the erosion of the middle class or in more widespread poverty among the population at large, and more in the concentration of more and more wealth in the hands of a (very) select few. This is because investments in equities tend to be held primarily by wealthy households. This trend is fueling a growing sense of dissatisfaction among large sections of the population – the UK's vote to leave the EU should also be viewed within this context. In the majority of the world's up-and-coming economies, on the other hand, where monetary policy is less expansive, economic growth is higher and asset growth is being driven more by savings efforts than by share price gains, wealth distribution has not become more unequal.

Against this backdrop, it is also important to critically reflect upon households' savings habits: despite exceptionally low and negative interest rates, the majority of people are showing a preference for short-term, very liquid investments like bank deposits – which are offering returns close to zero. On the other hand, much less money is being pumped into long-term investments. In Europe, for example, households are still pulling funds out of the capital markets. If we look at the situation more closely, what looks like "saving" at first glance actually turns out to be a case of "parking money" as opposed to really investing. There is no need to spell out the long-term implications of "saving without returns" for retirement provision, for example. Nevertheless, it is easy to understand the motivation behind this behavior: seven years after the Lehman crash, the majority of households still lack confidence in the financial markets. This is why only very few of them have reaped the benefits offered by the low interest rate policy, namely price gains on the stock markets, to date. It is legitimate to question whether the concept of negative interest rates – which are diametrically opposed to a normal understanding of how the financial markets works – has what it takes to establish new-found confidence. In reality, the opposite is likely to be true.

This applies all the more so now that, after seven years, a monetary policy of "more and more" appears to be reaching its limits with regard to asset prices as well. The stock markets have become much more volatile in the meantime, with the growth in global financial assets already slowing considerably last year. It is certainly no coincidence that this trend has hit Europe, the US and Japan the hardest. But without price increases to offset the lack of interest income, the "years of plenty" would appear to be over as far as asset growth is concerned. So it is high time for things to get back to normal.

I hope that the in-depth analysis of the global wealth situation of households that this seventh issue of the "Allianz Global Wealth Report" offers will help us to take the right action now in order to ensure that we do not gamble away that urgently required confidence in the future.

Oliver Bäte
Chairman of the Board of Management of Allianz SE

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Summary

The "years of plenty" are over

After three good years with average growth of 9%, savers had to make do with more moderate asset growth again in 2015: global gross financial assets increased by "only" 4.9% in 2015 to total EUR 155 trillion. Out of the three asset classes – bank deposits, securities, and insurance and pension funds – securities showed the best performance (+6.1%), with bank deposits hot on their heels (+5.5%). Insurance and pension funds, on the other hand, dropped back a notch or two (+3.3%): the scars left by the ongoing low interest rate policy are becoming increasingly visible in this asset class.

Growth: Asia alone at the top

A comparison of the regions once again paints a familiar picture in 2015, with the Asia region (excl. Japan) topping the table as the unchallenged leader, with growth just shy of 15%. Although Asia also saw a slowdown in the pace of growth last year, 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 growth was only half as fast as in Asia on average. The days in which these regions were able to keep up with their counterparts in Asia are long gone. Asset growth in the world's traditional developed countries also came as something of a disappointment, although Western Europe (3.2%) fared slightly better than North America (+2.6%).

Catch-up process intact

The slow shift in weightings on the world asset map continued in 2015: the three emerging market regions of Latin America, Eastern Europe and Asia (excl. Japan) accounted for more than 21% of the world's gross financial assets, at least three times as much as at the beginning of the millennium. Last year alone, their share of global financial assets rose by 1.7 percentage points, reaching the second-highest growth rate seen over the last decade. If we look at economic output, however, where these regions already account for at least one-third of the global market, it becomes evident that the catch-up process is far from over.

Debt growth stable

At 4.5%, the liabilities of households grew at the same rate in 2015 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, whereas in Latin America and Eastern Europe – due to the crises facing the major economies in these regions – it 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 seventh year running. So all in all, households – especially in the developed countries – were still taking a very cautious approach to borrowing; in many countries in Western Europe, the deleveraging trend continued in 2015.

End of global deleveraging

At the global level, however, the deleveraging process appears to have come to an end. With global debt growing virtually in tandem with global economic output last year, the global debt ratio, i.e. household liabilities measured as a percentage of nominal economic output, came in at 65.3%, on a par with the year before. This still, however, puts

it around eight percentage points down on the all-time high reached in 2009.
If we subtract debt from the gross financial assets, we arrive at a figure for global net financial assets, which came in at a new record high of EUR 116 trillion at the close of 2015. This figure is up by 5.1% on a year earlier – below-average development in a long-term comparison (average rate of +6.2% p.a. since 2005).

Latin America comes in last

Despite the catch-up process, the discrepancies between the assets of households in the richer regions and those in the world's poorer regions remain huge. The wealth gap is especially pronounced on the American continent: after deductions for liabilities, North America remained the richest region in the world at the end of 2015, with average per capita assets coming to EUR 152,510. By contrast, Latin America was the region with the lowest net financial assets, namely EUR 2,840 per capita. This puts it bottom of the regional ranking list for the very first time, also due to exchange rate effects.

The global middle class is growing and getting richer

Although the vast majority of the five billion people living in the countries included in our analysis still belong to the low wealth class, the number is down slightly as against 2000 to 3.4 billion, meaning that only 69 percent of the total population (as opposed to 80 percent in 2000) belong to this wealth category today. 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% to around 20%. The proportion of global assets held by this wealth class has also grown significantly, rising to a good 18% at the end of 2015, almost three times the amount seen at the start of the millennium. So the global middle class has not only been getting bigger in terms of the number of people who belong to it; it has also been getting increasingly richer.

The global upper class is growing and becoming more heterogeneous

Although there are now fewer households who count among the global high wealth class in the traditional developed 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% more than in 2000. This also means that the high wealth class is much more heterogeneous than it was in the past, when it was more or less a club open exclusively to western European, American and Japanese households: these countries now account for 66% of the group as a whole, compared with over 90% in the past. The share of global financial assets attributable to this wealth class has also fallen. This development reflects a broader distribution of wealth, at least at global level.

Shrinking national middle class in the developed 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) – which have been pursuing an extremely expansive monetary policy since the financial crisis. 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.

"Inclusive inequality"

There are also, however, developments such as those witnessed in France and Switzerland, where a larger middle class comes hand-in-hand with, or is caused by, greater wealth concentration. The situation is probably best described as a paradox of "inclusive inequality": 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 simultaneously getting smaller and smaller). Ultimately, this description of "inclusive inequality" also applies to the situation across the globe.

Development in global financial assets

Monetary policy becoming less effective

After three good years in which the expansive monetary policy pursued by the world's major central banks had driven asset prices up, savers had to make do with more moderate asset growth again in 2015: global gross financial assets increased by 4.9% last year, the weakest rate of growth seen since 2011 – the limits of quantitative easing are now also leaving their mark on asset development.

All in all, gross financial assets in the 53 countries included in our analysis rose to EUR 154.8 trillion in the course of last year. This means that private savings amounted to more than 260% of global economic output and around 250% of global market capitalization. In theory, households could use their financial assets to settle the total sovereign debt of these countries three times over.

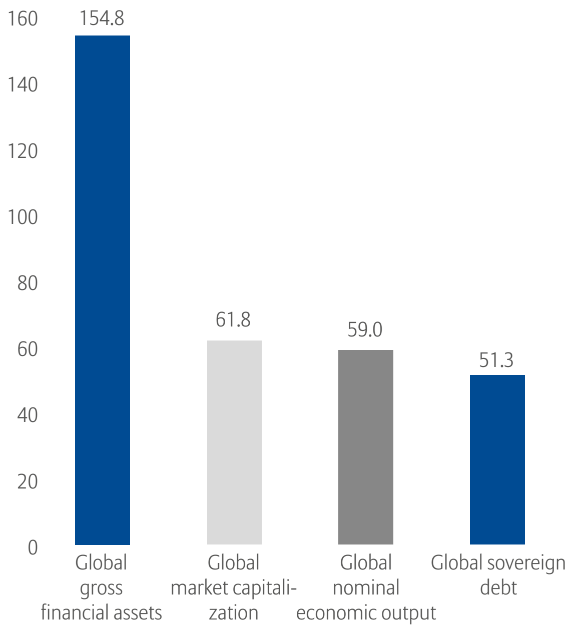
In the period from 2005 to 2015, household savings almost doubled, growing at an average annual rate of 5.7% – so the rate of growth witnessed last year is also lagging slightly behind the long-term average. Global nominal economic output has been growing at an average rate of 5.0% a year since 2005, slightly slower than the rate of asset growth. As the world's population continues to grow, the long-term per capita growth rates have also fallen by almost one percentage point to 4.8% and 4.2% respectively. If we deduct the rate of inflation, which came to a global average of 2.5% in the period covered by our analysis, real asset growth comes to an average of 2.3% per year and capita – this means that the rate of inflation swallowed up more than half of annual asset growth. At the end of 2015, gross per capita financial assets at global level averaged EUR 31,070, with average nominal economic output of EUR 11,850 per capita.

Weakest growth in financial assets since 2011

Development of global gross financial assets

Global growth financial assets, in EUR tn (lhs)
Change rate y/y, in % (rhs)

Household savings by comparison 2015, in EUR tn



Sources: IWF, National Central Banks and Statistical Offices, Thomson Reuters, World Federation of Exchanges, Allianz SE.

Securities: A rollercoaster ride on the stock markets

Stock market developments last year were something of a rollercoaster ride and really put investors through the mill. The stock market year got underway with rocketing share prices after the European Central Bank (ECB) announced its large-scale bond-purchasing program in January: as of March 2015, bonds – particularly government bonds – worth EUR 60bn in total were bought every month, with the program set to run until September 2016. In the first three months of the year alone, the Euro Stoxx 50 climbed by almost 18%. None of the euphoria in Europe made its way over to the other side of the Atlantic, with the S&P 500 more or less stagnating in the first quarter of the year. As the year neared the mid-way point, however, the tide of sentiment started to turn on the old continent as well: the uncertainty surrounding developments in Greece paved the way for increased volatility and losses on the markets, shaving 7.4% off the value of Europe's leading index again in the second quarter. The markets in the Far East were on a sharp upward trajectory, at least in the first half of the year: Japan's Nikkei gained 16% compared with the start of the year, with China's stock market barometer also soaring to one annual high after another. In mid-June, the Shanghai SE index finally reached its peak of 5,411 points – almost 60% higher than the level at which it had started the year. This was not, however, a sustainable development: only two months down the line, a quake on the Chinese stock market sent share prices plummeting in the rest of the world, too, with the major indices having to digest hefty losses. The concomitant drop in oil prices exacerbated fears of a growth slump in China and concerns regarding the implications that this would have on the global economy. At least in the developed countries, the situation bounced back to some degree in the last quarter of the year, meaning that the MSCI World closed the year down by "only" just under 3%. The MSCI Emerging Markets lost a total of 17%. Ultimately, this turbulent stock exchange year ended with some indices in the red and others in the black: whereas the S&P 500 was down by 0.7% on the closing level for the previous year, both the Euro Stoxx 50 and Nikkei gained ground again in the final quarter, closing the year up by 3.8% and 9.1% respectively. And even at the epicenter of the stock market quake, the Shanghai SE Index closed 2015 up by 9.3% year-on-year thanks to the share price rally in the first half.

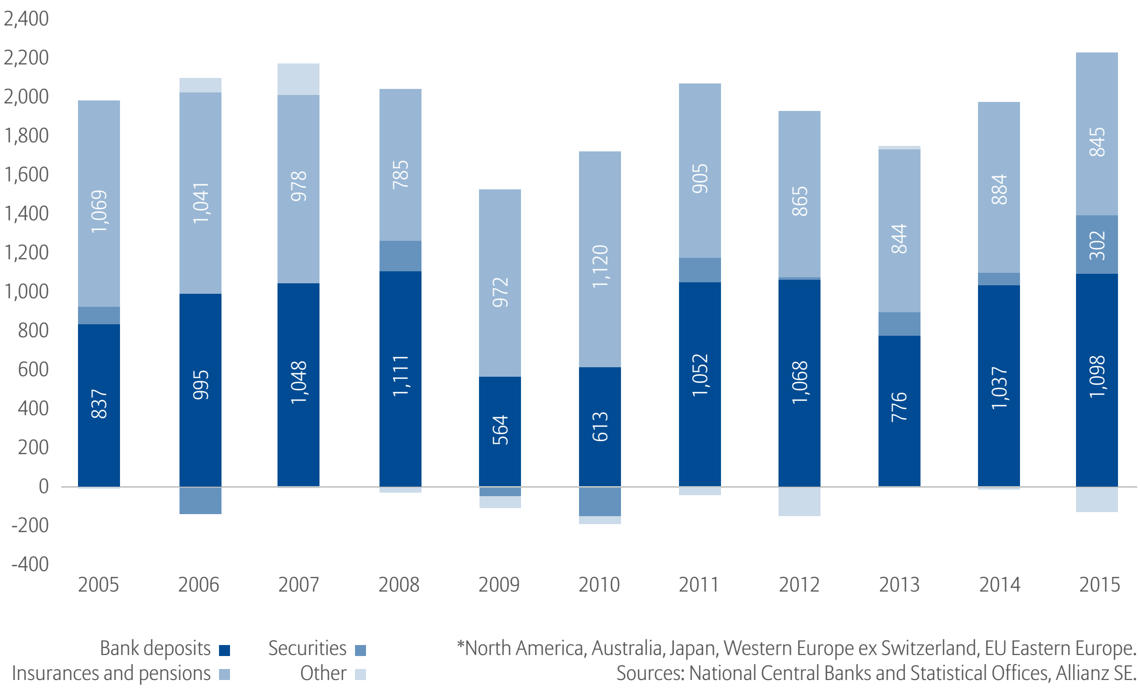
Despite the ups and downs on the capital markets, the global securities assets of households grew by 6.1% in total. This puts the rate of change as against 2014 on a par with the long-term average growth rate, but down considerably on the strong stock market years of 2012, 2013 and 2014, in which securities, as an asset class, reported double-digit growth. Despite the stock market crash in China, the greatest growth impetus came from Asia (excl. Japan): all in all, assets invested in shares and other securities increased by almost 25% in Asia, not least thanks to strong fund inflows. In Japan, securities assets showed subdued growth of 1.5%, largely due to value gains. This is because, all in all, the Japanese continued to pull funds out of this asset class for what is now the sixth year running. Households in Oceania also reaped the benefits of value gains, with securities assets growing by 6.4% despite fund outflows. Developments in Western Europe (+3.8%) and North America (+1.9%) were much less dynamic. Just like in Japan and Oceania, growth in Western Europe was fueled largely by value gains because households in this region, too, pulled funds out of this asset class on the whole, albeit not on a major scale. Although North American households once again plowed substantial sums of money into this asset class last year – the inflow of funds virtually doubled year-on-year from over EUR 160bn to a good EUR 300bn – the rate of growth was only moderate due to poor value development. Latin America also showed disappointing development, with anemic growth of 1.8%. The region is suffering from a mixture of falling commodity prices, political upheaval and faltering economic growth.

Across the globe, the securities assets held by households came to EUR 61.6 trillion at the end of 2015, meaning that this asset class accounts for just under 40% of total savings.

Saving against zero interest rates

Despite low interest rates a large proportion of savings are transferred to bank accounts

Formation of financial assets* according to asset classes, in EUR bn



*North America, Australia, Japan, Western Europe ex Switzerland, EU Eastern Europe.
Sources: National Central Banks and Statistical Offices, Allianz SE.

Bank deposits: Households up their savings efforts to counteract falling interest income

As a "safe haven" and a source of guaranteed liquidity, bank deposits have become increasingly popular as an asset class since the outbreak of the economic and financial crisis. Global overnight money, term deposits and savings deposits totaled around EUR 42.5 trillion at the end of 2015, up by around 60% on the level seen in 2007. Despite exceptionally low interest rates and real value losses, many households once again handed a large chunk of their fresh savings funds over to banks last year. At almost EUR 1.1 trillion[1], this asset class accounted for more than half of financial asset formation. The global rate of growth in the volume of these investments slowed, however, by one percentage point to 5.5% year-on-year, putting it slightly behind the long-term average (6.0% p.a.) This is due, not least, to the drop in interest income.

In Western Europe and the eastern European EU member states, however, where savers are being hit particularly hard by the zero interest rate policy pursued by the central banks, the rate of growth in the volume of these investments was actually up slightly against the prior year, coming to 3.1% and 8.0% respectively (2014: +2.8% and +7.7%) The inflow of funds in these regions increased by more than 12% and a good 19% respectively year-on-year. Savers would appear to be upping their savings efforts to compensate for the ongoing drop in interest income. The same development was witnessed in Australia, where the rate of growth in assets held as bank deposits remained stable as against the previous year at 8.9%. Fund inflows were up by almost 10% here, too. In North America, on the other hand, the volume of funds held in these investments dipped slightly from 7.1% to 6.6%, although the inflow of funds was at a relatively high level in a historical comparison. Japan, on the other hand, where households have traditionally held more than half of their savings in bank deposits, saw a drop in both the amount of fund inflows and the growth in the volume of this asset class, with the latter coming to only 1.7% last year. Growth rates outstripped the global average in Latin America (10.2%) and Asia (excl. Japan) (8.3%), albeit based on a level that was still very low.

1 These values refer to households in North America, Western Europe (excl. Switzerland), the eastern European EU members, Australia and Japan.

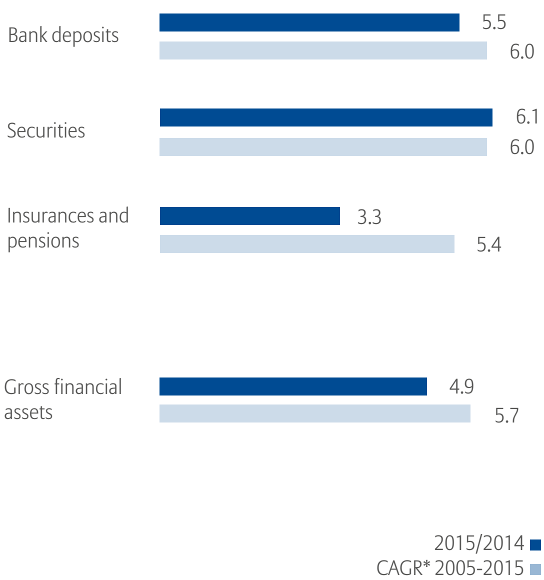
Insurance policies and pensions: Households more reluctant to make long-term investments

The third largest asset class in the asset portfolio, namely household claims vis-à-vis insurance companies and pension institutions, reported total growth of 3.3% at the global level in the course of 2015, slowing considerably in a year-on-year comparison (2014: +7.2%). The disruption caused by the ongoing low interest rate policy has left the biggest mark on this asset class, albeit to a varying extent.

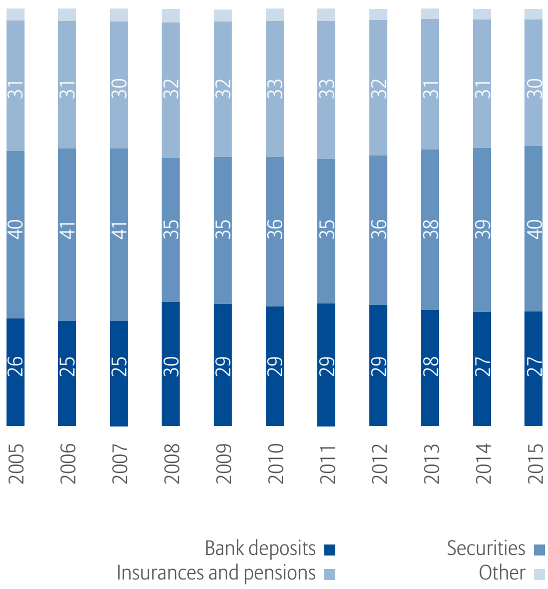
An international comparison shows significant differences when it comes to the pace of growth. Latin America and Asia (excl. Japan) topped the growth league again, with rates of 10.7% and 9.8% respectively. Eastern Europe and Oceania also outpaced the global average, with investment volume growth of 7.2% and 7.0% respectively. Although growth has, on the whole, slowed in these regions as well, the slowdown is relatively mild. By contrast, the slowdown in the rest of the world, which was home to almost 86% of the world's total insurance policies and pensions at the end of 2015, was pronounced: in Western Europe, last year's increase came to

Growth in asset classes and portfolio structure

Change in asset classes, in %



Asset classes as % of gross financial assets



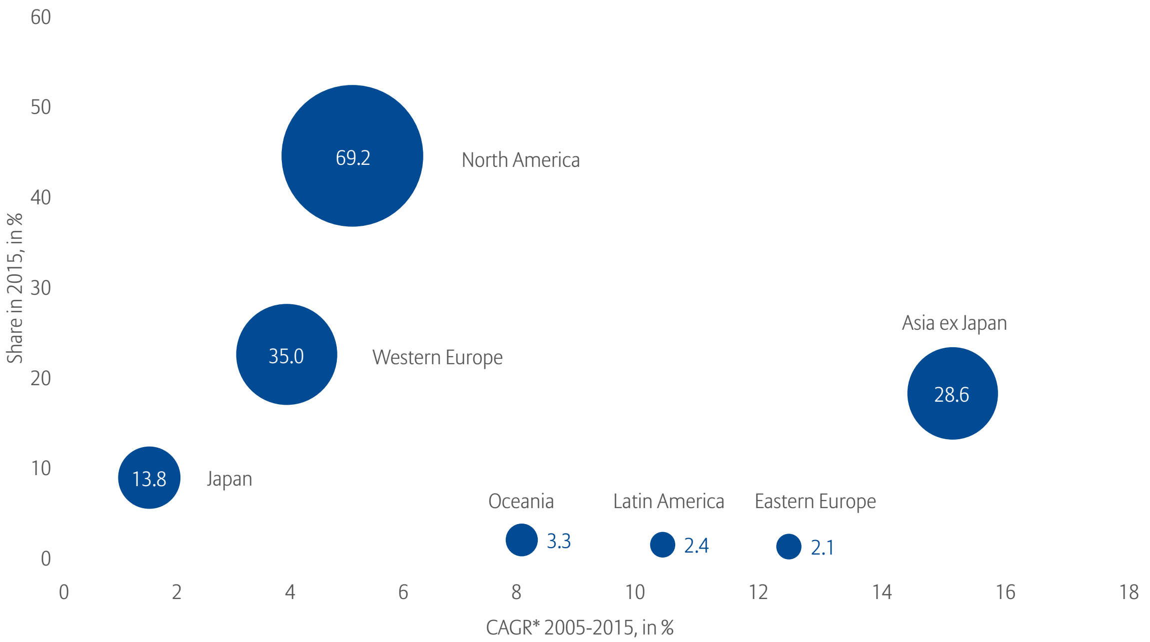
*CAGR = Compound Annual Growth Rate.
Sources: National Central Banks and Statistical Offices, Allianz SE.

2.9%, putting the region well behind the long-term average growth rate of 5.3%. Although this asset class was still responsible for the lion's share of financial asset formation in 2015, western Europeans cut their fund inflows by 13% as against 2014. Households would appear to favor parking their savings in short-term bank deposits over long-term investments. Developments in 2015 lagged behind the historical average (+4.8%) in North America as well, with growth of 2.2%. As in Western Europe, US households showed a preference for bank deposits, which made up almost half of financial asset formation last year. As has traditionally been the case, Japan came bottom of the growth league again in 2015. Japanese household receivables from insurance companies and pension institutions showed only meager growth of 1.5% in 2015, also down on the long-term average of 1.9%.

Nevertheless, global insurance policies and pensions came to an all-time high of EUR 46.9 trillion – a good 46% more than before the outbreak of the economic and financial crisis. This asset class accounted for 30% or so of the total asset portfolio at the end of 2015.

Wealth levels and growth by region

Share of global gross financial assets 2015 and compound annual growth since 2005



*CAGR = Compound Annual Growth Rate
Sources: National Central Banks and Statistical Offices, Allianz SE.

Absolute amount of gross financial assets (in EUR tn) ■

Latin America and Eastern Europe start to falter as Asia sprints on

During the commodities boom in the first decade of the new millennium, Latin America was a star performer, reporting what were, at times, personal financial asset growth rates running into the high double digits. After the global economic and financial crisis reared its head, this region, which is rich in natural resources, played a key role in keeping the global economic engine running. But with commodity prices now in free fall due to the slump in demand – particularly from China – and the increase in supply at the same time, the former prodigy has lost a lot of its luster. The continent's flagging economy is also leaving its mark on personal asset accumulation. After achieving asset growth of 8.3% in 2014, the region came in well behind the emerging market average (+15.4% as against 2014) last year as well, with growth of 6.5%. Between 2005 and 2010, average annual savings growth in Latin America was still sitting at almost 13% and has now slipped back to an average of around 7% over the last five years due to dwindling macroeconomic momentum. And yet despite the slowdown over the past few years, the decade cannot be written off entirely: in spite of everything, household assets in Latin America have almost trebled since 2005. During this period, the region's slice of the global gross financial asset cake has expanded from 1.0% to 1.5%.

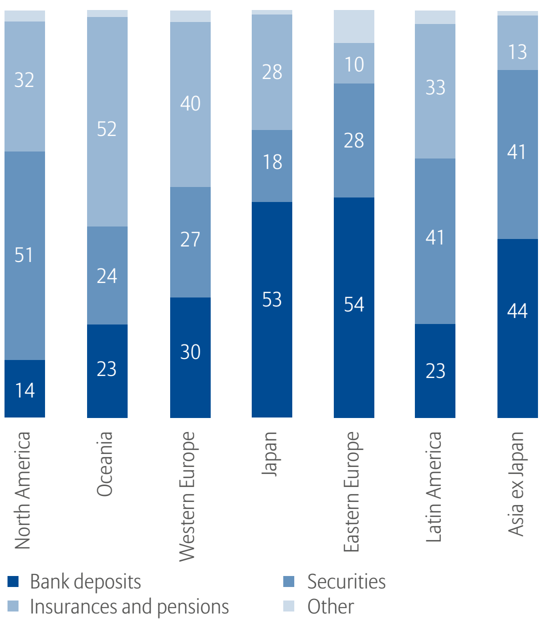
Asset growth slackened considerably in Eastern Europe as well. Although household savings were growing at a rate much faster than the global average, at 8.9%, in 2015, the pace of growth slowed for what is now the third year running. As in Latin America, asset accumulation tapered off in the second half of the last decade, dropping back from an average of 14.1% a year between 2005 and 2010 to 10.4% since 2011. This development was much more pronounced in the countries outside of the European Union than it was in the EU member states of eastern Europe – which is hardly surprising given that the Russia-Ukraine conflict is still simmering away.

The growth champion is the Asia region (excl. Japan), both last year and in a long-term comparison. The 14.8% asset growth seen last year was three times the global rate of increase. Unlike in Latin America and Eastern Europe, the growth trajectory continues uninterrupted in Asia (excl. Japan): over the past few years, the average pace of growth has actually accelerated compared with the period from 2005 to 2010, rising from 13.7% to 16.9% a year since 2011. Whereas the region's share of global assets came to 7.5% in 2005, it had more than doubled, coming in at 18.5%, by the end of 2015.

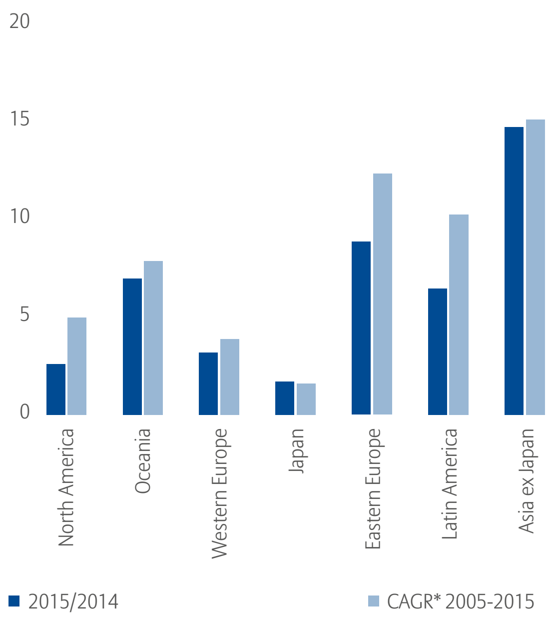
Mirroring its geographical location, Japan is also something of an island within Asia when it comes to asset growth: with average annual growth to the tune of 1.6% since 2005, the savings of Japanese households grew at a far slower rate than in the rest of Asia. But Japanese growth was also downright homeopathic compared with Western Europe and North America, where households are also already equipped with a substantial asset cushion. There are two main reasons behind the weak growth: first, Japanese households have traditionally held more than half of their financial assets in bank deposits. The low interest rates that have now been on the scene for decades, however, mean that this asset class does not provide savers with adequate returns. Second, however, it has also been virtually impossible to generate any value gains on the stock market; the first decade of the new millennium saw the Nikkei fall back to levels which, in some cases, were last seen in the early 1980s. This situation started to turn around in 2013, which marked the start of what is known as "Abenomics". Whereas Japan's leading index was still almost one-third down on the 2007 value at the end of 2012, it had already exceeded this level by more than 24% three years later. As a result, the assets of households held in equities and fixed-income securities shot up by almost 40% in this period alone to total around EUR 2.4 trillion. Since, however, this asset class only accounts for just under 18% of the portfolio, the overall effect remained modest. Last year, the total savings of Japanese households grew by 1.7%, slower than in the previous year (+3.0%). All in all, Japanese financial assets came to EUR 13.8 trillion at the end of 2015. The country's share of global financial assets has fallen from 13.6% to 8.9% in the course of the last decade.

Asset structure and growth by region

Asset classes as % of gross financial assets, 2015



Change of gross financial assets, in %



*CAGR = Compound Annual Growth Rate.
Sources: National Central Banks and Statistical Offices, Allianz SE.

The financial assets of western European households grew at almost twice the rate of Japanese financial assets last year, although the European growth rate was also down by almost four percentage points in a year-on-year comparison to 3.2%. This is due primarily to the lack of the sort of value gains in assets held in insurance policies and pensions that were still fueling strong growth in 2014. The development puts the growth rate down slightly on the long-term average (+3.9% a year) again. The preference for investments that can be liquidated quickly is fairly pronounced on the old continent: no less than almost 30% of assets had ended up in savings accounts by the end of 2015. Riskier investments such as equities and other securities made up around 27%. Insurance policies and pensions remain the favorite savings product of western Europe's households, accounting for around 40% of the portfolio in total. This asset class once again reported the highest inflow of funds last year, too, even putting it ahead of bank deposits. All in all, the savings of western European households came to around EUR 35 trillion, or just under 23% of global assets.

Households in North America showed more of a risk appetite in their investment strategy. At the end of last year, securities accounted for more than half, or 51.3% to be precise, of the asset portfolio. On the other hand, bank deposits, which are so popular in Japan and Western Europe, only made up 14.1%. North American households saved almost 32% of their financial assets in the form of insurance policies and pensions, although, particularly in the US, these are often linked to capital market developments. In a long-term analysis, this savings behavior has paid off: average annual growth since 2005 came to 5.0% in North America, ahead of both the western European (+3.9%) and the Japanese (+1.6%) average. Last year, on the other hand, the trend was below-average due to the weak stock exchange year – the total volume of assets showed only a modest increase of 2.6% to total EUR 69.2 trillion. With a share of almost 45% of global financial assets, North America is the richest region on the planet.

In a comparison of the industrialized economies, the Oceania region reported asset growth that was well above-average in 2015. Whereas household savings in Australia and New Zealand increased by 7.0% in total, the average growth rate in the developed economies came to 3.0%. This solid performance applied to all three major asset classes, with bank deposits witnessing the biggest increase, namely 9.3%. The positive asset development down under really stands out in a long-term comparison as well. Thanks, not least, to the last commodities boom, the average annual growth rate for the last decade was also fairly high, at 7.9%, compared with "only" 4.4% in the industrialized countries on average. All in all, private savings in Oceania have more than doubled since 2015, coming in at EUR 3.3 trillion at the end of 2015. Households held just over half of their assets in insurance policies and pensions. Bank deposits and securities were virtually neck-and-neck, accounting for 23% and 24% of the portfolio respectively.

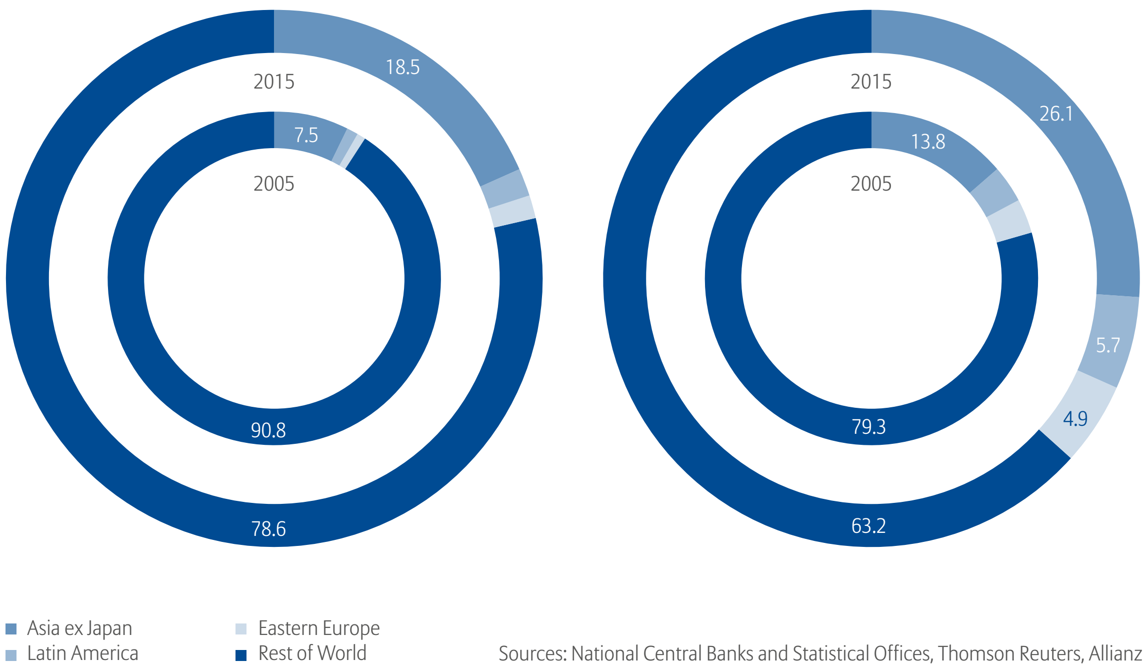
Catch-up process intact

Although asset growth in the up-and-coming economies has been almost four times as high, on average, as in the developed economies throughout the last decade, the weightings on the global asset map are shifting only slowly. Since 2005, the proportion of global gross financial assets that is attributable to North America and Western Europe has fallen by almost eight percentage points. Having said that, both regions still accounted for a combined total of over 68% of the global asset base at the end of 2015. With a "global share" of almost 45%, North America was the richest region on the planet. In Asia-Pacific, a further 8.9% was concentrated in Japan, and 2.1% in Australia and New Zealand. This means that, all in all, almost four-fifths of global financial assets are still in the hands of households living in the world's richer areas, even though these households make up less than one-fifth (19%) of the earth's population. The remaining 21.4% of the world's financial assets are distributed among Latin America (1.5%), Eastern Europe (1.4%) and the other Asian countries (just under 18.5%), i.e. among a total of 4 billion people. Last year alone, however, their share of global financial assets rose by 1.7 percentage points, the second-highest increase seen over the last decade after 2014. From this angle, the emerging markets cannot be said to be embroiled in a crisis. The catch-up process in the region is still intact.

Slow catch-up process in wealth

Share of global financial assets, in %

Share of global GDP, in %

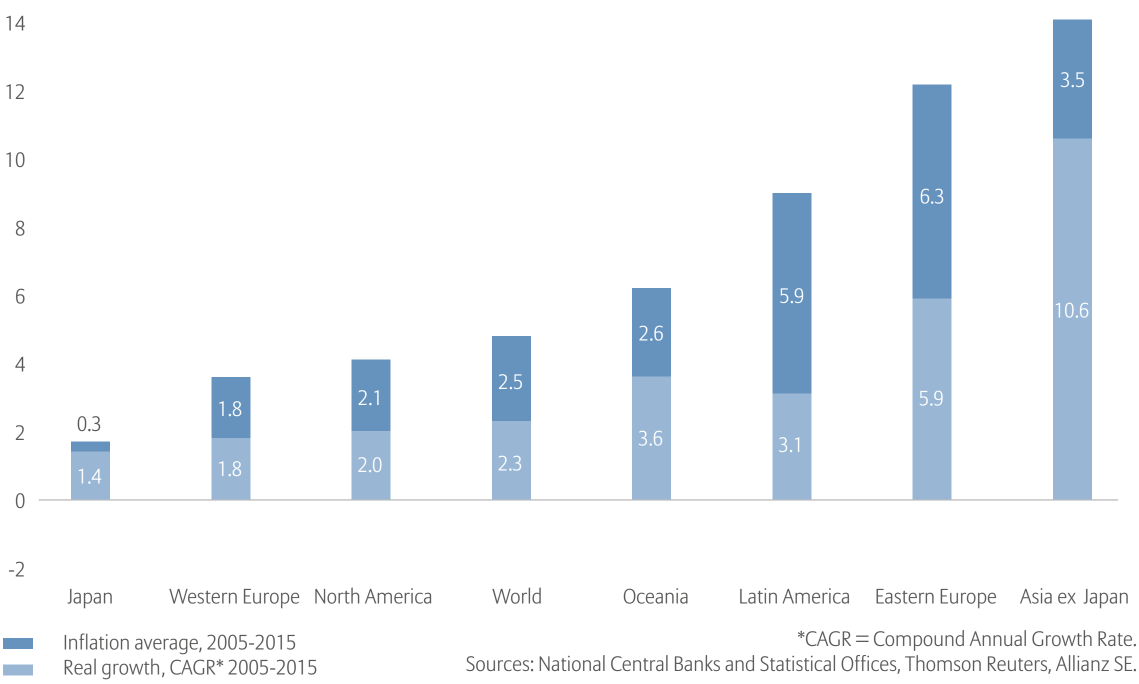


Sources: National Central Banks and Statistical Offices, Thomson Reuters, Allianz SE.

Compared with economic output, however, the gains made by the up-and-coming economies on the asset landscape start to look less impressive. In terms of gross domestic product, the weightings have already shifted further away from the richer regions and much further towards the world's poorer regions. By way of example, the proportion of global gross domestic product attributable to the two heavyweights, North America and Western Europe, was not only far lower than their share of global assets, coming in at almost 55% at the end of 2015; the decline to the tune of twelve percentage points since 2005 was also more pronounced than the extent to which their share of the asset base has contracted. Vice versa, the world's poorer regions have upped their share of global economic activity by 16 percentage points, to almost 37%, during the same period. The increasing role played by the up-and-coming economies in global economic growth is even more dramatic: whereas back in 2005, the regions of Asia (excl. Japan), Latin America and Eastern Europe were still contributing around 39% to the absolute growth in global gross domestic product, this figure had risen to 59% by 2015. This trend owes itself, to a large degree, to the rapid catch-up work done by Asia or, more precisely, by China: in 2015 alone, the Middle Kingdom was responsible for a good 28% of global economic growth.

Adjusted for inflation, Western Europe only slightly ahead of Japan

Inflation rate and real growth of gross financial assets per capita, in %



*CAGR = Compound Annual Growth Rate.

Sources: National Central Banks and Statistical Offices, Thomson Reuters, Allianz SE.

Inflation – the enemy of any saver

But it is not only the different starting points that have to be taken into consideration. Any assessment of the much faster pace of asset growth in the world's up-and-coming regions cannot ignore factors such as inflation and demographic development. Admittedly, the latter does not have any major impact: in the emerging markets, population growth generally pushes the long-term average growth in gross financial assets down by 1.1 percentage points in per capita terms. In the world's developed countries, this "demographic effect" comes in at around 0.6 percentage points – so this does little to change the major differentials.

If we look at asset growth in real terms, i.e. less the general rate of inflation, however, the effects are much more pronounced. This approach reduces the per capita asset growth rate significantly across the board, with the most pronounced drop seen in Eastern Europe and Latin America: on average, the annual rate of growth falls to 5.9% (instead of 12.2%) and 3.1% (instead of 9.0%) respectively. Asia (excl. Japan) remains the clear leader of the pack in a long-term comparison, even if inflation is left out of the equation, and can still testify to growth of 10.6% p.a. since 2005.

So in real terms, the growth differentials compared with the developed countries, mainly North America and Western Europe, no longer look quite as pronounced, even if inflation is obviously putting a damper on asset accumulation in these regions as well. North America is now clocking up growth of 2.0% a year (real gross per capita financial assets since 2005), whereas Western Europe can only manage to clock up a rate of 1.8% – putting it only just ahead Japan (1.4%) after adjustments for inflation.

Compared with the long-term analysis, the wedge that inflation drives between nominal and real value development is much smaller if we only look at developments last year. Savers in North America and Western Europe benefitted from a situation in which prices hardly increased at all, meaning that, at the end of the day, their assets barely lost purchasing power at all.

Box: Negative interest rates, no inflation and anxious savers in the eurozone

The ECB has been using its extreme monetary policy – a combination of negative interest rates and securities purchases (QE) – in an attempt to push up the rate of inflation. But so far with scant success – fortunately for savers.

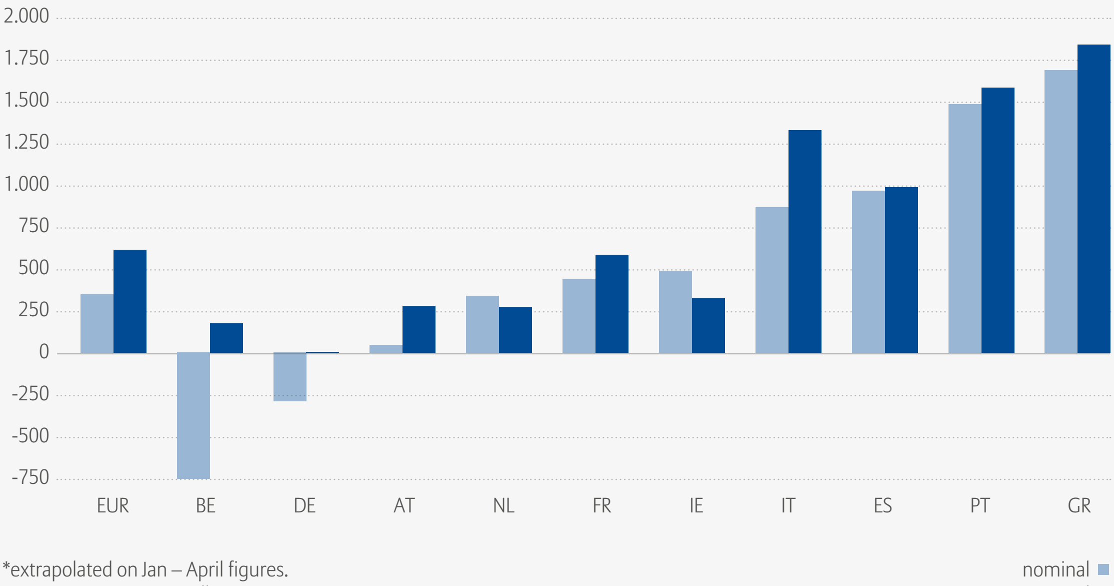
This is illustrated by a comparison of the direct impact that eurozone monetary policy is having on incomes in nominal and real terms. We define the direct impact on income as the interest rate gains/losses for households as a result of changes in interest rates for bank deposits and loans.

At first glance, households in the eurozone have been reaping the benefits of the ECB's policy in nominal terms: since 2012, the year in which the ECB vowed to do "whatever it takes" to save the euro, the balance of interest rate gains due to falling loan rates and interest rate losses due to falling deposit rates add up to a positive sum of almost EUR 120bn or EUR 350 per capita. However, not all households in the eurozone are on the winning side. For the highly-indebted households in the south of the continent, the very expansive monetary policy comes as a blessing because it reduces their debt service payments considerably. Belgian and German households, on the other hand, actually end up losing out overall because the lost interest income on deposits outweighs any positive impact of low interest rates. In a nutshell: Borrowers benefit, savers lose (see chart).

In real terms – i.e. if interest is "adjusted" to reflect the national inflation rate – a better picture emerges: Thanks to the low inflation rate, real interest rate balances are now positive in all countries; as a consequence, , European households actually end up benefiting even more, with the gains over the last five years (including 2016) topping EUR 200bn (EUR 610 per capita). There are no losers when things are calculated in real terms. Even Belgian and German households end up generating interest gains, albeit for the latter only a negligible EUR 3 per capita. The Austrians also fare a lot better, while the differences between the nominal and real analysis are very slim for

Better off without inflation

Overall income effect: Interest rate losses or gains per capita in EUR, 2012-2016*



*extrapolated on Jan – April figures.
Sources: ECB, Eurostat, Allianz SE.

most other countries (with the exception of Italy). Assiduous savers are benefiting from the absence of inflation the most because, while they are hardly generating any interest on their savings at all any more, they are not being hit by purchasing power losses either.

Other analyses also highlight that low inflation – or even mild deflation – tends to have more advantages than disadvantages for savers. We have analyzed the returns that households have generated on their total financial assets over the past few years.

The real return on financial assets is clearly in the black in all of the countries included in our analysis. In general, average real returns come in at between 3% and 5% over the last four years (2012 – 2015). This is a more than respectable figure given the sluggish economic development and drop in bond yields, reflecting strong increases in asset prices over the last years. Nevertheless, the differences between the individual eurozone countries are considerable when it comes to the asset yield, too. Greece – with a real return above 7% – is an extreme example: here, real returns have been boosted by the strong recovery made on the Athens stock exchange in the meantime, as well as by the marked drop in consumer prices. At the other end of the scale, German and Austrian households have been paying the price for their more conservative, reluctant investment strategy in the form of relatively low asset yields. In addition to their preference for (interest-free) bank deposits, these savers are, first and foremost, finding that their strong aversion to equities (see chart) is coming back to haunt them.

So far, these weak returns have not posed any real problems for Austrian and German households because they are balanced out by considerable savings efforts and low inflation. Nevertheless, savers in these countries should consider adapting their investment behavior in due course to reflect the new market conditions created by the continued quest to save the euro. There is a lot at stake, as a simple simulation shows: if German households had not parked around 40% of their financial assets in loss-making bank deposits over the last four years [the real return on these investments averaged -0.4% during this period] but "only" 30%, and had opted instead to distribute the rest among equities and investment funds (split 50/50), then the return on assets during this period would have been almost a full percentage point higher. The additional asset income generated as a result would have come to around EUR 200bn, providing additional impetus for economic growth of around 1.5 percentage points, every year.

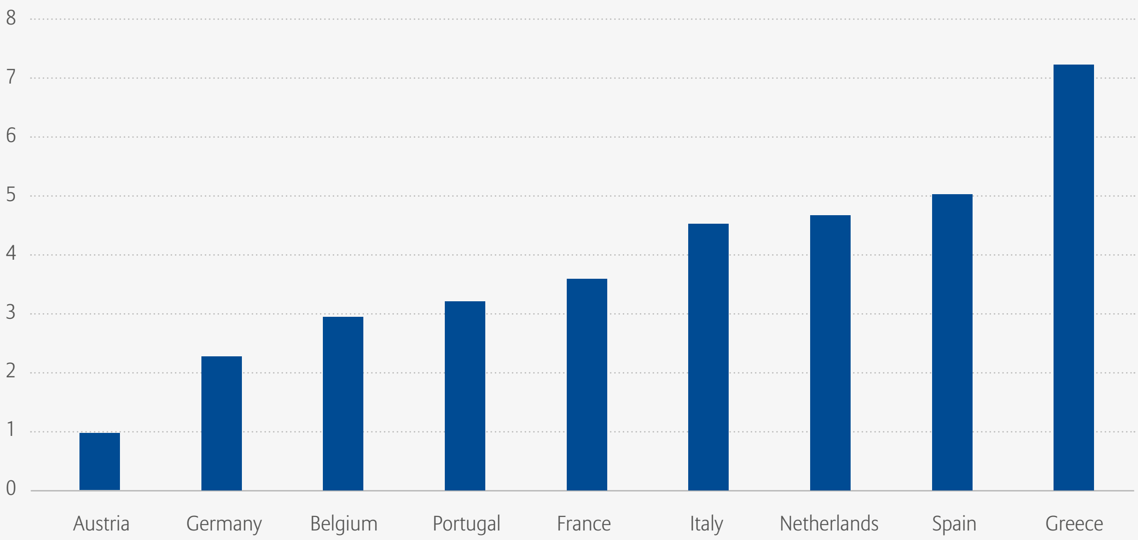
"Angst saving" is an understandable but expensive game to play in times of extreme monetary policy and resulting uncertainty. If savers wish to reap respectable returns in this environment as well, there is no other solution than to adapt their investment behavior and accept higher risks.

2 Detailed information on the calculation of the asset yields in the eurozone can be found in: The yield on private financial assets, update 2016, Working Paper 201, Group Economic Research, Allianz SE, 2016.

3 The figures cited relate to gross financial assets, excluding other equity interests.

Same monetary conditions, different results

Average real returns on financial assets, 2012 – 2015, %



Sources: ECB, Eurostat, Allianz SE.

Development in global liabilities

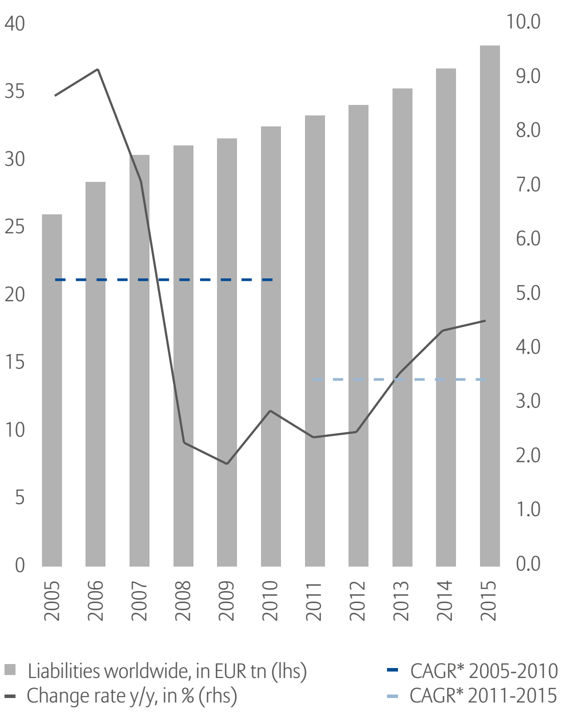
Global debt growth stable at a moderate level

In 2015, the global liabilities of households climbed to an all-time high of EUR 38.6 trillion. Although the rate of growth remained virtually stable at 4.5% compared with 4.3% in 2014, debt growth has picked up considerable speed again over the last three years. After households slashed their borrowing in the wake of the Lehman crisis, particularly in the US, debt growth would gradually appear to be returning to normal. Developments did, however, vary from region to region last year: whereas in Eastern Europe and Latin America, the pace of debt growth slowed as against 2014 to 2.4% and 9.1% respectively, the rate of growth remained more or less unchanged in North America (+2.7%), Oceania (+6.6%) and Western Europe (+1.9%). In Asia, on the other hand, debt growth gathered pace, both in Japan (+3.5%) and in the rest of the region (+13.1%). With the exception of Japan, however, the rate of growth continued to lag behind the long-term average – in some cases considerably so – in all regions of the world.

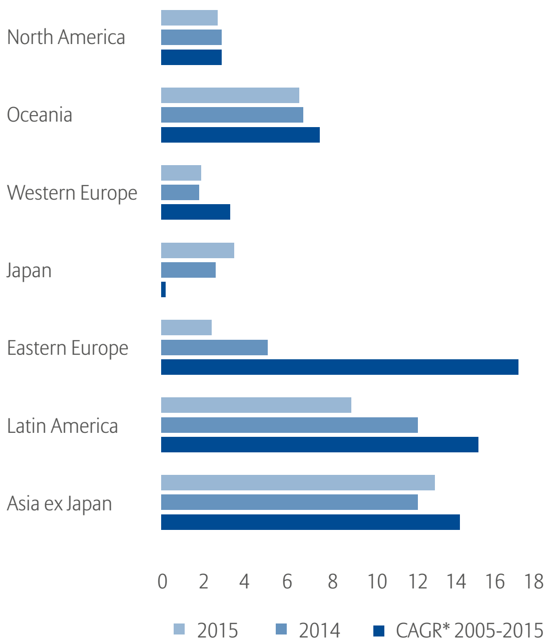
As is to be expected, households in richer regions not only account for the lion's share of the world's financial assets, but also bear the majority of the global debt burden: at the end of 2015, just under 79% of global debt was being carried on the collective shoulders of North America, Western Europe and Oceania, which is almost exactly the same as the share of gross financial assets that is attributable to these regions. A further 8.2% is being borne by Japanese households, with 16.9% attributable to other Asian countries. With a share of 1.8%, Eastern Europe comes bottom of the debt league, followed by Latin America (2.6%) in second-last place. While this gives Asia (incl. Japan) a share of global debt that is slightly below average – compared with the continent's share of global assets – the situation is the other way round entirely in the other two regions.

Global debt ratio unchanged on previous year, regional differences

Development of global debt burden



Increase of debt by region, in %



*CAGR = Compound Annual Growth Rate
Sources: National Central Banks and Statistical Offices, Allianz SE.

A decade characterized by two speeds of debt growth

In a long-term analysis, Eastern Europe is the front-runner in terms of regional debt growth: in the period between 2005 and 2015, households in this region upped their liabilities by an average of around 17% a year, with the absolute debt level increasing almost sixfold since then. It is, however, important to put these figures somewhat into perspective: the rapid growth is attributable primarily to the major non-EU countries in the region, namely Russia and Turkey, which started at an extremely low level; the region's EU member states achieved growth of "only" just under 12.6% a year.

In line with the global trend, however, borrowing slowed considerably in the second half of the last decade in Eastern Europe as well: between 2005 and 2010, debt was still growing at a good 25% on average. Since 2011, the average annual growth rate has come in at around 8%. The major differences between the region's EU and non-EU members have also become less pronounced again: in the EU member states, growth picked up from 3.1% in 2014 to 3.9% last year, whereas the pace of growth in the eastern European countries outside of the European Union slipped back from 7.3% to 0.8%. This is a sign that the Russia-Ukraine crisis, in particular, is taking its toll.

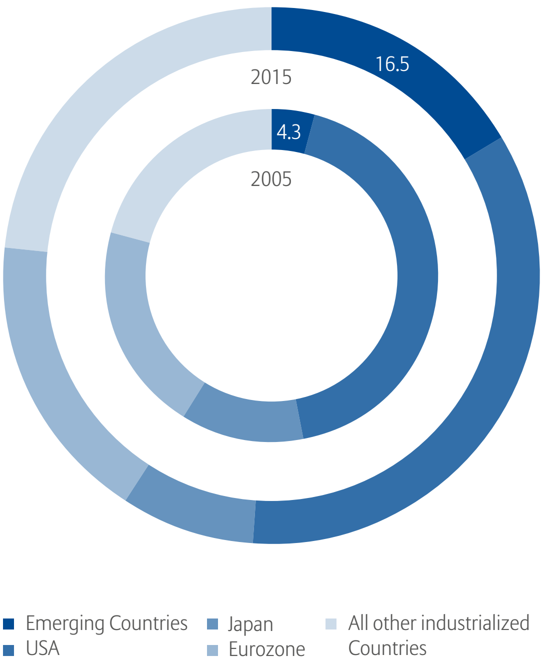
The pace of growth also slowed in the second half of the decade in the other emerging regions of Latin America and Asia (excl. Japan). These regions were not hit as hard by the financial crisis as Eastern Europe, whose economy is heavily reliant on the situation in the eurozone. This slowdown was, however, much less pronounced than in Eastern Europe: the average debt growth rate in Latin America slipped back from 16.5% to 13.6% and in Asia (excl. Japan), the growth rate fell from 15.0% to 13.5%. The increasing growth problems faced by the emerging markets are barely leaving their mark on personal debt. As a result, there has been a huge increase in share of the global debt burden that is attributable to the up-and-coming economies over the past decade. Whereas at the end of 2005, a good 4% of global liabilities were attributable to the emerging markets, this figure was almost four times as high ten years on. In some Asian countries, for example, household debt is already at perilously high levels: at the end of 2015, the debt ratios, i.e. liabilities expressed as a percentage of nominal economic output, in Malaysia (89.1%), Thailand (81.6%) and South Korea (91.9%) were at a similar level to that seen at the end of 2007 in US (99.4%), Ireland (101.6%) and Spain (86.6%) just before the credit bubble burst.

But the last decade is also a decade of two speeds as far as the advanced economies are concerned. In North America, the outstanding debt volume was still increasing at a rate of 4.2% a year between 2005 and 2010, although debt levels dropped on the whole in the years immediately after the Lehman collapse – also due to payment defaults and write-downs on mortgage loans. Since 2011, liabilities have been growing at an average rate of only 1.3% a year. On the old continent, average debt growth also slowed from 5.1% in the period from 2005 to 2010 to 1.1% a year since 2011 – albeit with major differences between the individual countries. Whereas personal debt was on the decline, on average, from 2011 onwards in crisis countries like Greece, Ireland, Portugal or Spain, the Scandinavian countries, in particular, have already bounced back to – or indeed are still reporting – robust growth rates averaging 4% or more. Oceania's households have shown a bit more restraint with their borrowing in recent years compared with the first half of the past decade, with the median average growth rate falling from 9.0% to 5.8%. Nevertheless, this still means that debt growth down under was more than five times higher than in Western Europe. Compared with the trend in North America, Western Europe and Oceania, debt growth in Japan has been moving in the very opposite direction. Whereas households in Japan were cutting their liabilities by an average of 1.1% a year between 2005 and 2010, the median average growth rate increased in the second half of the decade, rising to 1.8% a year. The large-scale moves to step up what was already extremely expansive monetary policy by the Japanese central bank would appear to be bearing fruit and stimulating lending among households.

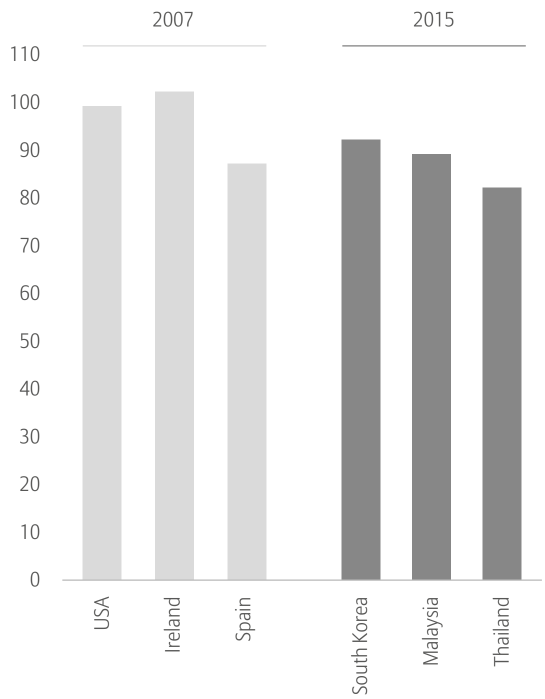
Irrespective of the major growth differentials between the industrial economies and the emerging markets, the regional differences in per capita terms are still significant. Debt levels in Oceania were the highest at the end of 2015, with average per capita liabilities of EUR 55,470. This means that debt down under was 31 times higher than in Eastern Europe, the region with the lowest level of per capita debt (average of EUR 1,780). Per capita liabilities in Asia (excl. Japan) and Latin America were slightly higher than in Eastern Europe, with households in the red to the tune of EUR 2,070 and EUR 2,120 per capita on average. Japanese households (EUR 24,770) and households in Western Europe (EUR 26,240) were below the average for the industrialized economies (EUR 31,180), whereas the average debt of North American households was almost one-third higher, at EUR 41,070.

Debt burden in some emerging countries dangerously high

Share of global debt burden 2005 and 2015, in %



Debt ratios 2007 and 2015, in %



Sources: National Central Banks and Statistical Offices, Thomson Reuters, Allianz SE.

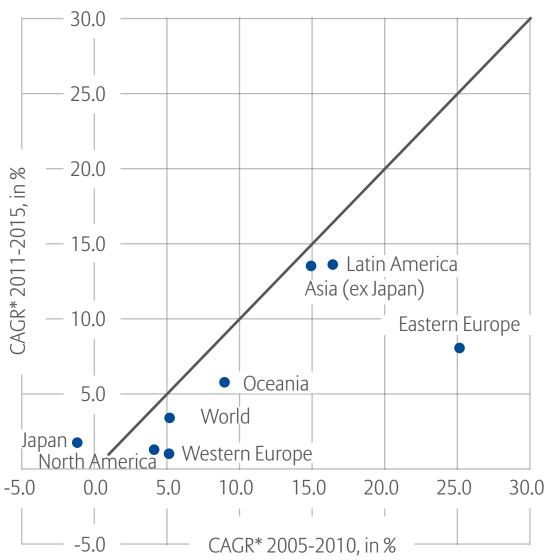
Global deleveraging coming to an end

Since debt growth was moving virtually in tandem with global economic output (+4.6%) last year, the global debt ratio remained on a par with the prior year level, coming in at 65.3% compared with 65.4% in 2014. In the period from 2010 to 2014, economic growth consistently outpaced personal debt growth – pushing the ratio down by almost eight percentage points compared with 2009. But economic growth's lead over debt growth has dwindled from year to year. This would suggest that the global deleveraging process that has been ongoing for a few years now is coming to an end.

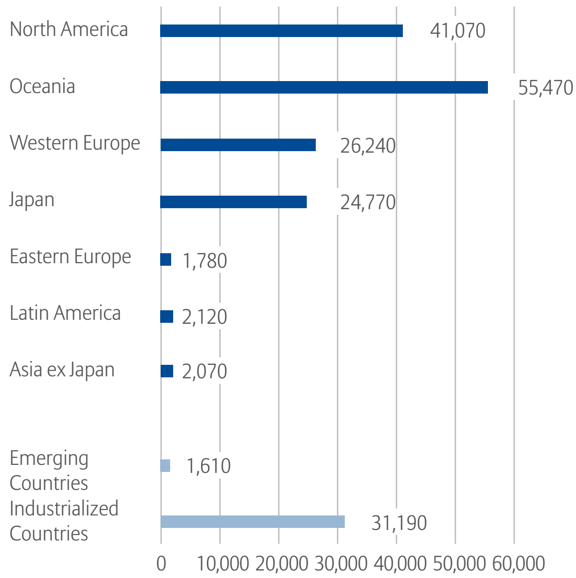
Although the debt ratio of eastern European households has more than doubled over the last decade on the back of the rampant credit growth seen in the past, it remains the region with the lowest ratio of debt to general economic activity. After debt growth slowed considerably last year, failing to keep up with the pace of economic growth, the ratio dropped from 25.2% to 24.5% in a year-on-year comparison. In the region's EU member states, the ratio was – not surprisingly – much higher than in the rest of the region (almost 19%) at around 33% on average, although it was still the case that not one of the countries from this region that are included in

Two-speed decade, growth slowed down in the second half of the decade

Average debt increase by region, in %



Liabilities per capita 2015, in EUR



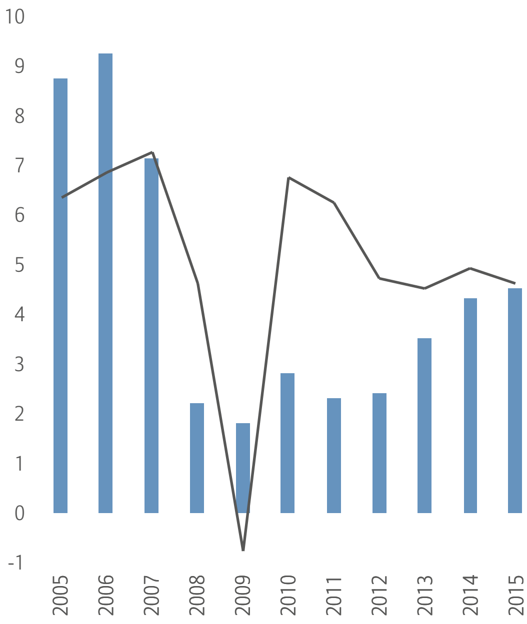
*CAGR = Compound Annual Growth Rate.
Sources: National Central Banks and Statistical Offices, UN Population Division, Allianz SE.

our analysis overshot the 50% mark. The ratio in Latin America is almost six percentage points higher than in Eastern Europe at 30%, with liabilities growing at a much faster rate (around 15% a year on average) than economic output (just under 10% a year on average) in the period from 2005 to 2015. Having said that, no country has overshot the 50% mark to date in this region either. There is more cause for concern when it comes to Asia (excl. Japan). The highest debt ratio among the emerging regions can be found in this particular area, with the ratio climbing by just under two percentage points to around 42% in 2015.

The ratio for Japanese households came in at 82.1% at the end of 2015, up by 0.7 percentage points year-on-year and roughly in line with the average for the advanced economies (81.1%). The debt ratio in North America also came in at this level, dropping by 0.4 percentage points in the course of the year to 82.4%. Compared with the record of 97.4% set in 2009, the ratio of liabilities to economic output has been slashed by as much as 15 percentage points. In Western Europe, the ratio fell by a far from insignificant 4.7 percentage points last year, pushing it down to 75.8%. This means that the global deleveraging process sparked by the outbreak of the financial crisis is attributable almost exclusively to these two regions.

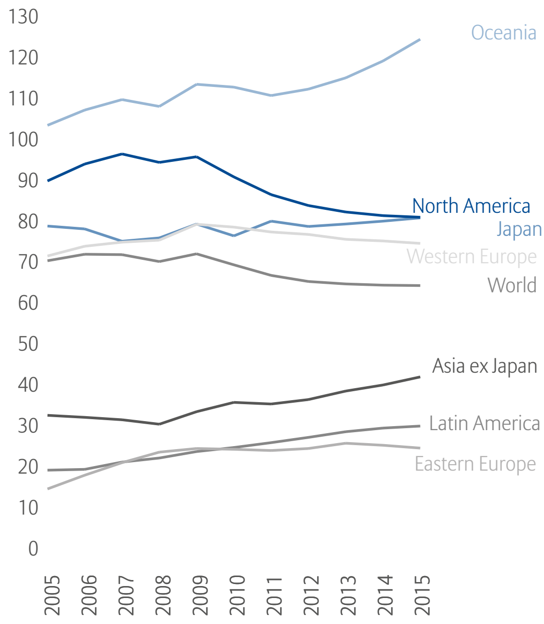
Global debt ratio remains stable

Economic growth vs. debt growth, y/y in %



■ Global Liabilities
– Global nominal GDP

Liabilities as % of nominal GDP



Sources: National Central Banks and Statistical Offices, Thomson Reuters, Allianz SE.

In no other region of the world is the relative debt burden as high as in Oceania. Unlike in North America and Western Europe, the debt ratio has actually been rising further compared with 2009, climbing by a total of 11.2 percentage points to 126.8%. But this development is not only due to a comparatively high level of debt growth, it is also the result of more sluggish economic growth.

Large wealth gap between the regions

If we subtract debt from the gross financial assets, we arrive at a figure for net financial assets, which came in at a new record high of EUR 116.3 trillion at the close of 2015. Since the rate of growth in total savings came to 4.9% last year, slightly ahead of the rate of debt growth, the growth rate in net terms comes to 5.1% – below-average in a long-term comparison (average of +6.2% a year since 2005).

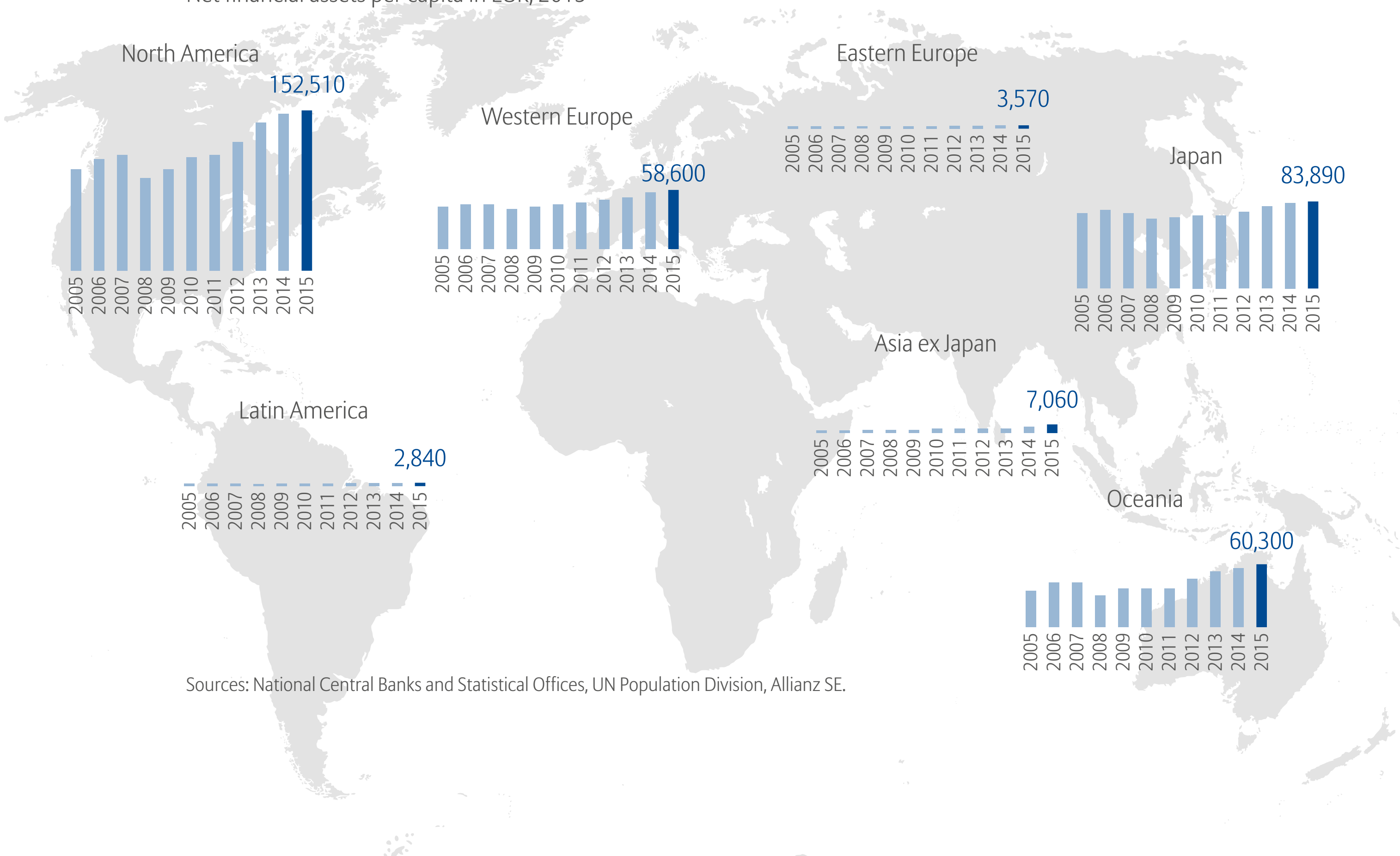
A look at the world wealth map tells a predictable story: the discrepancies between the assets of households in the richer regions and those in the world's poorer regions remain huge. The wealth gap is especially pronounced on the American continent: North America remains the richest region in the world, with average per capita assets coming to EUR 152,510 last year. By contrast, Latin America was the region with the lowest net financial assets. At the end of 2015, after deductions for liabilities, households had an average of EUR 2,840 per capita. This means that households in the north had 54 times the assets of their neighbors to the south. Nevertheless, this factor was as high as 62 back in 2005, so the trend is, at least, moving in the "right" direction.

On the other side of the globe, in Asia-Pacific, Japanese households led the field with average per capita assets of EUR 83,890. Their lead over Taiwan and Singapore is now, however, only very narrow. Both of these countries could overtake Japan as early as next year. At the beginning of the decade, net per capita financial assets in Japan were still almost twice as high as in these two countries. In the Asia (excl. Japan) region, per capita financial assets averaged EUR 7,060 in total – largely due to the fact that the level of assets in India and Indonesia is still very low. The asset level in Oceania was significantly lower than Japan: due to the high debt levels, the average net financial assets of households in Australia and New Zealand came to EUR 60,300 per capita, well below the average for Japan. This is because, leaving liabilities out of the equation, households in Oceania had average gross financial assets of EUR 115,770 per capita, putting them ahead of their Japanese counterparts (EUR 108,700).

In Western Europe, net per capita financial assets were slightly lower than in Oceania at the end of 2015, coming to EUR 58,600. Although the wealth gap between Western and Eastern Europe was nowhere near as extreme as the gap between North and South America, the average per capita assets of western Europeans were still 16 higher than the assets of their eastern European counterparts, which came in at an average of EUR 3,570. This gap has, at least, also narrowed considerably over the last decade: the factor was still twice as high back in 2005. The transatlantic wealth gap, on the other hand, is moving in the opposite direction and is widening steadily: at the beginning of the decade, net per capita financial assets in Western Europe still came to almost 44% of per capita assets in North America. By the end of 2015, this figure had dropped to around 38%.

Global wealth map at a glance

Net financial assets per capita in EUR, 2015



Sources: National Central Banks and Statistical Offices, UN Population Division, Allianz SE.

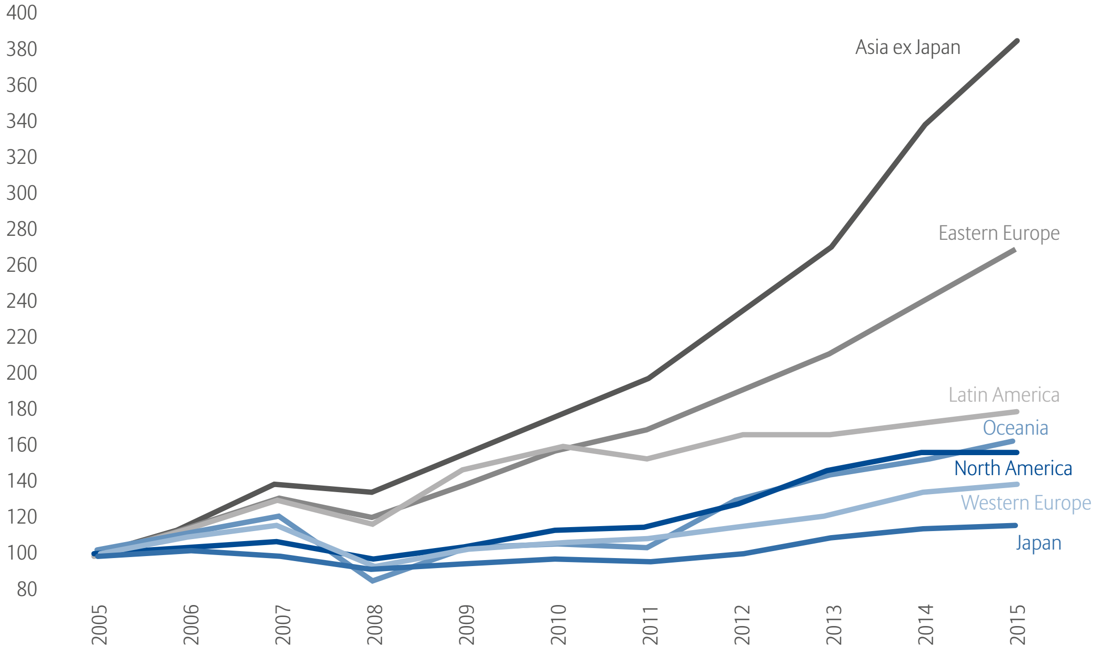
Asia (excl. Japan) leaving all other regions way behind

Asia (excl. Japan) remains the growth champion in net terms as well. Net per capita financial assets in this part of the world have been growing at an average rate of 14.3% p.a. over the past decade. Due to the rapid debt growth mentioned above, Eastern Europe "only" comes in second, with average annual growth of 10.5%. Latin America, on the other hand, would appear to have missed the boat. In the period between 2005 and 2010, these three regions were moving virtually in tandem with each other. Since then, however, they have been going their separate ways: while asset growth in Asia (excl. Japan) has actually picked up speed, Latin America is falling far behind. Eastern Europe cannot keep up with Asia (excl. Japan) either, despite double-digit growth rates.

With an average growth rate of 6.5% p.a., Oceania is the best-performing prosperous region, with asset growth proving to be much slower in North America and Western Europe, at 4.8% and 3.8% respectively. Japan once again comes bottom of the league, with average growth of 2.1% a year. But the gap separating Japan from Western Europe is not terribly big. Western Europe's lead is virtually wiped out if we take inflation into account. Europe has become another Japan in terms of wealth development – at a lower level.

Asia continues to sprint, Latin America lags behind

Development of net financial assets per capita by region, index (2005 = 100)



Sources: National Central Banks and Statistical Offices, UN Population Division, Allianz SE.

Wealth distribution

Wealth distribution paradox: “Inclusive inequality”

At least since Piketty's bestseller "Capital in the Twenty-First Century" hit the shelves, wealth and income distribution has become a hot topic of social debate. The discussion centers around developments in inequality, which is said to have increased in many developed countries over the past few years. This diagnosis is becoming all the more of a pressing issue given the rise of populist parties on both the right and left margins of the political spectrum. For them, growing inequality is a sure sign that the dominant economic order has failed, which is why it is being rejected by ever broader sections of the population. And so equal distribution becomes the existential question facing a liberal economic order that is built on a foundation of open and globalized markets.

But there has always been a much "brighter" narrative to offset this "dark" side of the distribution question, the increasing levels of social inequality: the success story written by the emerging markets, where more and more people are participating in general progress and prosperity and are creating a new global middle class; in tandem with this development, poverty levels have dropped significantly across the globe over the past few decades. So what do these two sides of the distribution story look like now, based on the latest available data? Although our analysis – in line with the focus of the Allianz Global Wealth Report as a whole – looks exclusively at the distribution of financial assets, the results nevertheless shed some interesting insights into the current debate. Let's start with the brighter side, the rise of the emerging markets.

4 These asset bands can, of course, also be used for the purposes of country classification. Whether a country's average net financial assets come to less than EUR 7,000 or more than EUR 42,000 per capita determines whether it is classed as a "low wealth country" (LWC) or a "high wealth country" (HWC). This means that countries with per capita assets of between EUR 7,000 and EUR 42,000 are classed as "middle wealth countries" (MWCs).

The global middle and upper classes are growing

As in the past, we have split all households/individuals into global wealth classes in order to analyze how wealth is distributed at the global level. The division is based on the average global net per capita financial assets, which came in at EUR 23,330 in 2015. The middle wealth (MW) class encompasses all individuals with assets corresponding to between 30% and 180% of the global average. This means that for 2015, the asset thresholds for the global wealth middle class stand at EUR 7,000 and EUR 42,000. The "low wealth" (LW) category, on the other hand, includes those individuals with net financial assets that are below the EUR 7,000 threshold, while the term "high wealth" (HW) applies to those with net financial assets of more than EUR 42,000 (for details on how the asset thresholds are set, please refer to Appendix A).[1]

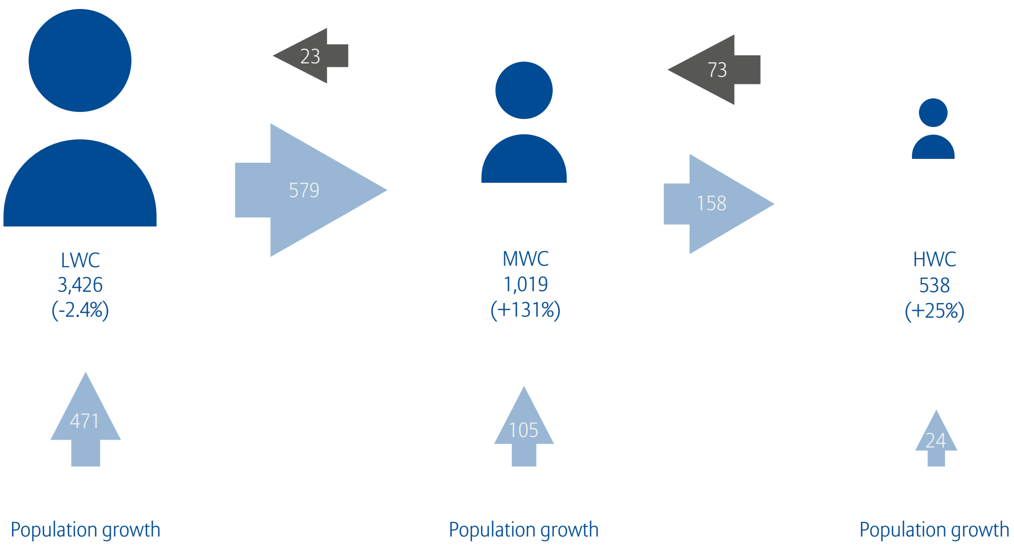
Structural changes, like the distribution of wealth, are best observed over a longer period, because this helps to iron out some of the distortions caused by short-term influences - the sudden appreciation in a currency or a massive stock market slump, for example. A long-term analysis shows that the global middle and high wealth classes have grown whereas the low wealth class has shrunk.

Although the vast majority of the five billion people living in the countries included in our analysis still belong to the low wealth class, the number is down slightly as against 2000 to 3.4 billion, meaning that only 69% of the total population (as opposed to 80% in 2000) belong to this wealth category today. Progress has also been made in terms of their share of global net financial assets, albeit at a very modest level: the people in this category now hold 5% of global net financial assets as opposed to 3% in the past – not a huge increase, but a sign of progress all the same.

There is a straightforward explanation for this impressive development: in recent years, more and more people, almost 600 million in total, have achieved promotion to the middle wealth class – particularly in the up-and-coming economies. While the lion's share is naturally attributable to China, other countries in Asia, almost all countries in Latin America (with the exception of Brazil) and many eastern European countries have also been writing this very same success story in recent years. This story of advancement translates directly into a bigger global middle wealth class: over the past few years, the number of people who belong to this category has more than doubled. For the last two years, this global middle class has counted more than 1 billion members, meaning that it

Seven times more move up than down

Migratory movement and population growth since 2000, in million and percent



Sources: National Central Banks and Statistical Offices, UN Population Division, UNU WIDER, World Bank, Allianz SE.

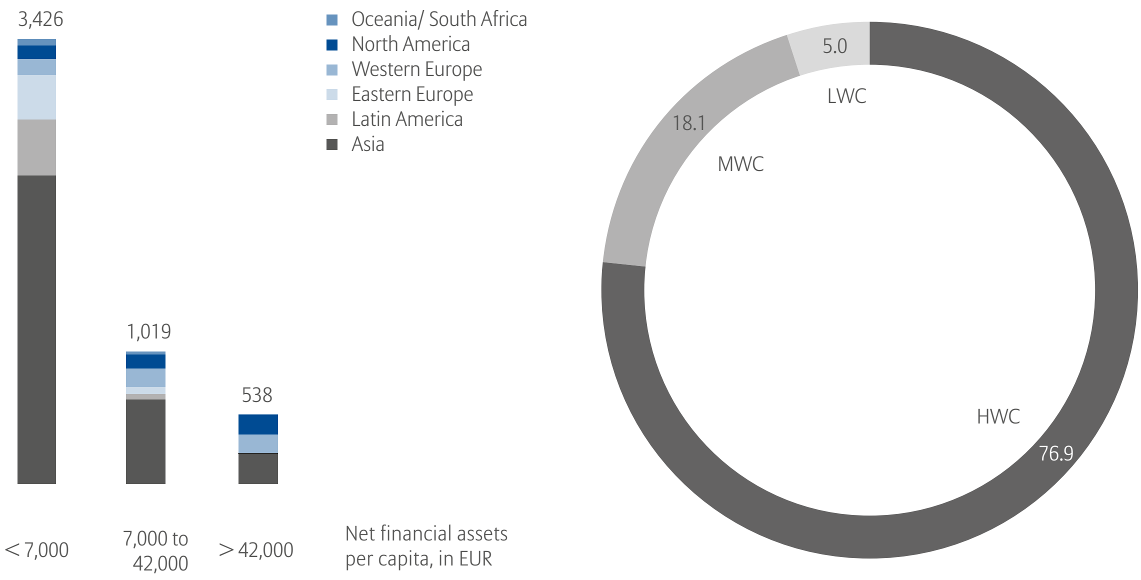
now accounts for around 20% of the total population, compared with 10% back in 2000. In line with this development, the proportion of global assets held by this wealth class has also grown, rising to more than 18% at the end of 2015, almost three times the amount seen at the start of the millennium. So the global middle class has not only been getting bigger in terms of the number people who belong to it; it has also been getting increasingly richer.

The rapid growth of the global middle class is not, however, a one-sided tale of advancement. Almost one-fifth of this growth can be traced back to natural population growth during this period - and around one-eighth of the new members of the middle class are people who have been demoted, i.e. households that have been "relegated" from the high wealth class. This trend largely affects the US and Japan, but also European countries like France, Italy, Ireland or Greece. This can be seen as the first indication that the distribution of wealth in the world's traditional advanced economies has developed somewhat less favorably than in the emerging markets in the aftermath of the recent financial crises. And finally, the wealth distribution story also has a casualty to report: Brazil has (for the time being) missed the boat in terms of joining the middle class. This is also, however, likely to be due first and foremost to the marked depreciation of the Brazilian currency last year. Nevertheless, Brazil's story also serves as a warning that the growth of the middle class is certainly not an irreversible development and that the emerging markets cannot afford to rest on their laurels. Rather, all it takes is a severe economic crisis to call any progress made into question again. Continued growth is, and will remain, the key to the broader distribution of wealth.

1,000,000,000 people now belong to the global wealth middle class

Population (53 countries analyzed), in million, 2015

Distribution of global net financial assets 2015, in %

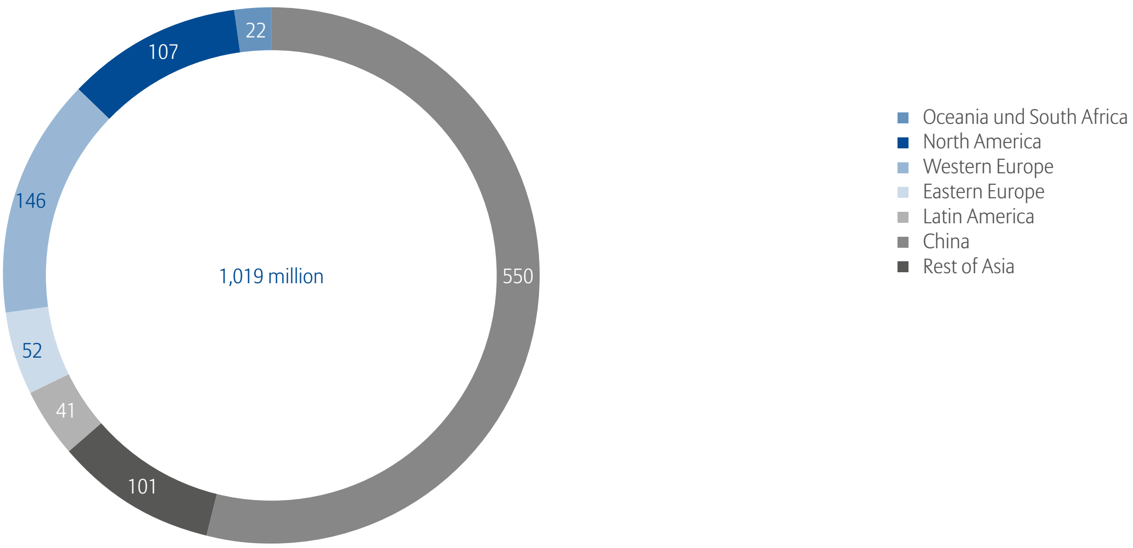


Sources: National Central Banks and Statistical Offices, UNU WIDER, World Bank, Allianz SE.

Given the far from insignificant "hemorrhaging" of the global high wealth class in the traditional developed economies, it is all the more surprising to see that even this wealth class has grown over the past 15 years, at least in terms of membership numbers: today, around 540 million people across the globe can count themselves among the high wealth class, a good 100 million or 25% more than in 2000. One-quarter of this increase is due to natural population growth, although the lion's share of new members have been promoted from the middle class. China once again stands out as one of the main drivers of this development. Other Asian countries like Korea and Taiwan, however, have also seen their share of the global high wealth class increase, as have other up-and-coming economies like Mexico and South Africa. This means that the high wealth class is much more heterogeneous than it was in the past, when it was more or less a club open exclusively to western European, American and Japanese households: at the start of the millennium, this group of countries still accounted for well in excess of 90% of its members, compared with only two-thirds today. This influx of new members has also allowed the high wealth class to keep its share of the overall population stable at around 10%. This does not, however, apply to the share of total wealth: although this group still accounts for a vastly disproportionate slice of the global wealth cake, at 77%, its share of total global wealth was as high as over 90% not too long ago. At least at global level, this development reflects a lower level of wealth concentration, because it means that financial assets are distributed more evenly among a larger number of people.

Wealth middle class speaks Chinese

Wealth middle class by region, in million



Sources: National Central Banks and Statistical Offices, UN Population Division, UNU WIDER, World Bank, Allianz SE.

Box: Distribution of wealth in the euro area – the middle class is growing

In terms of the timeline, the history of the euro can be split virtually down the middle: the first few years were characterized by robust growth (especially in the countries on Europe's periphery) and intensive integration on the financial markets. The second phase, which started with the post-Lehman financial crisis and is actually still ongoing to this day, is marked, by contrast, by weak growth, disintegration and large-scale bail-out programs. The weaknesses of monetary union have since been laid bare and policymakers are still wrangling with the challenge of stabilizing the architecture that holds the single currency in place. Support for the single currency among the population has certainly suffered during the crisis years, with anti-euro parties riding higher and higher in the popularity stakes ever since. Within this context, growing social inequality is often also cited as a problem that the euro – or the measures taken to save the euro – has exacerbated. But is this true? Has the euro really increased inequality within the eurozone? Our attempt to answer this question uses the same methodology that we used to investigate the global distribution of wealth, i.e. we have split all households/individuals into euro wealth classes, taking net per capita financial assets in the eurozone as a basis. The euro middle wealth class, like its global counterpart, encompasses all individuals with assets corresponding to between 30% and 180% of this average value. The low and high wealth classes are defined accordingly.

5 The analysis only includes the „old", large eurozone countries, i.e. Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal and Spain..

In 2015, net per capita financial assets in the euro area came to EUR 47,800 – up by more than 50% since the beginning of monetary union: a far from insignificant increase. Global wealth, however, showed much more dynamic growth during the same period, with global per capita assets doubling. And even in the US – a country that has also had to weather severe financial storms – assets have increased by more than 80% since 2000. But the slower development in net financial assets comes as little surprise given that growth rates in the eurozone have been lagging behind the average.

Another trend, on the other hand, does come as a surprise: out of the three eurozone wealth classes, only one saw its membership ranks swell – the middle class. The two other wealth classes – particularly the high wealth class – contracted in terms of their share of both the population as a whole and net financial assets. This trend does not support the theory that inequality is on the rise in the eurozone. Quite the opposite: the middle class is growing! Against the backdrop of these figures, it is difficult to understand the widespread rejection of the euro.

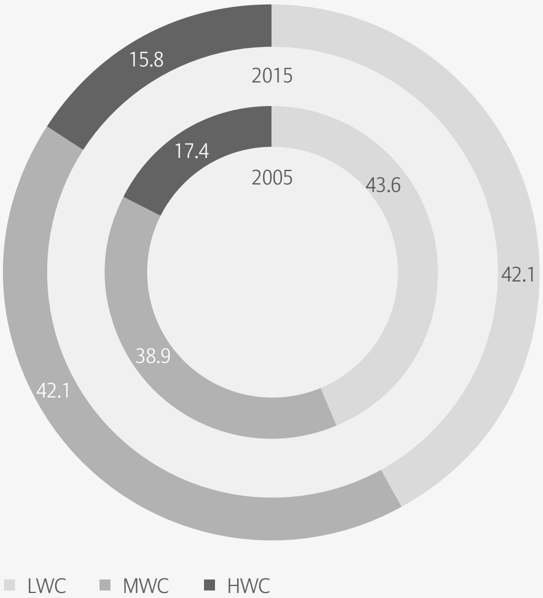
Taking the eurozone as a whole, the wealth distribution picture is more positive. This overall trend, however, masks relatively varied developments in the individual countries. While in Belgium, Germany and the Netherlands, the distribution of wealth improved from a eurozone perspective, this does not apply to the other countries; in Greece, Ireland and Italy, there has even been a marked deterioration. The crisis has left lasting scars in Greece, in particular: whereas around half of the Greek population were members of the euro middle wealth class when the euro was launched, the figure today stands at only 20%.

And there is another aspect that deserves our attention. Although the share of net financial assets in the hands of the euro high wealth class is getting smaller, this does not apply to one particular group within this high wealth class, namely the richest population decile. This group's share of total wealth has been growing continuously ever since the euro was introduced. And that's not all: the top decile is the only population decile whose share of total assets has increased; the remaining 90% of the eurozone population have seen their share decrease, suggesting that wealth is now more concentrated in the hands of a small few.

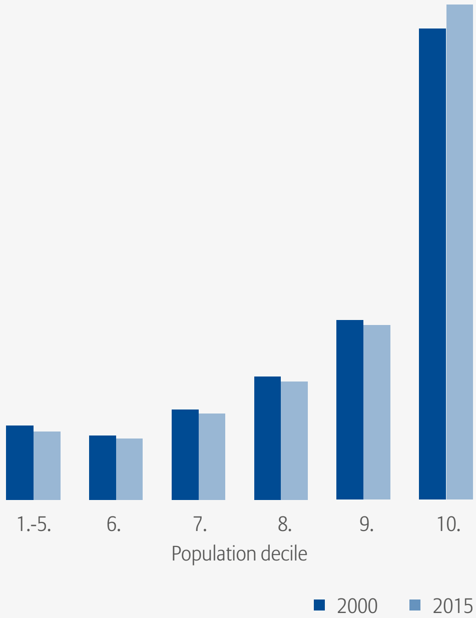
In conclusion, wealth distribution within the euro area would appear to be an ambivalent matter. The evidence does not seem to confirm the fears of an erosion of the middle class and associated concerns about social exclusion, at least not looking at the eurozone as a whole (although the fears certainly hold true for Greece). At the same time, however, wealth would appear to be increasingly concentrated in the hands of a small wealthy elite: the (very) rich are becoming richer and richer and distancing themselves further and further from the average. This is also a form of increasing inequality. Although it does not result in any real social polarization – a growing number of poorer households is offset against similar growth in the number of wealthy households – it does have the potential to put pressure on social cohesion in the long run if the majority of the population becomes increasingly convinced that economic development is something that only benefits a select few while the rest of the population is left more or less stuck where it is.

Growing middle class and increased concentration of assets

Share of population according to asset classes, eurozone, in %



Share of net financial assets per population decile, in %



Sources: National Central Banks and Statistical Offices, UN Population Division, UNU WIDER, World Bank, Allianz SE.

So all in all, our figures confirm the "sunny" side of the wealth story, the ascent of the emerging markets, which is, by and large, a success story. They highlight the inclusive nature of asset growth on a global scale: more and more people are getting the chance to participate in global prosperity. From this angle, inequality certainly cannot be said to be on the increase.

But there is also a shadow hanging over this story: the momentum is concentrated primarily in only one region – Asia – and within that region, mainly in only one country: China. In a world without China, the global high wealth class would have shrunk and not grown, and the middle class would only have expanded by around 150 million people, or just under 50%. This growth would have been split more or less 50/50 between natural population growth and either individuals being demoted from the high wealth class or households being promoted from the low wealth class. All in all, the trend would still be a success story for the emerging markets, because in the two other major up-and-coming regions, Latin America and Eastern Europe, the middle wealth class is also growing both in absolute terms and in terms of its proportion of the overall population, albeit at a much slower rate than in Asia. So China is the main pillar propping up the global middle class. This may come as a disconcerting revelation to those who fear that the end of Chinese growth momentum may be nigh. On the other hand, it shows just how many opportunities are still out there if the success story we have seen so far has been written primarily by a single country. As a result, the rapid growth in the global middle class could well continue over the next few years as long as more countries can manage to follow in China's footsteps and exploit their full potential. India is certainly the first country that springs to mind here.

Growing inequality in the traditional developed economies

Although splitting households into wealth classes is revealing when it comes to analyzing how the global weightings are shifting, they remain somewhat abstract for most of the people concerned. This is because the benchmark for most households is not the global average, but rather their national average – people are interested first and foremost in how much their neighbor has. This is why we have added a national component to our analysis of wealth distribution.

There are various ways of measuring wealth inequality. One method involves analyzing the share of wealth held by the richest population decile, focusing on the changes over time as opposed to the absolute amount of wealth. After all, while the absolute level is determined by a large number of social and historical development factors, it is the change in distribution that determines whether the situation in a particular country is seen as being "fair" or "unfair". One example is Latin America, where the level of wealth concentration is still very high at well in excess of 50% – or even more than 60% in some cases (Brazil) – but the trend is definitely moving in the "right" direction, i.e. towards greater diversification.

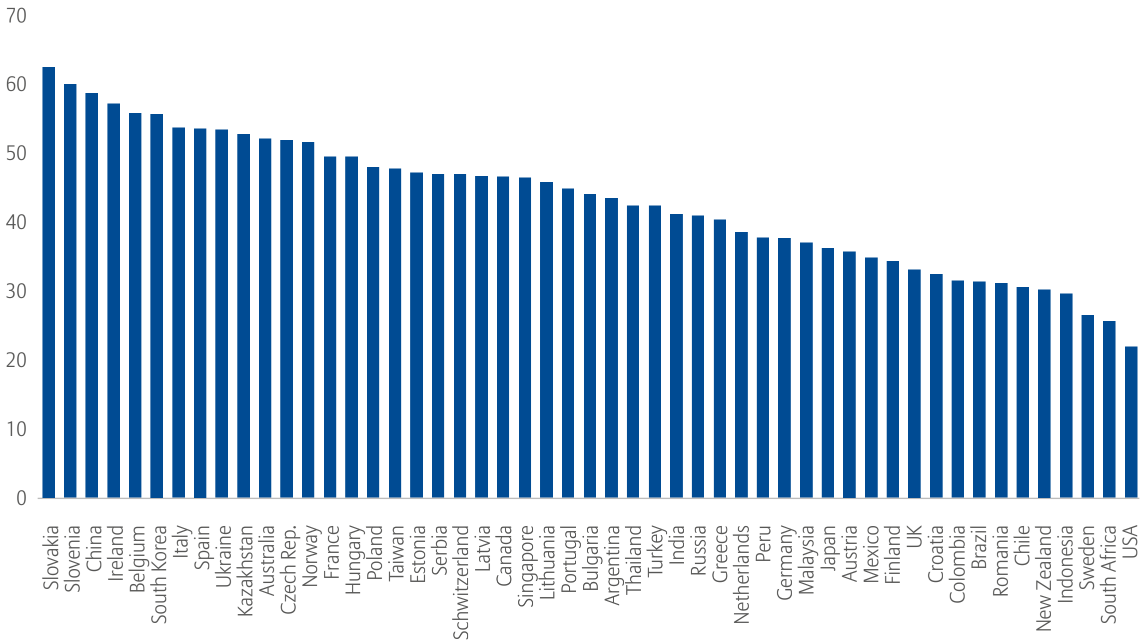
All in all, clear patterns emerge when wealth distribution is analyzed in this way: in around two-thirds of the emerging markets, wealth concentration has decreased over the last few years. Exceptions to this rule include countries like Russia, South Africa or India. In the developed countries, on the other hand, the very opposite applies: in around three-quarters of the countries included in our analysis, the richest 10% have seen their share of total wealth increase. This trend is particularly pronounced in Switzerland, the US, France or Italy, for example. So based on these figures, it is certainly not an exaggeration to say that inequality has increased in the world's traditional industrialized countries.

In order to show how wealth is distributed at national level, we also calculated a Gini coefficient for each country for the first time last year, based on the average net financial assets per population decile. The higher the Gini coefficient, the greater the inequality of wealth distribution. The picture that emerged was similar to the analysis based on wealth concentration: the number of countries in which the Gini coefficient of wealth distribution had fallen over time was roughly on a par with the number of countries in which the Gini coefficient had risen. And once again, the countries with an improved Gini coefficient tended to be emerging markets, with deteriorating coefficients seen primarily in the developed economies. One year later, these results look more or less the same.[6]

6 A full discussion is dispensable here; but the current Gini coefficients of wealth distribution for all countries in our analysis can be found in the annex.

What remains for the middle class?

Share of (national) wealth middle class in total net financial assets, in %



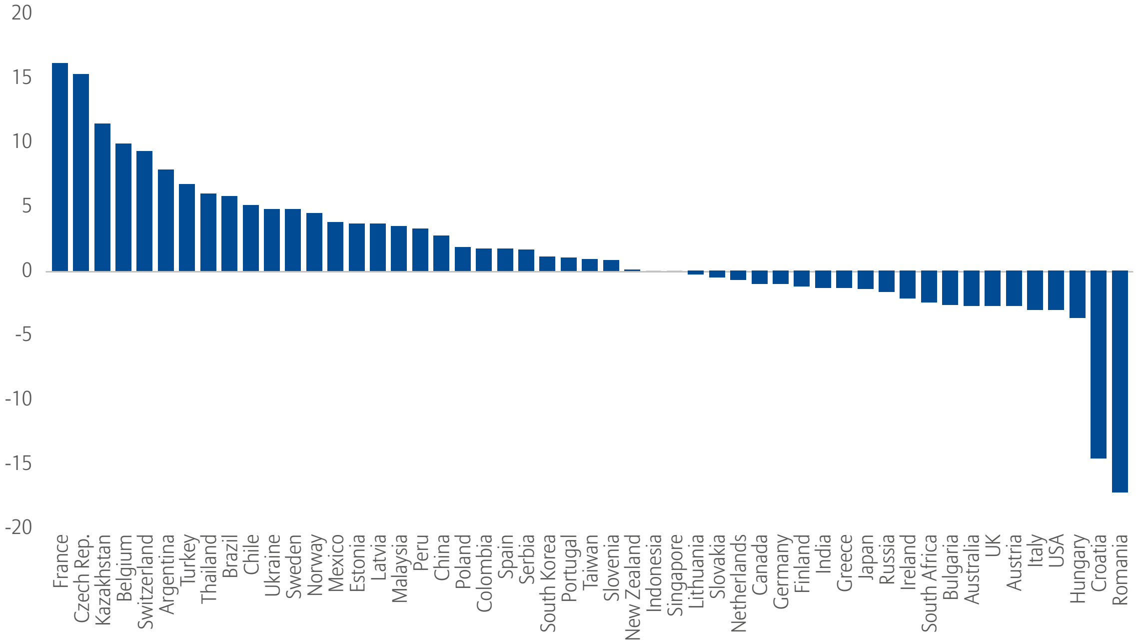
Sources: National Central Banks and Statistical Offices, UN Population Division, UNU WIDER, World Bank, Allianz SE.

This year, we are looking at the issue of distribution from yet another angle, investigating the share of total assets held by the middle class. This means that we have investigated how the group of people in the middle of society has fared, in terms of wealth development, in recent years. After all, in political terms, it's all about the "people in the middle". Any erosion within this group is considered a sure sign of social crisis. The rise of populist parties – in Europe, the US but also in some emerging markets – is repeatedly linked to a loss of confidence and security within the middle strata of society; and wealth development is likely to play a far from insignificant role in this change in sentiment.

One thing that is striking if we look at the share of assets held by the middle class – defined as those individuals who hold between 30% and 180% of the national average net per capita financial assets – is the extent to which the figures vary from country to country: while the figure in Slovakia comes in at over 60%, the US middle class holds only 22% of the country's total assets. No clear patterns emerge. The traditional industrialized nations can be found at both the top and bottom end of the scale, as can the up-and-coming economies. Nevertheless, there are far more eastern European countries in which the middle class holds a relatively high proportion of total assets, with Slovakia leading the field: this is likely due to the country's systematic privatization and reform measures since the end of the communist era. The still relatively homogenous distribution of wealth in the eastern European countries on the whole is also likely to be a direct consequence of the fact that

No even picture

Change in share of (national) wealth middle class in total net financial assets, in percentage points since 2000



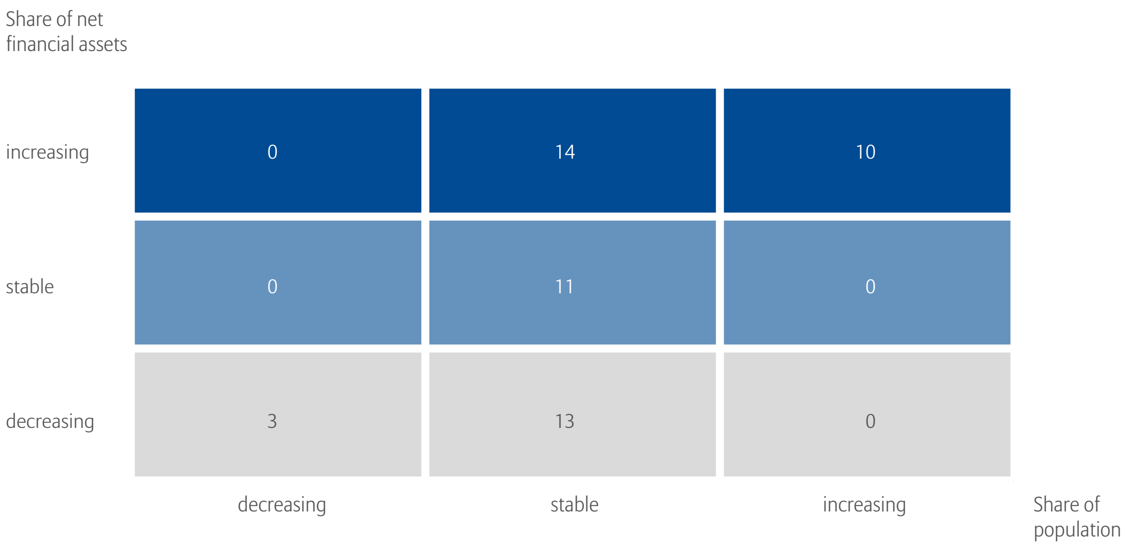
Sources: National Central Banks and Statistical Offices, UN Population Division, UNU WIDER, World Bank, Allianz SE.

these countries only opened their doors to the West and embraced a free market economy 25 years ago. So there has not yet been much time to (legally) accumulate private assets which, as a result, means that no marked differences have emerged to date.

The encouraging figures from China come as something of a surprise given the many reports on the new Chinese billionaires. This shows, however, that the question of wealth distribution is not determined solely by the top echelons of the population – where wealth accumulates at a rapid rate – but rather, first and foremost, among the broad sections of the population. And this is where the Chinese story of growth and ascent is still intact: over the past few years, millions of Chinese households have managed to go from having virtually nothing to accumulating a small (or more substantial) asset base. This is reflected in a relatively high proportion of assets held by the middle class. At the other end of the spectrum, on the other hand, we find the "usual suspects": south American countries – as a result of oligarchic systems in the past – Indonesia or South Africa – which have always been characterized by a high level of wealth concentration – and, first and foremost, the US – which we referred to as the "Unequal States of America" in last year's report because it was the country with the highest Gini coefficient. At first glance, Sweden certainly does not fit into this group of countries. The high household debt levels are likely to be the main factor at play here: around one-third of Swedes have negative net assets, one of the highest percentages in the world.

More countries with positive development

Change in share of (national) wealth middle class in total net financial assets and of the population since 2000, number of countries



Sources: National Central Banks and Statistical Offices, UN Population Division, UNU WIDER, World Bank, Allianz SE.

The development in the share of assets attributable to the middle class does not reveal any uniform trend either. Positive and negative changes more or less cancel each other out. It is, however, worth taking a closer look at individual countries.

Let's start with the three countries in which the middle class has seen its share of total assets decline more drastically than anywhere else: Romania, Croatia and Hungary. The number of individuals who can count themselves as members of the middle class has also fallen in all three of these countries. But while in Romania and Croatia this is because more people now rank among the national high wealth class, the trend in Hungary is attributable to demotion as opposed to promotion: the low wealth class has grown at the expense of the middle class. In other words: although the decline in Romania and Croatia in particular appears to be a dramatic development at first glance, it is not the result of middle class erosion that comes hand-in-hand with less equal wealth distribution, but in fact means the very opposite: a story of advancement in which more and more people are enjoying greater wealth.

On the other hand, in the other countries in which the middle class has sustained fairly hefty losses – e.g. the US, Italy, Austria, the UK and Japan – the changes in terms of membership numbers pale into insignificance. In these countries, the story is, in fact, 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) – where an extremely expansive monetary policy has been pursued since the financial crisis. Germany can also be found in this group of countries, although the drop only comes in at one percentage point, meaning that we tend to see the situation in Germany as broadly stable.

On the other hand, there is a much larger number of countries in which the middle class has upped its share of total assets significantly, although the developments underlying this increase often vary considerably.

France and the Czech Republic, for example, really stand out with increases of 15%. The explanation: more people have joined the middle class because they have been demoted from the high wealth class. This has also increased the concentration of wealth at the upper end of the prosperity ladder. A similar phenomenon can be observed in Switzerland: the high wealth class is shrinking in favor of the middle class, although in Switzerland, the middle class is also losing members to the low wealth class – this is why the share of assets held by the middle class is also much lower than in France or the Czech Republic. So conflicting phenomena lie beneath the surface in these three countries: on the one hand, the middle class is growing – which is a good thing for the distribution of wealth – whereas on the other, more and more wealth is concentrated in the hands of a select few – a bad thing for the distribution of wealth.

In the other countries that have seen the share of wealth attributable to the middle class increase, on the other hand, the trends are unequivocally positive: 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.

So how can this analysis of the development of the wealth middle class be summarized? On the whole, the development in 16 countries is negative: the share of assets attributable to the middle class has fallen, with the number of people who can count themselves as members of the middle class also falling in three countries (in Romania and Croatia, however, there is a "good" reason for this: more people now rank among the high wealth class). As far as the other countries with negative trends are concerned, it is striking to see that the majority of them are euro crisis countries, or the world's traditional industrialized nations with extremely low interest rates; this list is completed by a vast range of countries including Austria, Australia, Finland and Japan on the one hand, and Hungary, Bulgaria, South Africa, India and Russia on the other.

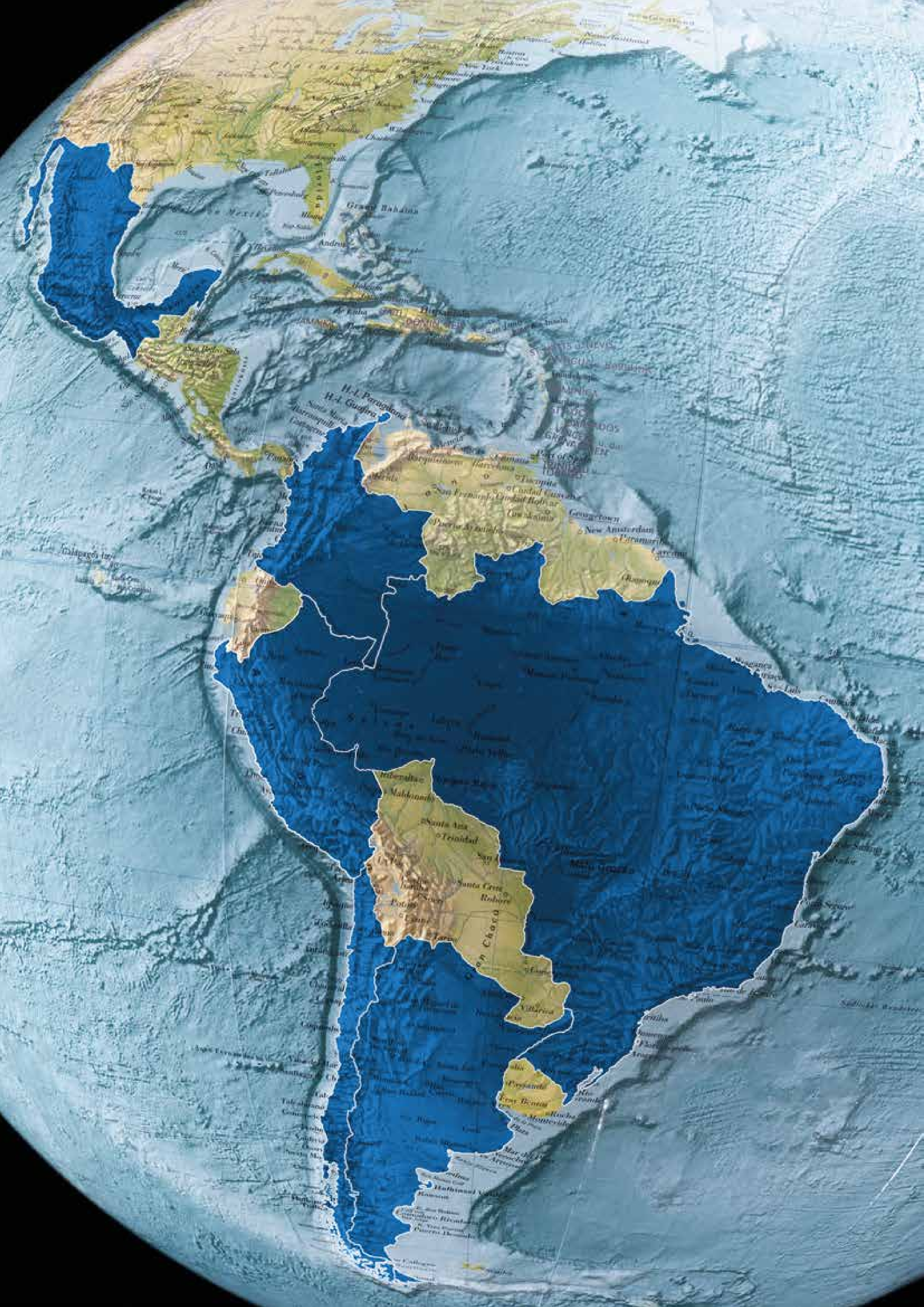
By contrast, in 24 of the countries we analyzed, the middle class has expanded, with ten of these countries reporting a significant increase in the number of members of the middle class at the same time. In two cases (France and the Czech Republic), however, this has happened for the "wrong" reasons: demotion from the high wealth class. If we add the eleven countries in which the status of the middle class has been left virtually unchanged in recent years, then we arrive at a positive conclusion overall nonetheless: the middle class is growing and there are certainly no signs of a general erosion or the decline of the middle class as a global phenomenon.

In general, rather, high asset growth – as is often seen in the emerging markets – would appear to come hand-in-hand with the strengthening of the middle class, even if this is by no means an automatic mechanism: India, Russia or South Africa are prominent exceptions to the rule. There is, however, no question that, wherever total assets experience rapid growth, there is a better chance of more and more people being able to participate in this prosperity. If you choose only to look at the (similarly meteoric) rise in the number of millionaires, you lose sight of the positive developments taking place "lower down", among the population at large. The progress made by many countries in Asia, Latin America and Eastern Europe is, on the whole, a success story in terms of distribution within the individual countries, too.

But the opposite holds true as well: low asset growth tends to be correlated with a (slow) erosion in equitable distribution, especially in the middle sections of society, with the European crisis states serving as a prime example of this. There are also, however, developments such as those witnessed in France and Switzerland, where a larger middle class comes hand-in-hand with, or is caused by, greater wealth concentration. So has wealth distribution become more or less equal in these countries? There is no clear-cut answer to this question. The situation is probably best described as a paradox of "inclusive inequality": 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 of "inclusive inequality" 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. 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.

Regional differences

Financial assets in individual regions



New York
Grand Bahama
Georgetown
New Amsterdam
Ciudad Bolívar
Riberalta
Maldonado
Santa Ana
Trinidad
Santa Cruz
Roboré
Paysandú
Fray Bentos

Latin America

Population

In the analyzed countries	476 m
Analyzed countries' share of the region as a whole	76.8%
Analyzed countries' share of the global population	6.6%

GDP

In the analyzed countries	EUR 3,357bn
Analyzed countries' share of the region as a whole	83.7%
Analyzed countries' share of global GDP	5.8%

Gross financial assets of private households

Total	EUR 2,358bn
Average	EUR 4,960 per capita
Share of global financial assets	1.5%

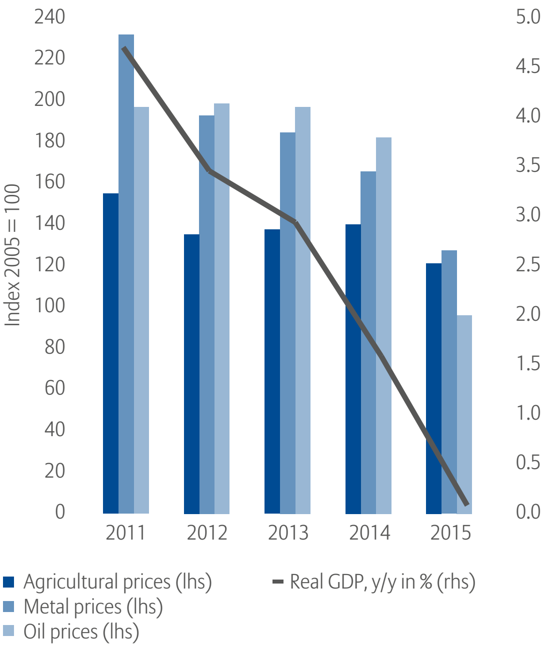
Debt of private households

Total	EUR 1,007bn
Average	EUR 2,120 per capita
As % of GDP	30.0%

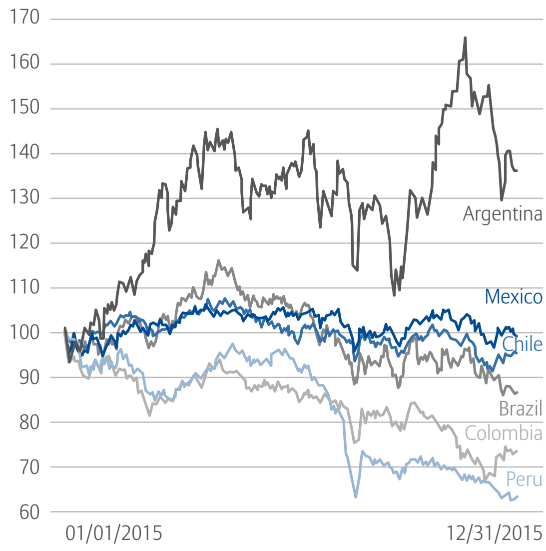
The commodities boom witnessed in the first decade of the new millennium ensured that the Latin American subcontinent, which is rich in natural resources, enjoyed high export revenue and capital inflows over a period of many years. In particular, China's insatiable appetite for raw materials sent prices surging and fueled a Latin American boom. As Chinese economic momentum started to wane, so too did the demand for raw materials, and prices started to slide back down. Without the tailwind provided by the commodity markets, the South American growth engine started to splutter. Within a short space of time, the region once known as a real growth machine was transformed into one stuck at the very bottom of the growth rankings: growth in the countries included in our analysis (Argentina, Brazil, Chile, Colombia, Mexico and Peru) has been on a continuous downward trend over the last five years and actually stagnated in 2015 in all of these six economies. At the same time, consumers have also started to tighten their purse strings and the annual rate of change in consumer spending has been dropping continually since the end of 2010. The bonanza days seen in previous years would appear to be over, at least for the time being.

Commodity prices, economic growth and stock markets heading down

Commodity prices and economic growth since 2011



National benchmark indices during 2015
(01. Jan. 2015 = 100)



Sources: IMF, Thomson Reuters, Allianz SE.

But it is not just plummeting commodity prices that have been plaguing Latin America of late. Surprising signals sent out by the US Federal Reserve in May 2013 regarding a future reduction in the bond-purchasing program triggered a real sell-off of assets from up-and-coming economies across the globe. The pronounced uncertainty on the international financial markets translated into substantial corrections on the capital markets and currency devaluation in the emerging markets. Financing conditions were tightened up considerably, putting added strain on the Latin American economy, which was already stalling. After finally putting an end to its policy of quantitative easing in October 2014, the Fed was still continuing with moves to normalize monetary policy more than a year later: in light of the economic recovery in the US, the Fed broke with its zero interest rate policy in December of last year, lifting its key rate – for the first time in almost ten years – by 0.25 percentage points. Since the markets were prepared for the interest rate decision this time round, however, the scenario seen in the spring of 2013 was not repeated.

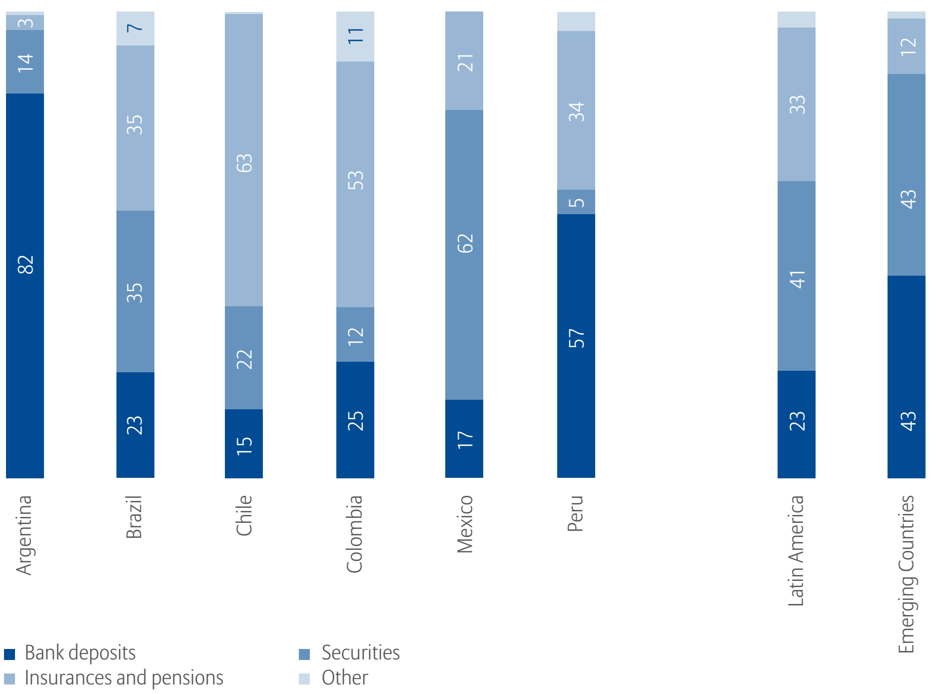
The massive slump on the Chinese stock market in August of last year, however, put a damper on the mood among market participants. Investor concerns regarding the increasing slowdown in China soon spread to other economies, with asset prices coming under pressure across the globe. Share prices started heading south in the emerging markets, in particular. In August alone, the MSCI Emerging Markets Latin America lost almost 11% of its value, closing 2015 33% lower than the value seen at the end of 2014. After a brief recovery phase in the second quarter of the year, the prices of most commodities started to dip again, leaving those economies that export commodities with an even poorer growth outlook. Leading indices in Latin America – with the exception of Argentina – lost considerable value in the course of the year. While Brazil's BOVESPA lost around 13%, the indices in Colombia and Peru fell by as much as 26.5% and 36.3% respectively. In Argentina, on the other hand, the end of the socialist government's term in office and the election of the liberal Mauricio Macri would appear to have put the country back in the investor spotlight: the country's MERVAL index gained more than 36% last year.

Rising inflation eats into asset growth

The weakest economic development was witnessed in Brazil, the largest economy in Latin America. The country, which accounts for at least two-fifths of the region's economic strength and kept the global economic engine running after the outbreak of the financial crisis, is now grappling with the most severe recession in one hundred years. Brazil's very commodities-heavy export economy was hit particularly hard by the plummeting prices of iron, crude oil and other raw materials. The political misery and corruption plaguing the country are also putting a damper on its economic development. Urgently required structural reforms designed to diversify the economy have been postponed by the country's governments – a phenomenon that is certainly not exclusive to Brazil within the region. Real GDP in Brazil contracted by 3.8% last year, unemployment climbed to 9.0% at the end of 2015, compared with 6.5% in the same quarter of the previous year. At the same time, the weak real made imported products more expensive, with consumer prices rising by an average of more than 9% year-on-year in 2015. This put the rate of inflation well above the upper end of the central bank's 4.5% target corridor (+/- 2%) and triggered a 4% slump in private consumption. As far as financial assets are concerned, the growth witnessed last year left Brazilian households with nothing after inflation was factored in, on the contrary: the estimated growth of 2.9% as against 2014 was much lower than the rate

Significance of private pensions characteristic of the region

Asset classes as % of gross financial assets, 2015



Sources: National Central Banks and Statistical Offices, Allianz SE.

of inflation, meaning that households were hit with asset losses in real terms. The pace of savings growth also fell considerably in a long-term comparison, with savings growing by just under 9% a year on average in the period from 2005 to 2015.

The developments in Brazil are representative of the entire region. Between 2005 and 2010, average annual savings growth in Latin America was still sitting at almost 13% and has now slipped back to an average of around 7% over the last five years due to dwindling macroeconomic momentum. At the same time, the average regional inflation rate has risen from 5% to at least 7% over the same period.

At the end of 2015, the gross financial assets of private households in Argentina, Brazil, Chile, Colombia, Mexico and Peru came to just shy of EUR 2.4 trillion in total, up by 6.5% on a year earlier. Almost three-quarters of regional assets were attributable to the two heavyweights in the region, Brazil (34%) and Mexico (40%). Brazil has lost considerable ground due to the dramatic slump in its domestic currency, with the real losing at least one-third of its value against the euro in the course of the year. If the exchange rate had remained stable, the country shares would have come to 41% for Brazil and 36% for Mexico.

In Mexico, the second-largest nation in Latin America in terms of economic power, asset development was slightly stronger than in Brazil, with asset growth of 5%. But the rate of growth again lagged well behind the long-term average of around 10%. The overall growth rate was squeezed by relatively weak development in securities assets, in particular. The Mexican leading index closed 2015 0.4% lower than it had closed 2014. All in all, assets held in shares and other securities, which account for more than 60% of the portfolio, grew by around 2% in the course of the year. Bank deposits were the growth leader among the various asset classes, increasing by almost 14%. Household receivables from insurance companies and pension institutions rose by almost 8% in a year-on-year comparison.

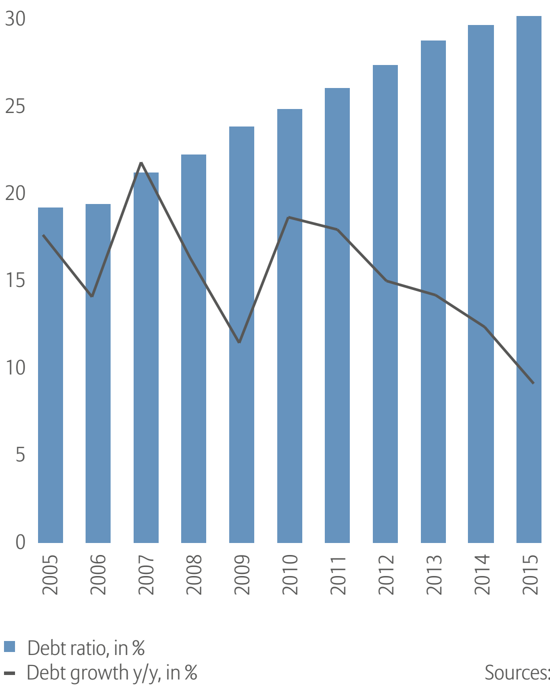
One aspect that is somewhat surprising for an emerging region is the relatively large proportion of assets invested in life insurance and pensions in Latin America, with around one-third of savings attributable to this asset class last year. This puts the region ahead of the emerging market average (12%). Within the region, however, the role played by this asset class varies from country to country. Some economies, such as Chile, Colombia and Brazil, were very quick to supplement the state social security systems with private retirement provision. As a result, insurance policies and pensions play a dominant role in the asset structure in these countries. Argentina is an exception to the rule: following the nationalization of private pension funds in 2008, households started to focus even more on investments that can be liquidated quickly, like bank deposits. Since the last sovereign default of 2002, which resulted in the drastic devaluation of the national currency and the freezing of bank deposits, many of Argentina's citizens have lost faith in their peso. Plagued by rampant inflation, many households sought refuge in safe foreign currencies. Anyone who has the choice opts to invest abroad or stash his dollars or euros under the mattress. In circumstances like these, it is, of course, extremely difficult to put a figure on the financial assets of private households.

Debt growth continues to slow – at a high level

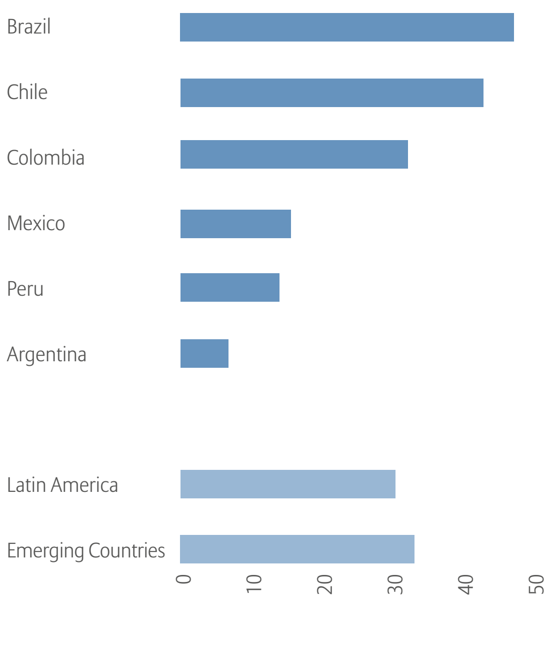
The savings of Latin American households were offset by liabilities of EUR 1 trillion at the end of 2015; in the course of the year, the outstanding debt volume rose by at least 9%. More than three-quarters of the region's debt was again concentrated on Brazil and Mexican households. In line with asset development, debt growth has also been slowing continuously over the last five years - albeit not to the same extent: the rate of growth has averaged almost 14% p.a. since 2011 and was around three percentage points lower than the average growth rate for the period between 2005 and 2010; the regional growth rate in financial assets, on the other hand, has slid by more than five percentage points. Since 2005, the region's share of the global debt burden has increased from 1.0% to 2.6%. Over the past decade, however, debt growth has not only outpaced

Pace of debt growth easing

Debt development since 2005



Debt ratio by country 2015, in %



Sources: National Central Banks and Statistical Offices, Thomson Reuters, Allianz SE.

asset growth on average; it has also outpaced the growth in economic output. This means that the debt ratio has risen from around 19% in 2005 to 30% last year. Despite this rapid development, the region's debt level is still considered "normal" for emerging markets: the average ratio of debt to economic output in the world's up-and-coming economies came to 33% at the end of 2015. The differences between the individual countries, however, are considerable. Whereas the ratio in Argentina only came to around 6%, Brazil leads the field with a ratio of 47%. In per capita terms, on the other hand, Chilean households top the regional rankings with average debt to the tune of EUR 4,850. The country with the lowest debt level was Argentina, at an estimated EUR 590 per capita. The regional average came to EUR 2,120 per capita, putting Latin America well ahead of the average for the emerging markets (EUR 1,610).

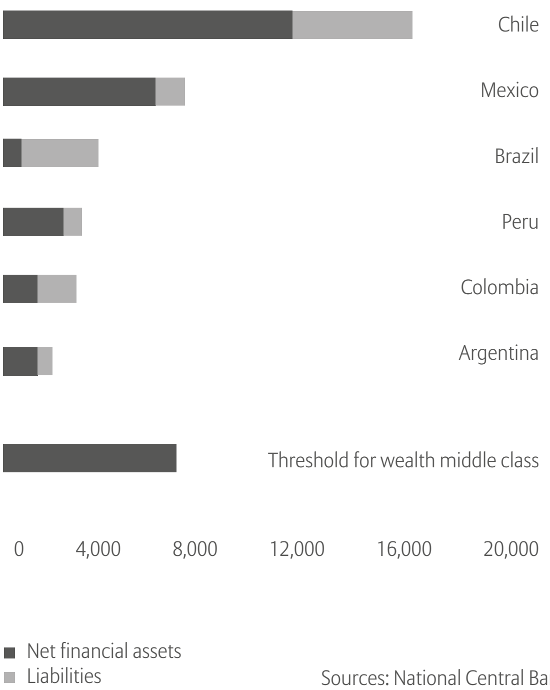
Growing wealth middle class – inequality remains a problem

Last year, net per capita financial assets, i.e. all savings minus debt, came to a regional average of EUR 2,840. Chile is the only country in Latin America in which per capita household assets surpassed the EUR 7,000 threshold that allows a country to be classed as a middle wealth country (MWC[7]). With average assets of EUR 11,720, Chilean households came in 27th, after the Czech Republic and ahead of China, in the global rankings. Mexican households, which had the second-highest per capita assets in the region, only just missed out on MWC status, with assets

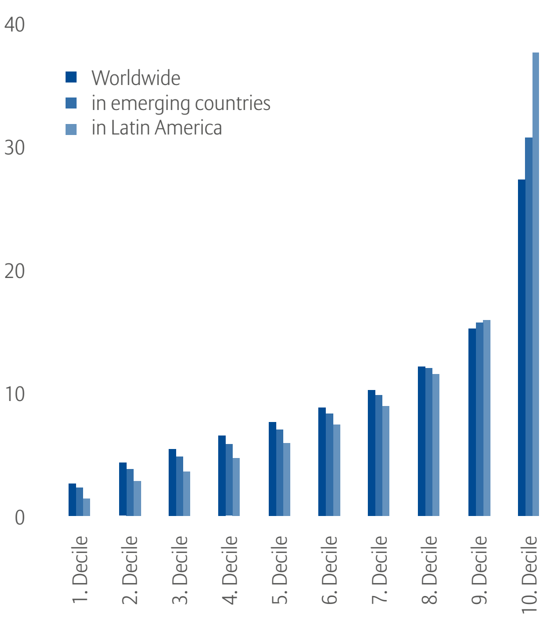
7 Middle Wealth Countries. Average net per capita financial assets in these countries ranged from EUR 7,000 to EUR 42,000 in 2015.

Enormous gap between poor and wealthy

Net financial assets and liabilities per capita 2015, in EUR



Average income distribution by comparison



Sources: National Central Banks and Statistical Offices, UN Population Division, World Bank, Allianz SE.

of EUR 6,170. All other countries on the South American continent, however, still have a long way to go before they can look forward to promotion to the league of the MWCs. In an international comparison, Mexico was in 38th place and the other Latin American countries were also in the bottom third of the country rankings.

The proportion of the region's population that belongs to the "middle wealth category" in a global comparison (net per capita financial assets of between EUR 7,000 and EUR 42,000 per capita) came to 9% at the end of 2015. This means that 41 million Latin Americans can count themselves as members of the global wealth middle class, compared with an estimated total of almost 31 million or so at the start of the millennium. Only two million people had high net financial assets (more than EUR 42,000 per capita), although these individuals only accounted for a fraction of the total population as a whole, or 0.4% in 2015.

It is still the case that more than 90% of the population belongs to the lower wealth class. This means that more than 430 million Latin Americans had average assets of less than EUR 7,000. It is also, however, important to remember that hefty currency losses, such as those that have hit Brazil, make it all the more difficult for these countries to exceed the threshold values, which are calculated in euros.

One of the biggest challenges facing Latin America will remain the quest to achieve a better distribution of income and wealth within the individual societies. Both in a global comparison and measured against other up-and-coming economies as a whole, incomes and wealth in Latin America are much more highly concentrated: the richest 20% in the region are on the receiving end of almost 54% of the total income and hold a good 76% of the total assets, compared with ratios of around 46% and approximately 70% respectively in the emerging markets as a whole, and averaging 42% and 68% respectively in a global comparison. Despite the ongoing income and asset inequality, considerable progress has been made in the fight against poverty since the early years of the new millennium: the proportion of the population living below the national poverty line, for example, has more than halved in Brazil and Peru, dropping to 7.4% and 22.7% respectively in 2014. In Colombia, too, the proportion of the population living in poverty has been slashed from almost 50% to just under 28%. Nevertheless, a study conducted by the United Nations Development Programme (UNDP) last year shows that the number of people living in poverty in Latin America and the Caribbean has increased again for the first time in more than ten years. With economic growth on the wane, many people are at a greater risk of falling back into the poverty trap.


Eskimo Point
Churchill
Port Nelson
Halifax
New York
San Francisco
Charleston
Grand Bahama
Hermosillo
Chihuahua
Monterrey
Merida

North America

Population

Total	358 m
Share of the global population	5.0%

GDP

Total	EUR 17,833bn
Share of global GDP	26.6%

Gross financial assets of private households

Total	EUR 69,247bn
Average	EUR 193,580 per capita
Share of global financial assets	44.8%

Debt of private households

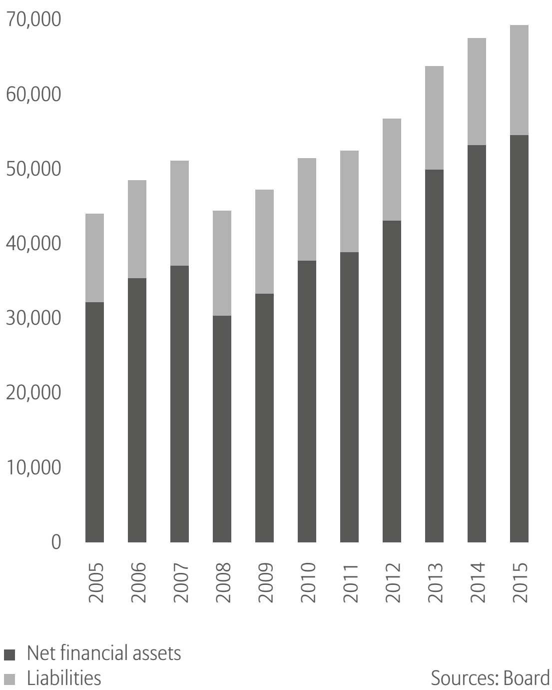
Total	EUR 14,692bn
Average	EUR 41,070 per capita
As % of GDP	82.4%

At the end of last year, just under 45% of the world's gross financial assets were concentrated on the continent of North America, meaning that it remains the richest region in the world. Taken together, Canadian and US households had assets worth EUR 69.2 trillion, with the US alone home to a good 94% of them. At 2.6%, the North American growth rate for 2015 lagged behind the global asset development trend (+4.9%) for what is now the second year running. But the two countries that make up this region did not move in lockstep with each other: the financial assets of Canadian households grew at more than twice the rate seen in the US. One thing that the two countries have in common, however, is a slowdown in year-on-year asset growth, with the rate of growth falling from 8.8% to 6.2% in Canada and from 5.7% to 2.4% in the US.

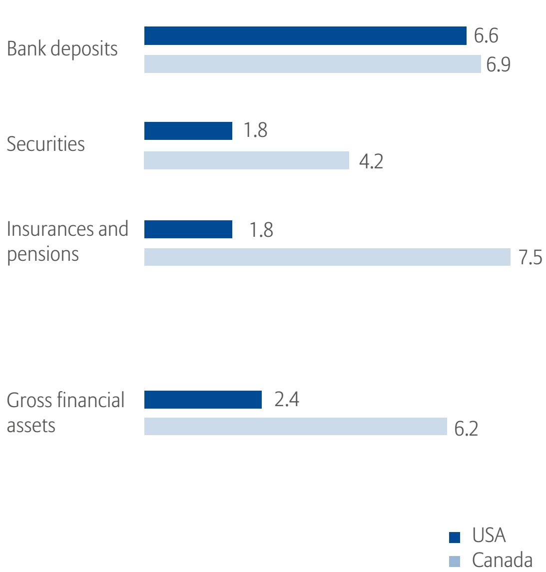
The dramatic slump on the Chinese stock market in the summer of 2015 combined with the drop in oil prices stoked concerns among market players as to the global growth outlook. This resulted in heightened volatility and sent share prices on a downward spiral, with the S&P 500 losing almost 7% in the third quarter alone. By the end of the quarter, Canada's leading index was also trading almost 9% lower than it had been in the previous quarter. Ultimately, the losses on the financial markets also left their mark on the financial assets of private households: in the three months from July to September, the gross financial assets of US and Canadian households dwindled by a total of around EUR 1.6 trillion, which corresponds to per capita losses of more than EUR 4,500. This is obviously also due to the region's asset structure: at around 51%, the proportion of North American assets invested in securities is much

North America: Subdued asset growth

Net financial assets and liabilities, in EUR bn



Rate of change of asset classes 2015/ 2014, in %



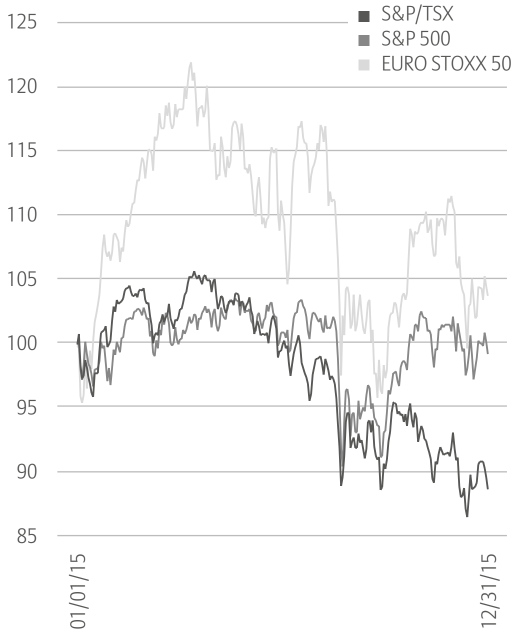
Sources: Board of Governors of the Federal Reserve System, Statistics Canada, Allianz SE.

higher than the average for the advanced economies as a whole (39%). And with 52% securities in their asset portfolios, US households have much more of a risk appetite than their neighbors in Canada as well (38%). The situation on the markets eased in the last three months of the year, so that, by the time 2015 had come to a close, the S&P 500, for example, had bounced back to almost the level seen at the start of the year. On the back of this trend, gross financial assets in the region increased by more than EUR 1.7 trillion in the fourth quarter, meaning that they were able to more than make up for any losses incurred. The securities portfolio increased by 1.8% in the US and by 4.2% in Canada year-on-year.

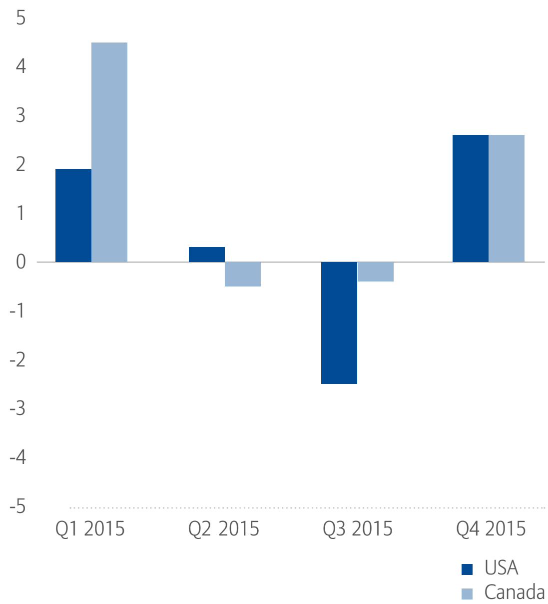
Assets held in bank deposits proved to be the winner among the various asset classes in 2015: In Canada, the volume of funds held in bank deposits grew by 6.9% in the course of 2015, with the US reporting growth of 6.6%. US households took almost half of their savings to the bank for safekeeping: term and savings deposits rose by 5.8%, with sight and cash deposits swelling by as much as 13% in total. In the last four years alone, households have upped the volume of their sight and cash deposits by at least 80%. This strong liquidity preference reflects the ongoing mood of uncertainty among investors. The low interest rates, among other factors, are also prompting more and more people to favor short-term over long-term investments. Nevertheless, bank deposits play a relatively minor role in both countries, accounting for 14% of the overall asset portfolio in the US, and 22% in Canada.

Weak stock markets take their toll

Important stock indices, indexed
(01. Jan. 2015 = 100)



Development of gross financial assets during the year, q/q in %

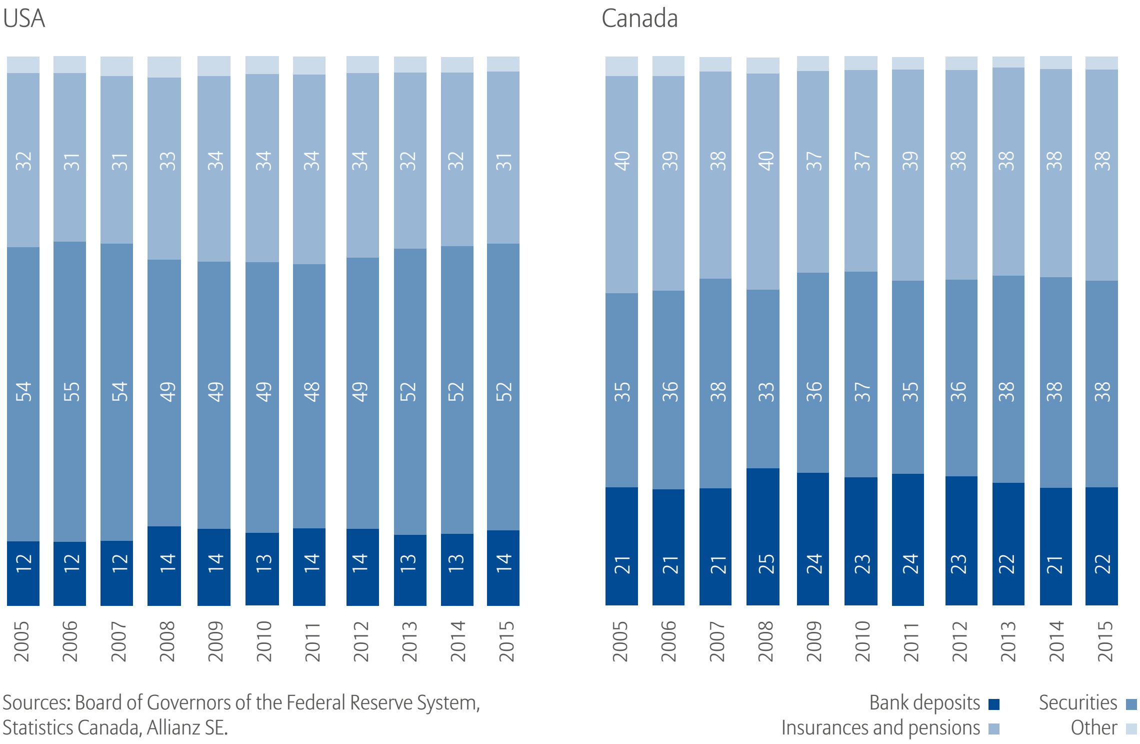


Sources: Board of Governors of the Federal Reserve System, Thomson Reuters, Statistics Canada, Allianz SE.

In the US, insurance policies and pensions reported only meager growth of 1.8% in 2015. Although households plowed almost EUR 400bn, i.e. one third of their "fresh savings", into this asset class, fund inflows dipped by around 7% in a year-on-year comparison. This trend is also likely to reflect demographic shifts, with more and more of the baby boomer generation leaving the labor market. But the weak growth in the volume of these investments can also be traced back to value losses – particularly as far as household pension entitlements are concerned – to the tune of EUR 42bn in total. In Canada, on the other hand, fund inflows increased by approximately 28% year-on-year to an all-time high of just under EUR 58bn, with the volume of these investments growing by 7.5%. Insurance and pension assets are a key component of household savings in both countries, accounting for around 31% of the total asset portfolio in the US at the end of 2015, and as much as over 38% of the Canadian portfolio.

Securities dominate portfolios in USA

Asset classes as % of gross financial assets



Sources: Board of Governors of the Federal Reserve System, Statistics Canada, Allianz SE.

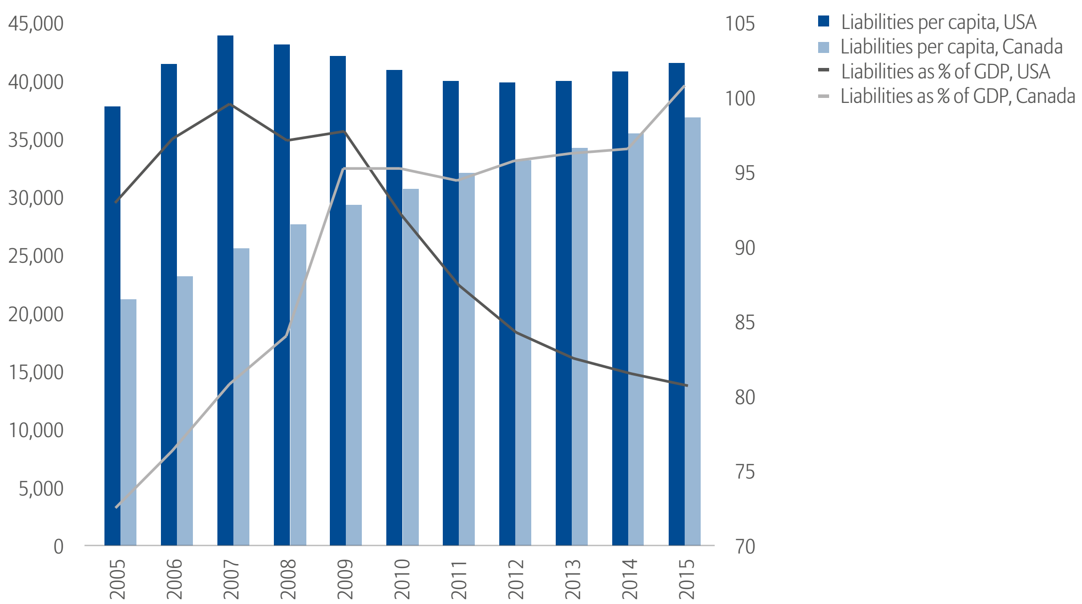
Two separate ways when it comes to debt

In a regional comparison, North America not only claimed the largest share of global financial assets. Around 38% of the world's debt burden – more than in any other region – was also sitting on the other side of the Atlantic. This share of global debt has, however, been falling steadily in recent years. In 2007, it was still sitting at around 46%. For one, households in the emerging markets have been accumulating increasing liabilities as their financial sectors continue to develop. For another, the trend also reflects the debt discipline displayed by US households evident since the outbreak of the financial crisis.

The years before the crisis were characterized by what was, at times, double-digit growth in the US personal debt burden, pushing the ratio of liabilities to nominal economic output up from 71.5% in 2000 to a high of 99.4% seven years later. In 2008, households started to borrow less in an attempt to tidy up their asset balance sheets. In the period leading up to 2011, they cut their liabilities by an annual average of 1.4%, shaving almost twelve percentage points off the debt ratio, which was whittled down to 87.5% of GDP, in the space of these four years alone. Although debt growth started to move back into positive territory in 2012, it has consistently lagged behind economic growth. This means that the ratio of liabilities to GDP has fallen by a further 6.6 percentage points to 80.9%. In per capita terms, liabilities edged up by 1.7% last year to total EUR 41,540, putting them on a par with the level seen in 2006. A combination of historically low interest rates and a moderate

Debt burden in Canada still sustainable?

Liabilities per capita in EUR (lhs) and as % of GDP (rhs)



Sources: Board of Governors of the Federal Reserve System, Statistics Canada, Thomson Reuters, Allianz SE.

increase in both employment and incomes has so far made it easier for many households to pay back their debt. The debt service ratio, i.e. the ratio of capital and interest repayments to disposable income, has fallen to all-time lows in recent years, coming in at 10.1% at the end of 2015; the all-time high over the past 30 years (13.2%) was reached at the end of 2007. The delinquency rate is also on the way down and has more than halved since the end of 2009, falling from 11.9% to 5.4% in the last quarter of 2015. This means that the pre-crisis level of 4.7% (end of 2006) is now within striking distance. So all in all, the household sector has corrected the excessive debt behavior it displayed in the boom years and pushed its liabilities back down to the historical average.

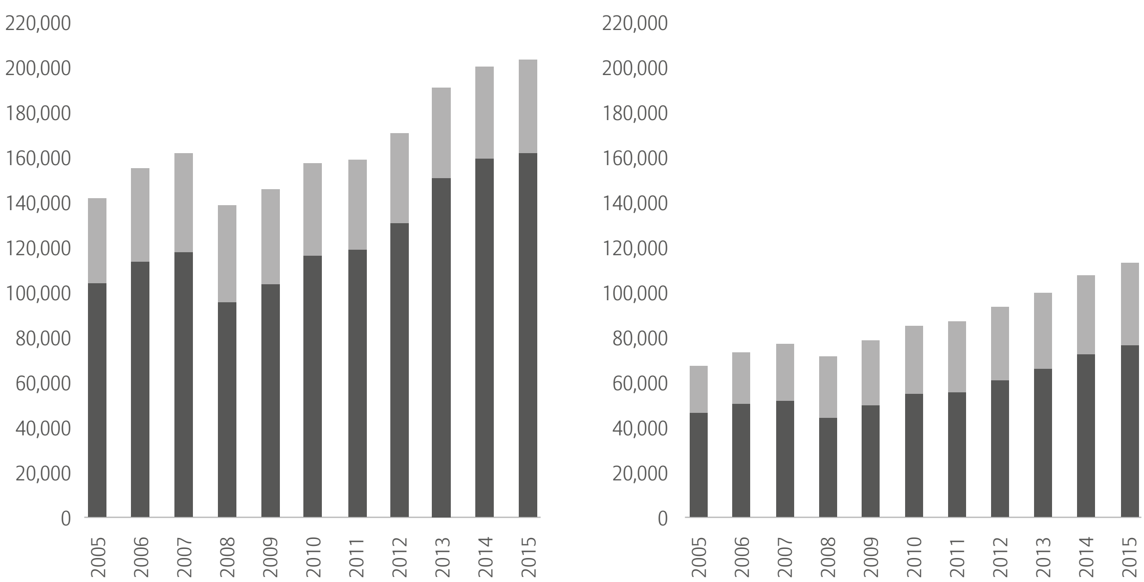
The debt situation in Canada is much more precarious than in the US. Although the outbreak of the financial crisis at least helped to curb the country's debt growth, bringing the average annual growth rate down to just under 6% compared with around 9% in the years prior to the crisis, liabilities in Canada rose by 5.0% last year as against 2014, which is still twice the growth rate seen in the US. Per capita debt is climbing to new record highs year in, year out, and came to an average of EUR 36,870 at the end of 2015. In relation to economic output, the debt ratio has been constantly on the rise, climbing from 61.6% in 2000 to 100.7% last year – putting

Large wealth differences between the two neighbors

Net financial assets and liabilities per capita, in EUR

USA

Canada



■ Net financial assets per capita
■ Liabilities per capita

Sources: Board of Governors of the Federal Reserve System, Statistics Canada, UN Population Division, Allianz SE.

it almost 20 percentage points ahead of the US level. This means that the risk of the Canadian financial system running into difficulties due to the growing debt burden on the shoulders of the household sector has risen significantly over the past decade. This is due not only to the absolute debt level, but also to the way in which the debt is distributed: liabilities are becoming increasingly concentrated on highly-indebted households whose ability to service their loans in the event of an economic slump could be at a particular risk. In those regions that have been hit hardest by the drop in commodity prices, job losses are already turning up the financial heat on households like these. The situation is only exacerbated further by the surge in house prices in the greater Vancouver and Toronto regions. Mortgage loan growth is rising in tandem with house prices, once again increasing the proportion of highly-indebted households. The Canadian central bank has been very concerned about the growing debt burden carried by its household sector for some time now. Its recent report on the stability of the financial system highlights personal debt as one of the main risks facing the financial system. In February 2016, the financial supervisory authority set out more stringent capital requirements for loans backed by a residential property, the aim being to restrict lending to households with high credit ratings. Canada urgently needs to find its way back to a solid and sustainable asset situation.

North America remains the richest region in the world

North America is not only the region with the highest proportion of the world's financial assets, it is also the region with the highest per capita assets. At the end of 2015, after subtracting liabilities, the average North American had assets worth EUR 152,510; by way of comparison: average per capita assets in Western Europe came to “only” EUR 58,600. 41% of the population has assets averaging more than EUR 42,000 per capita to fall back on, making them members of the wealth upper class in a global comparison. In global terms, more than one quarter of people classed as high wealth individuals live in North America. Looking at the individual countries, US citizens are much richer than their neighbors in Canada with average net assets of EUR 160,950 per capita (compared with EUR 76,960 per capita in Canada) and are sitting in second place in the rankings for the highest net per capita financial assets behind the Swiss. Due to the above-average debt growth, the Canadians slipped back a notch year-on-year, coming in eleventh in the rankings.

Orkney In.
Skagerrak
Kattegat
Göteborg
Kopenhagen
Malmö
Stockholm
Gotld.
Bottnischer Meerbusen
Härnösand
Oulu
Helsinki
Tampere
Turku
Finn. Meerb.
Tallinn
Peipus see
Pskow
Ladoga see
Riga
Düna
Vilnius
Königsbg.
Minsk
Gomel
Hamburg
Stettin
Amsterdam
London
Southampton
Berlin
Posen
Warschau
Weichsel
Köln
Leipzig
Paris
Le Havre
Prag
Krakau
Lemberg
Kiew
Dnjepr
Dnjepropetr
Kachowskaer Stausee
Bratislava
Debrecen
Budapest
Chisinau
Zagreb
Klausenbg.
Odessa
Krim
Braila
Sewastopol
Bologna
Marseille
Barcelona
Balearen
Mallorca
Palma
Cagliari
Sarajevo
Belgrad
Bukarest
Donau
Balkan
Varna
2211
Podgorica
Sofia
Rom
Bari
Tirana
Skopje
Saloniki
Bosporus
Istanbul
Neapel
Tyrrhen. M.
Palermo
Olymp
Bursa
Ankara
Algier
K. Blanc
Constantine
Hochland der Schotts
Kap Bon
Tunis
Patras
Athen
Ägäisches Meer
Izmir
Konya
Taurus
Antalya
Tuz Gölü
Saharaatlas
Sfax
Djerba
Kreta
Nikosia
Tripolis
Ouargla
Westl. Gr. Erg
Östl. Gr. Erg
Schott Djerid

Western Europe

Population

Total	413 m
Share of the global population	5.8%

GDP

Total	EUR 14,294
Share of global GDP	21.8%

Gross financial assets of private households

Total	EUR 35,033bn
Average	EUR 84,840 per capita
Share of global financial assets	22.7%

Debt of private households

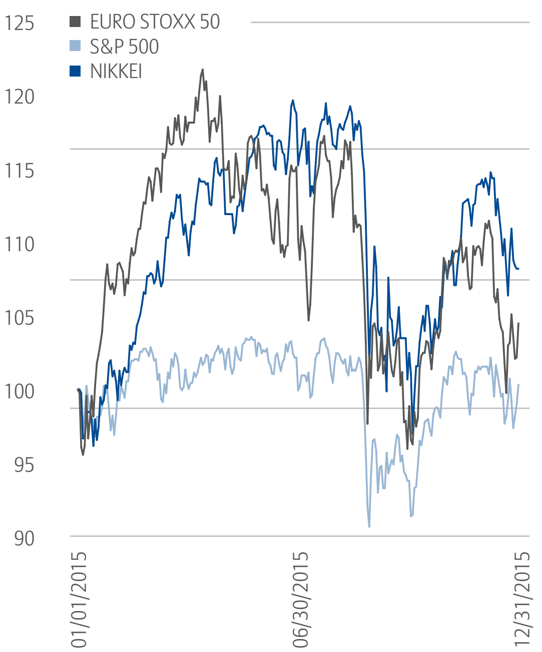
Total	EUR 10,836bn
Average	EUR 26,240 per capita
As % of GDP	75.8%

The savings of households in Western Europe came to a record value of EUR 35 trillion in 2015, although the pace of growth slowed considerably to 3.2%, compared with 6.9% in 2014. Nevertheless, this meant that financial assets grew at a faster rate in Western Europe than they did in North America (+2.6%) and the developed countries as a whole (3.0%).

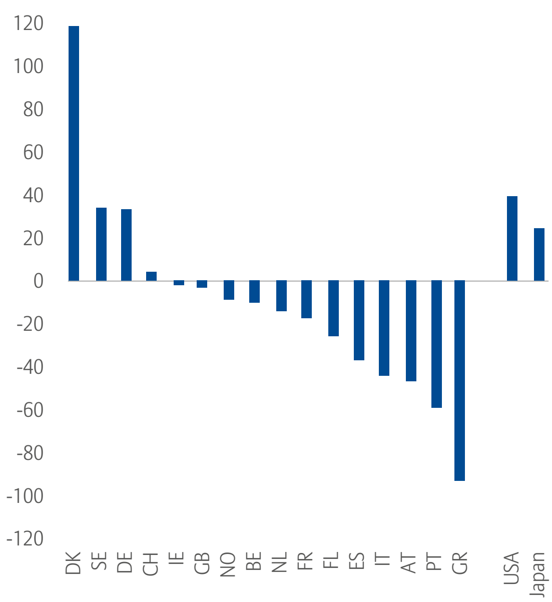
Securities assets made the biggest gains, increasing by 3.8% on a year earlier. Nevertheless, the stock exchange year really put shareholders through the mill. The stock markets were still on a sharp upward trajectory in the first four months of the year. This was triggered by the announcement made by the European Central Bank (ECB) back in January regarding a massive bond purchase program of EUR 60bn a month in total between March 2015 and September 2016. Germany's leading index, the DAX, reached an all-time high of 12,375 points at the beginning of April; the Euro Stoxx 50 had also gained more than 20% by then. Then, however, the tide started to turn. A large number of investors evidently wanted to cash in their profits and as the year neared the mid-way point, uncertainty surrounding developments in Greece paved the way for increased volatility and losses on the markets. The massive slump on the Chinese stock market in August was also the start of a rollercoaster ride in the rest of the world. The drop in oil prices fueled fears of a growth slump in China and the implications that this would have on the global economy. By the end of September, both the DAX and the Euro Stoxx 50 had lost more than one-fifth of the value they had reached in April when they had climbed to their annual high. Investor expectations of further monetary policy easing by the ECB, however, sent share prices rising again. By the time

Stock markets on a roller coaster ride

Important stock indices in the course of the year
Indexed (01. Jan. 2015 = 100)



Stock markets mostly below pre-crisis level
% change in national leading indices compared with 2007



Sources: Thomson Reuters, Allianz SE.

2015 came to a close, the DAX was ultimately 9.6% higher than at the close of 2014 and the Euro Stoxx 50 had also gained ground again, finishing the year up by 3.8%. But Europe's stock exchange barometer is still a long way off a return to its pre-crisis level; Europe's leading index was still down by almost 26% on 2007. Apart from the DAX in Germany, only three other of the 16 western European countries in our analysis had leading indices that had managed to bounce back to above the pre-crisis level by the end of last year, and none of them are members of the eurozone: Denmark (+118.5%), Sweden (+33.8%) and Switzerland (+3.9%).

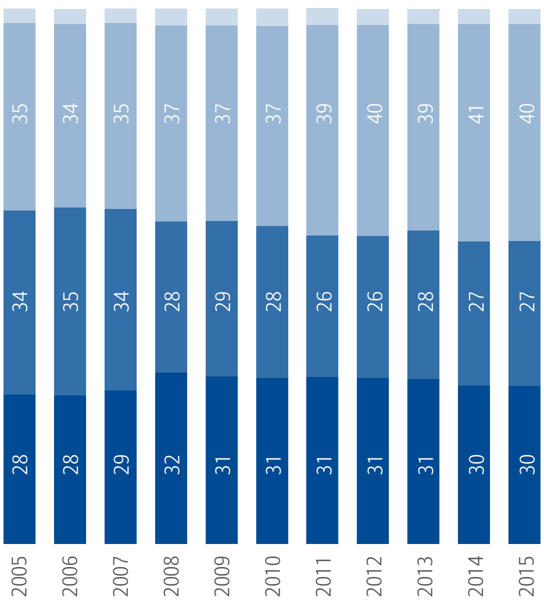
It is, however, important to remember that this asset class is still very much of minor importance in Western Europe, accounting for around 27% of total assets, compared with North America, where households hold more than half of their financial assets in securities. It remains to be seen whether the fact that the cash outflows from this asset class at least dropped considerably, falling from around EUR 86bn in 2014 to around EUR 2bn[8] in total, points towards a turnaround.

The dominant pillar in the western European asset portfolio remains insurance and pensions. All in all, receivables from insurance companies and pension institutions came to EUR 14.2 trillion, up by 2.9% year-on-year. Since the outbreak of the financial crisis, households

8 Not including Swiss households.

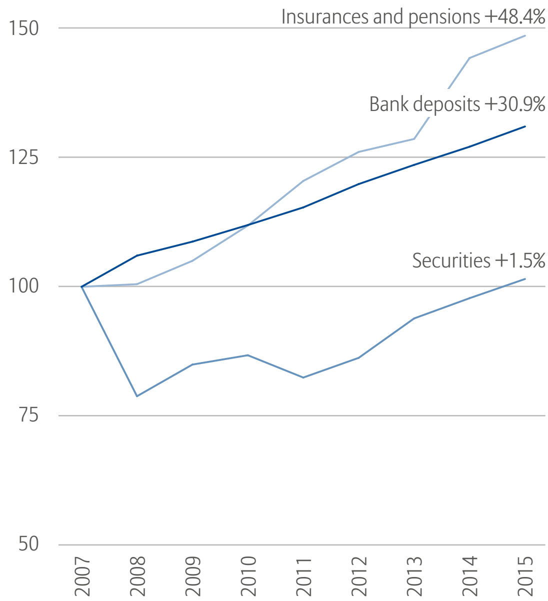
Insurance and pensions most popular asset class

Asset classes as % of gross financial assets



■ Bank deposits ■ Securities
■ Insurances and pensions ■ Other

Growth of the three largest asset classes since 2007, in %



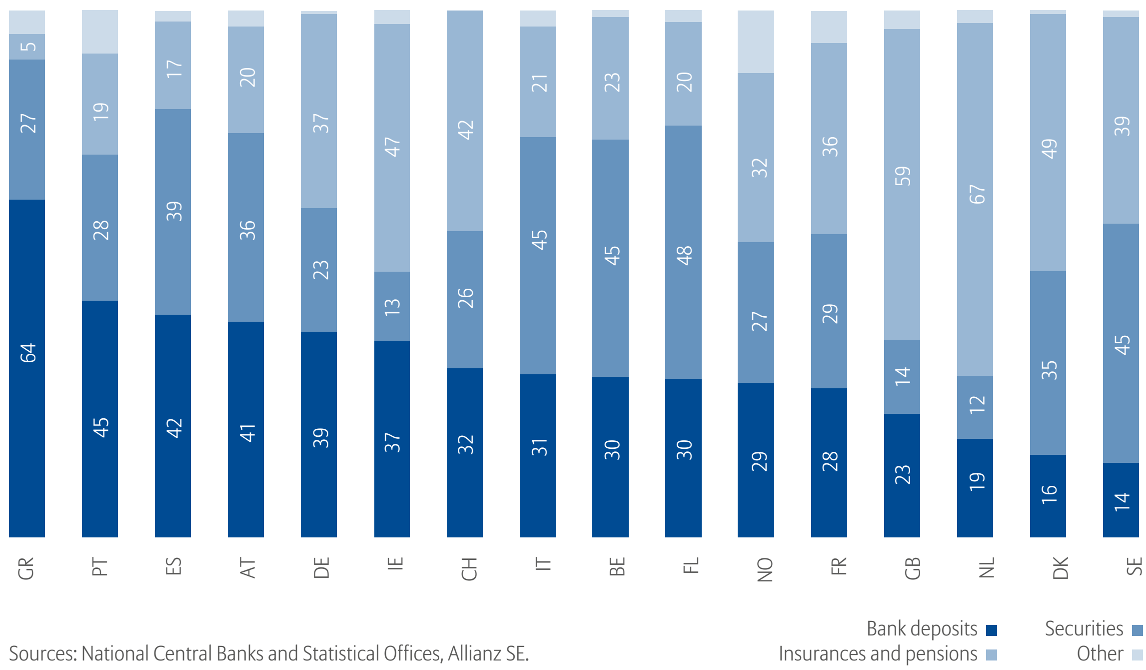
Index (2007 = 100)
Sources: National Central Banks and Statistical Offices, Allianz SE.

have been plowing almost 60% of their "fresh" savings into this asset class on average, pushing its share of total financial assets up by almost six percentage points to just under 41% by the end of 2015. This development is likely due first to the growing awareness of the need to make more independent provisions for old age. After all, the significance of state pensions, which have made up the lion's share of income in old age in most of these countries so far, is on the wane due to tight budgets and pension reforms. Second, a shift in the overall asset structure had already started to emerge back at the turn of the millennium. In the aftermath of the bursting of the dotcom bubble and the outbreak of the financial crisis, many investors seem to have lost faith in shares and now prefer secure investments. After all, in 2000, securities still accounted for at least 38% of the asset portfolio.

Irrespective of the interest rate level, households would appear to not want to do without a certain degree of liquidity either: overnight money, term deposits and savings deposits rose by 3.1% as against 2014, accounting for no less than just under 30% of the portfolio at the end of last year. In the past, this share has remained fairly stable. These deposits accounted for almost 27% of total financial assets in 2000, with the high to date coming in at 32% in 2008. Leaving Greece aside, there is no sign of the money pumped into bank deposits by those seeking a safe haven when the financial crisis hit being pulled back out. This is further testimony to the fact that investors are still showing a preference for liquidity.

Differing preferences in country comparison

Asset classes as % of gross financial assets, 2015



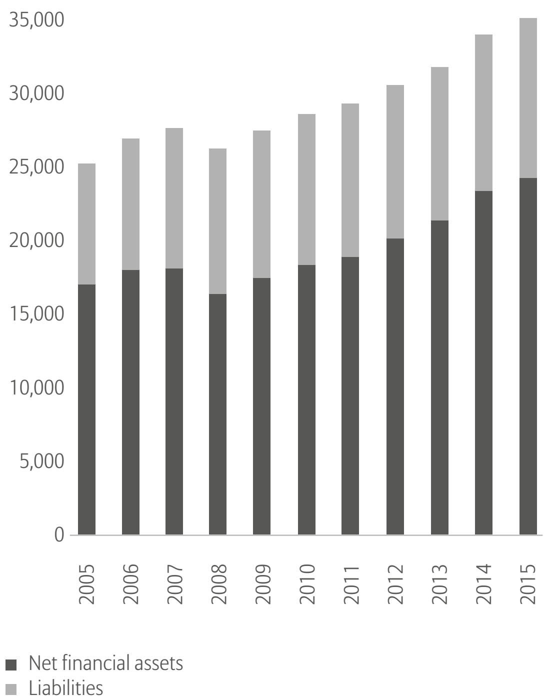
Sources: National Central Banks and Statistical Offices, Allianz SE.

If we compare the individual countries, no uniform pattern emerges as far as the asset structure is concerned. The proportion of securities assets in the overall asset portfolio ranges from 11.9% in the Netherlands to 48.0% in Finland. Bank deposits dominate the asset portfolios of households in Greece (64.1%), Portugal (44.9%) and Spain (42.2%), a feature that is not only due to a conscious investment decision, as these shares were much lower before the outbreak of the financial crisis (52.3% in Greece, 38.6% in Portugal and 37.9% in Spain). Rather, securities losses, in particular, are the reason behind the shift in the asset structure in these countries.

In a regional comparison, the northern part of Western Europe showed above-average asset growth in 2015: Swedish households led the field, with their savings increasing by 9.1%, followed by Danish households with savings growth of 6.5%. In both countries, growth was driven by securities assets, which increased at a rate in the double digits. The rate of growth in the asset base also outperformed the western European average in Norway (+5.4%), France (+4.9%), Germany (+4.6%) and Finland (+4.6%). Belgium and the Netherlands only just exceeded the regional average with growth of 3.9% and 3.6% respectively. Relatively modest rates of growth were reported in Italy (+2.2%), Austria (+1.8%), the UK (+1.8%) and Switzerland (+1.7%), with a marked year-on-year slowdown in some cases. The countries in the south of Western Europe were left holding the wooden spoon: while growth rates

Growth gap between north and south

Net financial assets and liabilities, in EUR bn



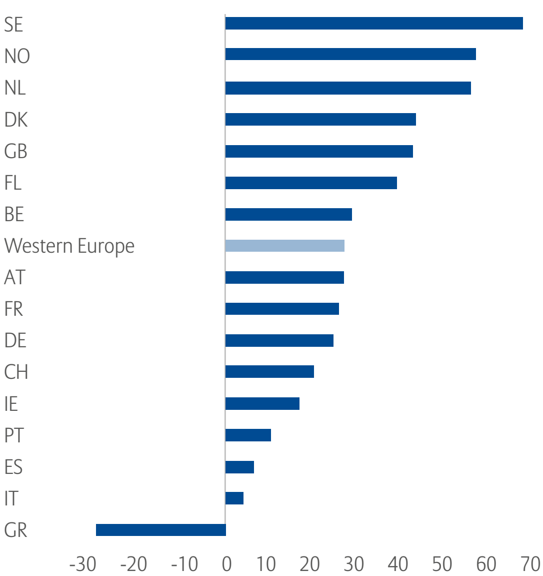
Change in gross financial assets 2015/2014, in %

Sources: National Central Banks and Statistical Offices, Allianz SE.

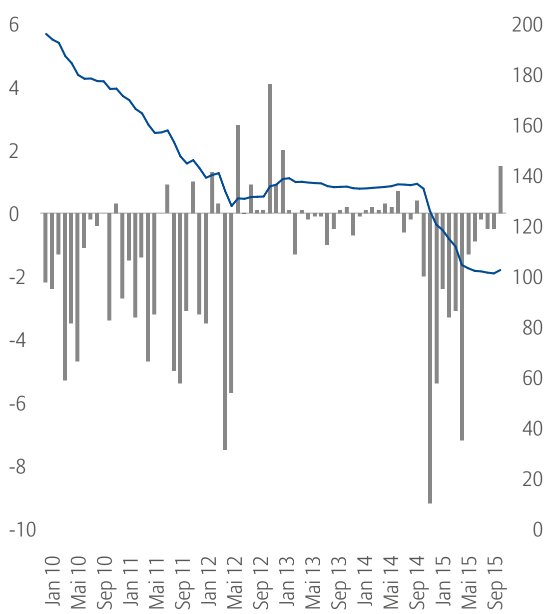
on the Iberian peninsula were still in the black (+1.4% in Spain and +1.3% in Portugal), the financial asset statistics of Greek households are still in negative territory. While securities assets bounced back after the pronounced slump in the previous year (+5.0%), bank deposits fell by 8.1% for what is now the sixth year running. People in Greece had already started pulling their savings out of their accounts back in 2010, either sending their money abroad, or – as is currently the case – stashing it under their mattresses. According to figures released by the Greek central bank, households pulled a total of almost EUR 33bn out of banks in 2015 alone. Since January 2010, a total of more than EUR 97bn or an average of EUR 8,860 per capita has been diverted from the country's banks. During this period, bank deposits dropped by almost half. According to official statistics, total Greek financial assets at the end of 2015 were down by almost 30% on the pre-crisis high. In all other western European countries, households were better placed than they were back in 2007. The top of the rankings is home to Sweden with growth of 67.5%, Norway (+56.9%) and the Netherlands (+55.7%).

Greece lagging well behind

Change in gross financial assets 2015/2007, in %



Greeks are shifting their bank deposits to safety



Stock in EUR bn (rhs)
Cash flow in EUR bn (lhs)

Sources: National Central Banks and Statistical Offices, Allianz SE.

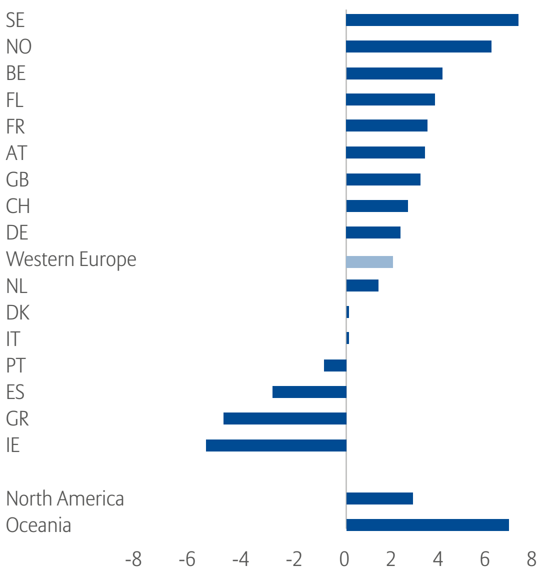
Credit growth stable at a low level

In tandem with the global trend, credit growth remained stable at the prior-year level in 2015 (+1.8% in 2014 as against 1.9% in 2015). This still, however, meant that liabilities in Western Europe grew at a slower pace than in the other "richer" regions of the world, North America (+2.7%) and Oceania (+6.6%). All in all, the outstanding loans of western Europeans came to at least EUR 10.8 trillion, which corresponds to 28% of the global debt burden. Since nominal economic output grew faster than liabilities, at 2.7%, last year, the personal debt ratio slid back by 0.6 percentage points in the course of year to 75.8%. For the advanced economies as a whole, the rate is slightly higher, at 81.1%. Nevertheless, the rate in Western Europe has only fallen by 4.7 percentage points since 2009, the year in which it reached its peak, whereas it has fallen by a total of 7.1 percentage points in the developed countries as a whole.

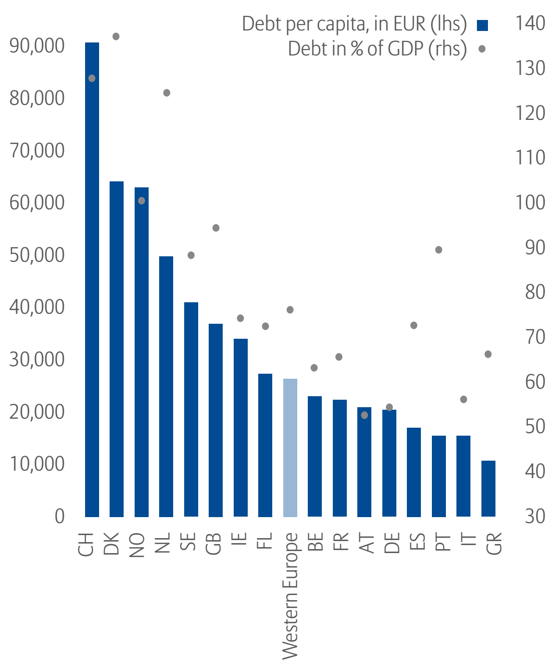
As with asset development last year, the pace of debt growth also revealed a rough split between the north and south of Europe. The biggest increase was once again witnessed among Swedish households, whose liabilities rose by 7.0%. At the same time, the country came in fifth in Western Europe in terms of per capita personal debt (which averaged EUR 40,720), behind Switzerland (EUR 90,220), Denmark (EUR 63,820), Norway (EUR 62,650) and the Netherlands (EUR 49,520). Two other Scandinavian countries, Norway (+5.9%) and Finland (+3.6%), had above-average debt growth in a regional context. Although Belgium came in between these two countries in the debt growth rankings

Moderate increase in debt last year

Change in liabilities 2015/2014, in %



Debt ratio and liabilities per capita, 2015



Sources: National Central Banks and Statistical Offices, Thomson Reuters, UN Population Division, Allianz SE.

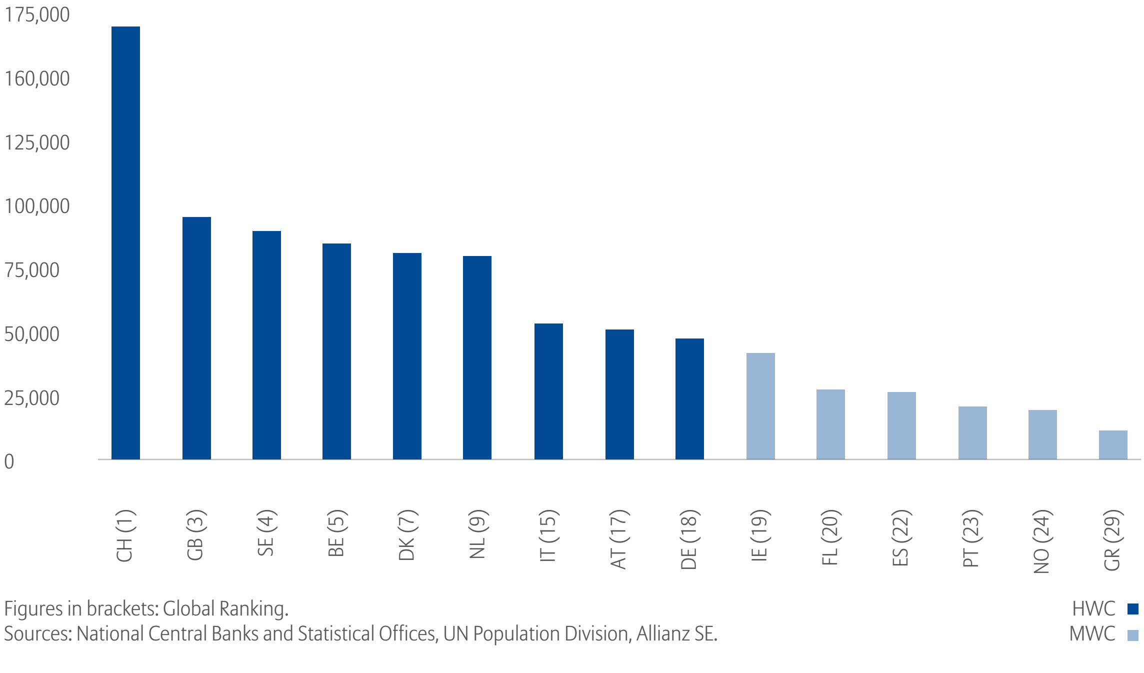
(3.9%), the absolute debt level was much lower, coming in at EUR 22,850 per capita at the end of 2015. Other countries in the north of Western Europe that saw liabilities increase at a faster rate than the regional average included the UK (+3.0%). Further south, in Switzerland and Germany, the outstanding debt volume rose by 2.5% and 2.2% respectively on a year earlier. Liabilities in the Netherlands (+1.3%) grew at a much slower pace, whereas debt growth in Denmark and Italy stagnated. Central banks in the other southern European states actually reported a downward trend, with debt levels down by 0.9% in Portugal, 3.0% in Spain and 5.0% in Greece. Irish households also continued with their consolidation strategy last year, slashing their liabilities by a further 5.7%. Since touching a record high in 2008, private debt in Ireland has therefore fallen by around a quarter.

Nowhere in Western Europe was average per capita debt as low as in Greece (EUR 10,630), although debt levels skyrocketed during the boom years leading up to the outbreak of the global economic and financial crisis: whereas in the region as a whole, debt was rising at an average rate of 7.6% p.a. in the period between 2001 and 2007, the rate in Greece came in at almost 22%. Since 2008, however, Greek liabilities have been falling at an average rate of 0.7% a year, a trend that can be explained by more than just weaker demand and more stringent lending guidelines; some households are simply no longer in a position to repay their loans and creditors have been forced to write off their receivables.

But the discrepancies in a regional comparison are not just limited to the absolute debt level. If we compare the liabilities of households with nominal economic output, marked differences emerge in terms of the relative debt burden, too. Not surprisingly, the level

Ranking: Western Europe

by net financial assets per capita 2015, in EUR



Figures in brackets: Global Ranking.
Sources: National Central Banks and Statistical Offices, UN Population Division, Allianz SE.

of debt was highest in those countries with the highest per capita debt, too. Danish households (136.1%) came top of the table here, with a clear lead over Switzerland (127.0%), although the Danish debt ratio has already fallen by around 14 percentage points since the end of 2009. The ratio in the Netherlands (123.6%) was also well above the 100% mark. In all of these countries, there is a question mark hanging over the sustainability of debt servicing in an environment characterized by a return to rising interest rates, as the debt ratio should, in general, be closer to the 100% mark. Austria boasted the lowest debt ratio in 2015: at 52.7%, the debt level in Austria was at least 83 percentage points lower than in Denmark. In per capita terms, too, the country was below the western European average (EUR 26,240) with debt of EUR 20,800. If we look at liabilities in relation to gross financial assets, Norway and Finland had the highest levels of debt within western Europe, at 76.3% and 49.7% respectively. The lowest rate was witnessed in Belgium (21.2%), with the regional average coming in at 30.9%.

Swiss households still the world's richest

As far as their net financial assets are concerned, western Europeans are spread fairly evenly across all three asset classes. Almost 35%, or 144 million out of the 413 million people who live in this region had average financial assets, after deductions for any liabilities, of at least EUR 42,000 at the end of last year, putting them in the wealth upper class in a global context. Around three-quarters of these people live in the five largest economies in the region: Germany, France, the UK, Italy and Spain. Last year, the lowest wealth class included 123 million western Europeans (30%) whose total savings came in at less than EUR 7,000 per capita on average. This meant that the remaining 35% of the population formed part of the wealth middle class last year.

In an international comparison, however, the average net financial assets of western Europeans were not even half as high as in North America, coming in at EUR 58,600 per capita. This figure ranges, however, from EUR 11,230 in Greece to EUR 170,590 in Switzerland. This put Swiss households at the top of both the regional and the global table, with a substantial lead over their US counterparts, who came in second (EUR 160,950). In addition to Switzerland, the world's top ten rich list includes five other western European countries: the UK (EUR 95,600), Sweden (EUR 89,940), Belgium (EUR 85,030), Denmark (EUR 81,290) and the Netherlands (EUR 80,180). Out of a total of 16 countries in the region, six ranked among the MWCs.[9] In addition to the crisis-ridden southern European countries of Greece, Portugal and Spain, Finland and Norway also fell into this category, as did Ireland – albeit by the narrowest conceivable margin (EUR 41,900).

9 Middle Wealth Countries. Average net per capita financial assets in these countries ranged from EUR 7,000 to EUR 42,000 in 2015.

Spitzbergen
Karasee
Minsk
Taschkent
Turkmenbaschi
Mesopotamien

Eastern Europe

Population

In the analyzed countries	397 m
Analyzed countries' share of the region as a whole	84.3%
Analyzed countries' share of the global population	5.5%

GDP

In the analyzed countries	EUR 2,894bn
Analyzed countries' share of the region as a whole	94.2%
Analyzed countries' share of global GDP	5.0%

Gross financial assets of private households

Total	EUR 2,124bn
Average	EUR 5,350 per capita
Share of global financial assets	1.4%

Debt of private households

Total	EUR 708bn
Average	EUR 1,780 per capita
As % of GDP	24.5%

Eastern European EU members

2015 saw the financial assets of households in the EU's eastern European member states increase by 5.6% to EUR 1.1 trillion. Although the development witnessed last year can still be described as robust, the outbreak of the economic and financial crisis certainly took considerable wind out of the sails of asset growth. Whereas double-digit growth rates were the norm in the years prior to the crisis, the pace of growth – which was still sitting at 10.4% in 2012 – has been virtually sliced in two over the last three years alone.

At the end of 2015, private households still held the biggest chunk of their financial assets (45%) in bank deposits. Despite interest rates being at an all-time low, fund inflows into this asset class have risen by around 40% on average to around EUR 36bn over the past two years. This means that households took more than two-thirds of their savings to the bank in the course of 2015. Consequently, the volume of these deposits rose by a substantial 8.0% in total – the highest rate of growth reported by any asset class.

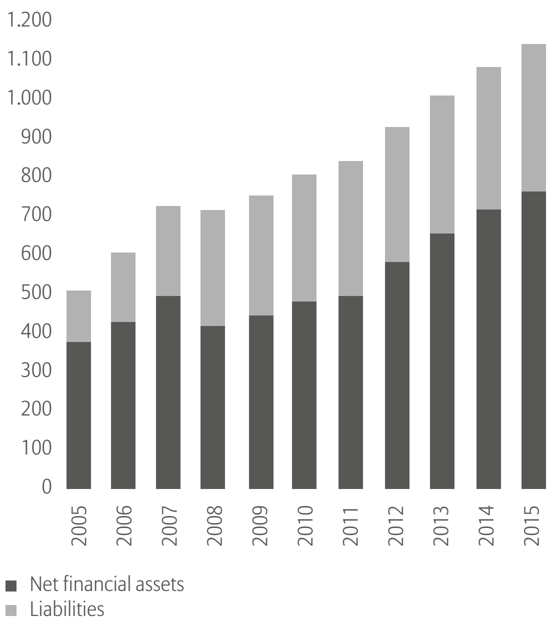
The rate of growth in regional securities assets slowed down by 1.4 percentage points to 5.2%, although developments varied considerably from country to country. While Hungary and Lithuania reported growth of 10.2% and 11.4% respectively, households in Croatia and Estonia reported losses to the tune of 12.6% and 12.2% respectively. Estonia is, however, the only eastern European EU member state whose leading index had already surpassed its pre-crisis high in 2013. Stock markets in all of the other countries were still down on the 2007 level at the end of 2015, with the gap separating them from the pre-crisis level ranging from a marginal -0.2% in Latvia to a whopping -73.9% in Bulgaria. All in all, the proportion of gross financial assets held in securities came in at around 30% – almost nine percentage points less than when this asset class was at its peak in 2007.

The receivables of households from insurance companies and pension funds rose by a meager 2.7% last year. The relatively weak growth is due, in particular, to developments in Poland, which is responsible for two-fifths of the regional portfolio. Back in February 2014, the government transferred around half of the retirement funds managed by private pension funds over into the state pension system. The investment funds transferred related to Polish government bonds and other securities featuring state guarantees, as well as cash funds, amounting to a total value of a good PLN 150bn or the equivalent of almost EUR 36bn. This transfer and further pension system reforms slashed the country's public debt by more than 8% of its gross domestic product virtually "overnight". This move was important from the government's perspective because it was faced with the prospect of the multi-stage debt ceiling being imposed, which, under Poland's laws and constitution, comes into effect if the debt ratio exceeds 50%, 55% and 60% percent of the country's economic output. The debt ceiling limits the government's room for maneuver by imposing increasingly restrictive measures. At the end of 2013, the public debt ratio was hovering dangerously close to the 55% mark at 53.1%, whereas one year later, it came in at only 47.8%. This gave the government scope to take out new debt again. The "confiscated" savings were no longer registered in the household asset statistics as receivables from insurance companies and pension/retirement funds, but rather as other receivables. Ultimately, households look no worse off than they did in the past, at least on paper. It remains to be seen whether they will be able to rely on this in the future. There has definitely been a loss in confidence in how secure private retirement provision is: last year saw households reduce their fund inflows to EUR 2.4bn – in the record year of 2010, inflows came to as much as EUR 8.9bn. All in all, the assets invested by Polish households in insurance policies and pensions fell by 2.2% last year.

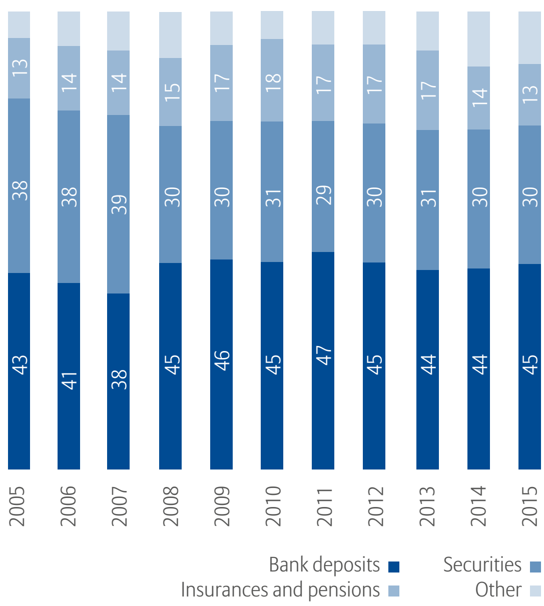
In the other EU member states, the insurance and pension asset class grew by 6.3% in total in 2015. The highest rate of growth, namely almost 19%, was reported by Romania, albeit starting from a fairly low level: in per capita terms, assets invested in insurance policies and pensions came in at EUR 390 in Romania, while the regional average amounts to no less than EUR 1,470. This asset class' share of gross financial assets varies from country to country.

Eastern Europe EU member states: Development and structure of financial assets

Net financial assets and liabilities, in EUR bn



Asset classes as % of gross financial assets



Sources: National Central Banks and Statistical Offices, Allianz SE.

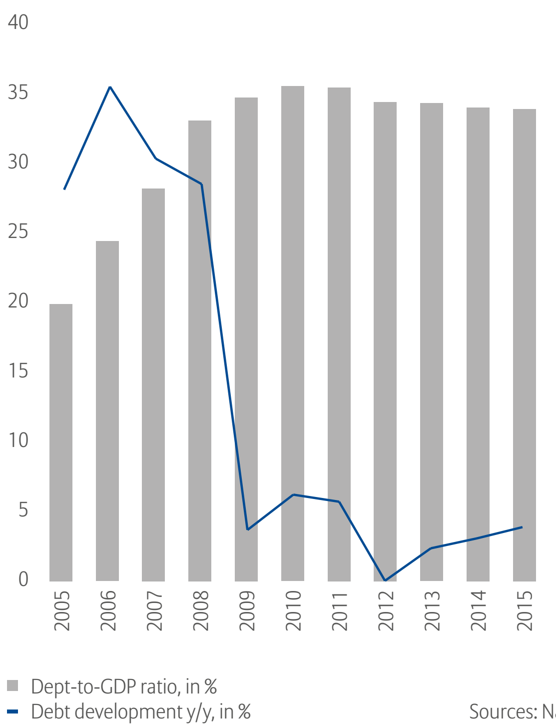
In Romania, for example, only 6.7% was attributable to this asset class, while in Slovakia, on the other hand, where the insurance market is already fairly mature in a regional comparison, the percentage had already exceeded the 20% mark by the end of 2015. Since the turn of the millennium, the average value for the eastern European EU countries has risen from 6.3% to 13.4% last year, touching on a high of as much as 18.1% in 2010.

Debt growth edging up again

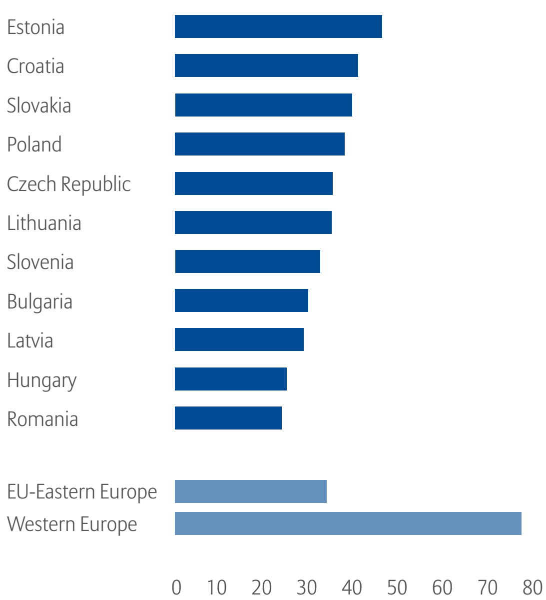
The eastern European countries' entry to the EU has also given the financial sector a real boost in terms of development. Austrian and Scandinavian banks, in particular, have been on a major expansion course in the region, propelling lending to the private sector as a whole from just under 32% of nominal economic output in 2000 to around 56% eight years later. Among households alone, annual debt growth rates in excess of 30% were not uncommon prior to the outbreak of the financial crisis. By the end of 2008, the household debt level had more than trebled and the debt quota had increased from 9.6% of gross domestic product to around 32%. The tremendous boom came to an abrupt end in 2009, when the financial crisis forced banks to restrict lending in, and to, Eastern Europe. Since

Pace of debt growth up again

Debt development since 2005



Debt-to-GDP ratio by country 2015, in %



Sources: National Central Banks and Statistical Offices, Thomson Reuters, Allianz SE.

then, the annual debt growth rate has slowed to 3.6% on average, with five out of the eleven countries actually reporting negative growth in liabilities overall last year.

In absolute terms, household liabilities swelled by EUR 14.2bn in 2015 – only 22% of the peak value seen in 2008. Average per capita debt in the EU member states located in eastern Europe climbed by 4.2% in the course of last year to total EUR 3,630. Within the context of the emerging markets as a whole – average per capita debt of EUR 1,610 – this is still fairly high. A look at the regional debt ratio, however, puts this into perspective: over the past few years, the ratio of liabilities to economic output has stabilized at around 33%. Some of Asia's emerging markets, such as Malaysia and Thailand, have rates that are already much higher (89% and 82% respectively). Within Eastern Europe, there is considerable variation in the debt level from country to country, ranging from 23.3% in Romania to 45.3% in Estonia. Although the Estonians have the highest debt ratio in this group of countries, they are still a long way off the western European average of 75.8%.

Over the past three years, however, debt growth has been creeping up again in tandem with the global trend. Whereas the outstanding debt volume was still stagnating in 2012, the average annual rate of change rose from 2.4% in 2013 to 3.1% in 2014 and 3.9% last year. Polish, Slovakian and Czech households, which, combined, account for almost two-thirds of the region's total debt burden, even came in far higher than the average, with debt growth of 6.0%, 10.3% and 6.4% respectively.

Households stuck in the Swiss franc trap – policymakers exploit payment difficulties for election campaign purposes

The surprising move taken by the Swiss National Bank (SNB) in mid-January 2015 to abandon the cap on the Swiss currency's value against the euro, and the abrupt appreciation of the Swiss franc that followed, fueled a further increase in liabilities in Eastern Europe, where many households had taken a large part of their (mortgage) loans out in Swiss francs to benefit from lower interest rates. Particularly in Romania, Croatia and Poland, where the proportion of loans taken out in Swiss francs is relatively high, this could pose a risk to the stability of the financial system: borrowers have to pay back more in their local currencies, which could leave them struggling to pay. In order to minimize the risk, the Hungarian authorities had already decided to take action back in November 2014 – even before the SNB's decision: they forced banks to convert mortgage loans denominated in Swiss francs into the local currency. The Croatian parliament also passed legislation on the forced conversion of loans denominated in Swiss francs into euros in 2015 to sweeten up voters ahead of the elections. As in Hungary, the costs associated with the exchange rate differential will be borne by financial institutions. In Poland, the conversion of Swiss franc loans at the expense of the banking sector was also one of the election promises made by Andrzej Duda from the national-conservative "Law and Justice" party, who was elected President in October 2015. His most recent proposal is based on total costs of

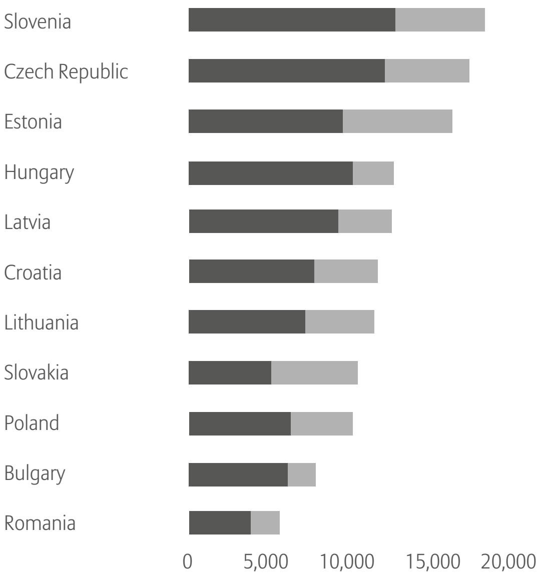
PLN 40bn (around EUR 9bn), distributed over the next 30 years. Three-quarters of this amount is to be borne by the financial institutions, with debtors to be responsible for the remaining PLN 10bn. Whether or not, and in what form, this bill is adopted will become clear during the parliamentary approval process. Political measures like these will put the profitability of banks in the region under pressure.

Wealth gap between the east and the west

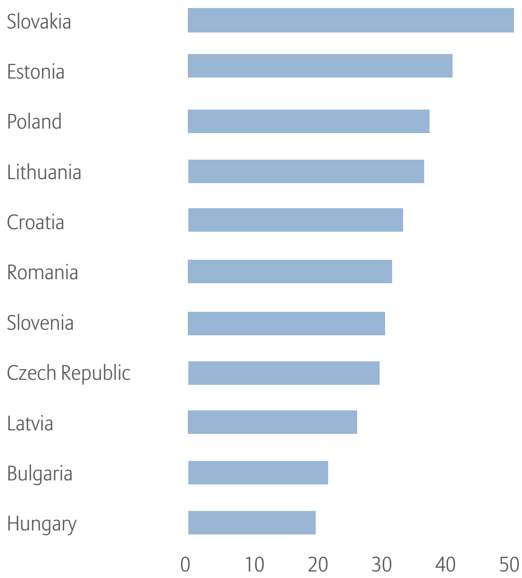
After deductions for liabilities, households in the eastern European EU member states had average per capita assets of EUR 7,300 at the end of 2015. The leader of the regional pack is and remains Slovenia, where each citizen has average assets of EUR 13,130. In a comparison with Western Europe, the Slovenians have actually overtaken their counterparts in Greece, where per capita assets came to EUR 11,230 on average. With average per capita assets of EUR 3,970, Romania comes bottom of the regional league and is still ranked as an LWC. In net terms, Bulgaria, Poland and Slovakia also join Romania in the LWC ranks. In relation to gross financial assets,

Slovenia out in front, Romania lags behind

Net financial assets and liabilities per capita 2015, in EUR



Liabilities as % of gross financial assets, 2015



■ Net financial assets
■ Liabilities

Sources: National Central Banks and Statistical Offices, UN Population Division, Allianz SE.

debt levels in Poland and Slovakia are ahead of the regional average: in 2015, the regional average ratio of liabilities to assets came to around 33%, compared with 38% in Poland and as much as more than 51% in Slovakia. In gross terms, i.e. before liabilities are deducted, both countries are classed as MWCs.

To date, not a single eastern European EU member has managed to propel itself into the ranks of the HWCs, which requires a country to surpass a threshold of EUR 42,000 in terms of net per capita financial assets. Although per capita assets have more than trebled in the region since the end of 2000, almost 70% of the population still has less than EUR 7,000 per capita. Admittedly, however, this proportion has fallen by 16 percentage points during this period. On the other side of the equation, the number of members of the wealth middle class has almost doubled to 29 million. And around two million eastern Europeans – a far from insignificant group – can count themselves as members of the wealth upper class. All in all, however, there is still a huge gap separating the eastern EU member states from their western counterparts: Whereas eastern European households, which account for 2.1% of the population, accounted for only 0.7% of global net financial assets in the 53 countries included in our analysis in 2015, western Europe's EU citizens, which represent 8.0% of the population, account for around 19% of global assets. At EUR 56,780, average per capita assets in the EU countries in Western Europe were almost eight times as high as in the eastern European member states.

Eastern European countries outside of the EU

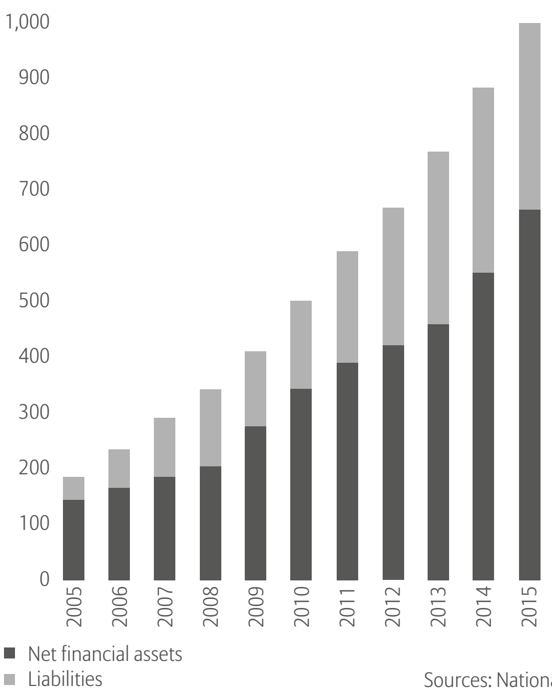
The savings of households in Kazakhstan, Russia, Serbia, Turkey and Ukraine have consistently shown impressive growth rates averaging almost 19% a year over the past decade. Despite this dynamic development, only 0.6% of global assets, or around EUR 990bn bilion, were attributable to this group of countries at the end of 2015 – although these countries are home to no less than 5.9% of the total population of the countries included in our analysis. Assets are correspondingly low in per capita terms, too: people living in these countries had average gross financial assets of EUR 3,380, compared with savings in the EU member states that were more than three times this amount. Last year, asset growth in these five countries came to around 13% in total, considerably lower than the historical average.

Liabilities, however, have been growing at an even faster rate than savings in the long-term average: In the period between 2005 and 2015, the liabilities side of the asset balance sheet was growing at an average rate of almost 28% a year. Nevertheless, relative debt, measured as a percentage of economic output, was still at a relatively low level: At just under 19%, the debt ratio at the end of 2015 was much lower than in Latin America (30%) or Asia (50%). At EUR 1,130, average per capita debt was also lower than the average for all of the emerging markets (EUR 1,610) in this group of countries. The pace of debt growth has slowed considerably over the past two years, falling to around 7% in 2014 and 0.8% last year. In net terms, households had average assets of EUR 2,250 per capita. The lion's share of total net financial assets was in the hands of Russian (67%) and Turkish (26%) households, two countries that are home to more than three-quarters of the population of this group of countries in total.

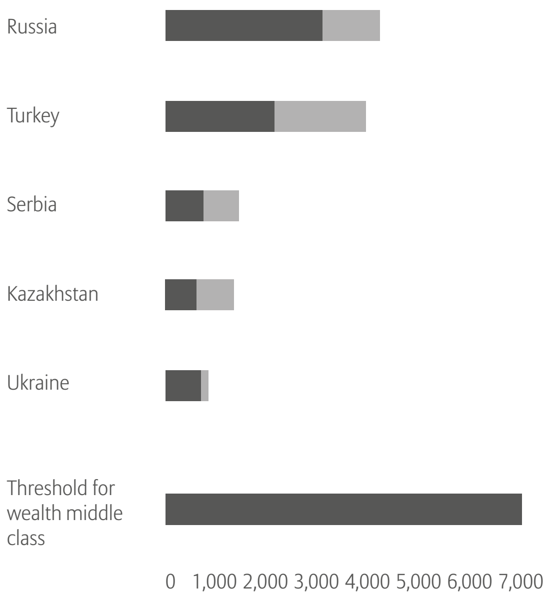
The slump in oil prices has hit Russia, as a net commodities exporter, particularly hard. In addition, the economic sanctions imposed by the EU, and the import embargo on agricultural products imposed by the Kremlin in return pushed the country into a deep recession. The sharp plunge in the domestic currency also put pressure on consumers by driving prices up, leaving them with less money left to set aside. Although the rate of growth in gross financial assets was robust last year, coming in at an estimated 11% or so, it was unable to keep up with the inflation rate of 15.5%: this means that in real terms, Russian households were actually hit with asset losses. After deductions for liabilities, Russian savings came to an average of EUR 3,090 per capita. Asset development in Ukraine was much less favorable, with household financial assets estimated to have contracted by almost 2% – in a country marred by rampant inflation of over 48% last year. Here too, households have been feeling the impact of the crisis in their wallets for some time now. Net per capita financial assets came to only EUR 700 at the end of 2015.

Wealth per capita still low in these countries

Net financial assets and liabilities, in EUR bn



Net financial assets and liabilities per capita 2015, in EUR



Sources: National Central Banks and Statistical Offices, UN Population Division, Allianz SE.

The EU accession candidate, Turkey, also still has serious catch-up work to do when it comes to household financial assets. At an average of EUR 2,140, per capita net financial assets were considerably lower than for Romanian households, which already had per capita wealth averaging EUR 2,660 when the country joined the EU in 2007. Nevertheless, the Turkish population has also been afflicted by currency crises and hyperinflation in the past. So it comes as no surprise that rebuilding confidence in the Turkish economy and the country's own currency has been a long, hard-fought battle. As a result, Turkish households also tend to be very conservative when it comes to investing their savings, which increased by around 17% in 2015: Almost 80% of savings were held in bank deposits, with more than one-third of these deposits still denominated in foreign currencies.

Serbia's and Kazakhstan's households lag far behind with average assets of only EUR 740 and EUR 610 per capita respectively. Bank deposits account for the lion's share of financial assets in these countries, with households favoring safe foreign currencies. In Kazakhstan, almost four-fifths of bank deposits were denominated in a foreign currency. Households in Serbia held almost 90% of their savings deposits in foreign currencies, primarily in euros. This extremely high value not only reflects a lack of trust in the country's own currency, but is also likely to be an indicator of high levels of (illegal) monetary circulation in foreign currencies in the economy as a whole, creating a breeding ground for the black market. In circumstances like these, getting to the bottom of the actual asset situation is obviously very difficult – something that doubtlessly applies to countries other than Serbia, too.

All five countries are LWCs and have some way to go before they can expect to make the leap into the MWC group. Even Turkey only has a little less than one third of the assets needed as a minimum to earn the title of an MWC. At the end of 2015, more than 92% of the population, or 271 million people, belonged to the lower wealth class in a global comparison, with only 22 million people making it into the middle wealth class. Even the richest 10% of the population could not count themselves as members of the wealth upper class on average. The sometimes hefty currency losses in these countries makes it all the more difficult to exceed the threshold values, which are calculated in euros.

Despite the negative currency developments last year, households in Kazakhstan, Russia, Serbia, Turkey and Ukraine have certainly made progress if we look at Eastern Europe as a whole, i.e. including the EU member states: their share of the region's net financial assets has climbed by 19 percentage points since the end of 2005 to total 47%.

Qingdao
Shanghai
Ningbo
Wenzhou
Shantou
Hongkong
Haiphong
Nagasaki
SINGAPUR
Songkhla

Asia

Population

In the analyzed countries	3,257 m
Analyzed countries' share of the region as a whole	86.6%
Analyzed countries' share of the global population	44.9%

GDP

In the analyzed countries	EUR 19,183bn
Analyzed countries' share of the region as a whole	94.4%
Analyzed countries' share of global GDP	29.0%

Gross financial assets of private households

Total	EUR 42,331bn
Average	EUR 13,000 per capita
Share of global financial assets	27.3%

Debt of private households

Total	EUR 9,628bn
Average	EUR 2,960 per capita
As % of GDP	50.2%

In 2015, Asia was the region of the world that showed the most dynamic development. After deductions for liabilities, the assets held by private households in the region were up by 10.3% year-on-year in net terms. Net per capita financial assets in Asia came to the equivalent of EUR 10,040. Almost 73% of the region's population still ranks among the low wealth class, meaning that there is still considerable catch-up work to do.

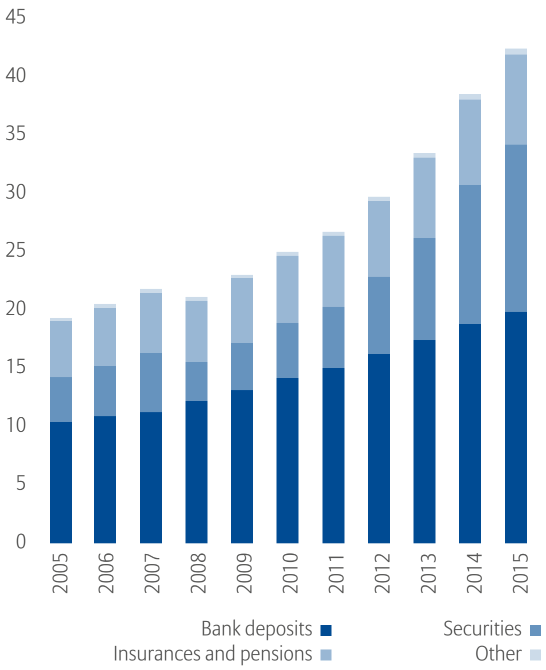
9 The analysis of the financial assets held by households and non-profit organizations includes the following countries: China, India, Indonesia, Israel, Japan, Malaysia, Singapore, South Korea, Taiwan and Thailand.

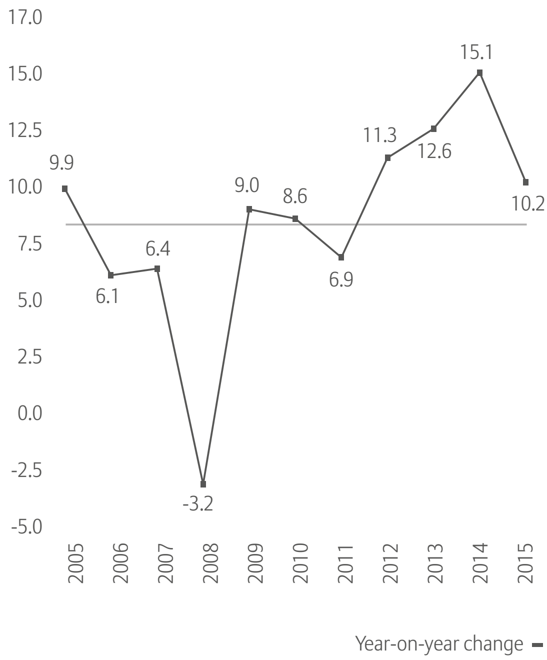
Gross financial assets up to 42.3 trillion by the end of 2015

The gross financial assets of private households in Asia[10] had risen to the equivalent of EUR 42.3 trillion by the end of 2015, more than double the figure seen ten years ago. Although at 10.2%, last year's rate of growth was much lower than the record 15.1% seen in 2014, it was still ahead of the 10-year average of 8.3%. Global gross financial assets "only" grew by 5.7% during the same period. But despite growth that outstripped the global average, Asian households, which accounted for two-thirds of the population included in our analysis, or around 3.3 billion people, only held 27% of global financial assets at the end of 2015.

Asian households' gross financial assets exceed EUR 40 trillion

Gross financial assets, absolute and growth (2015 in EUR trillion, in %)





Sources: National central banks, financial supervisory authorities, ministries, asset management associations, bank associations, insurance associations and statistical offices, Allianz SE.

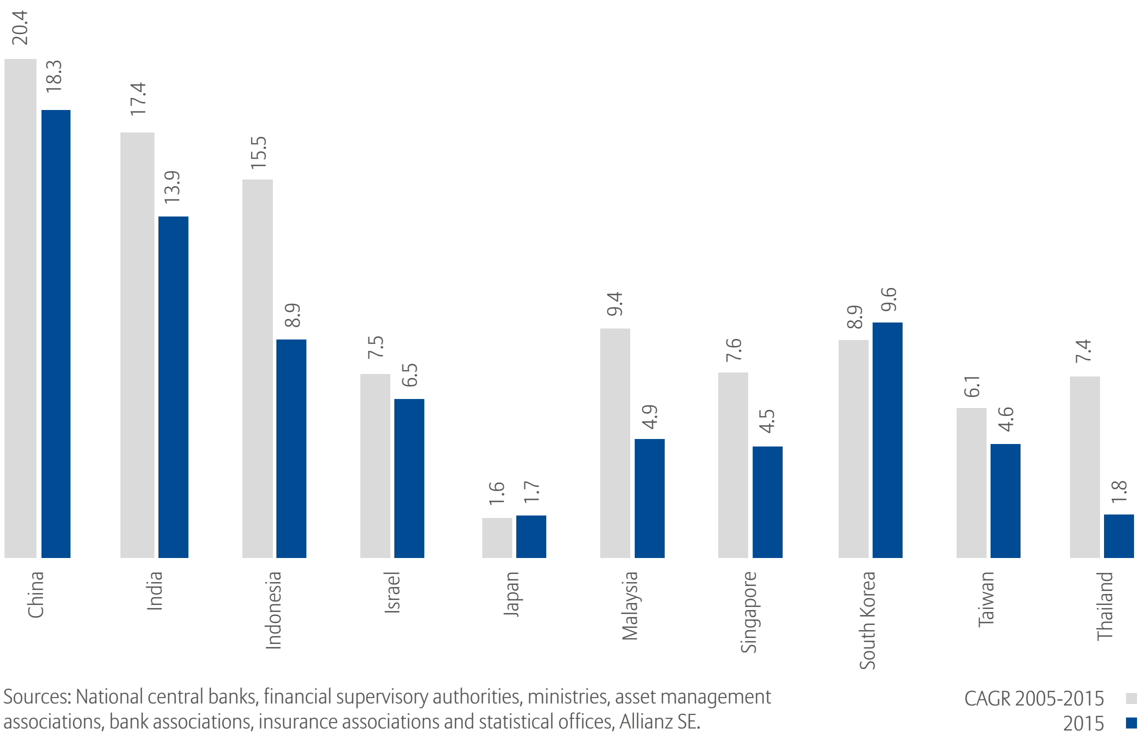
China tops the regional growth table again

As in previous years, growth rates varied rather considerably from country to country due to the disparities in the maturity of the individual economic and financial systems, ranging from 18.3% to 1.7%. In almost all of the countries analyzed, the 2015 growth rates were not only down on the prior-year level, but also lagged far behind the 10-year average.

Just like in 2014, China led the field, with households seeing their assets swell by 18.3%, ahead of India with growth of 13.8%, and South Korea with an increase of 9.6%. Indonesia and Israel, where the gross financial assets of households rose by 8.9% and 6.5% respectively last year, also made it into the top half of the country rankings. The mid-field is occupied by Malaysia, where gross financial assets grew by 4.9%, as well as the tiger states of Singapore and Taiwan, with growth rates of 4.5% and 4.6% respectively. In Thailand, gross financial assets increased by only 1.8% last year. This is, nevertheless, still 0.1 percentage points better than Japan, which was left holding the wooden spoon with growth of only 1.7%.

2015 growth rate in most countries below 10-year average

Average and annual growth rates, by country in %



Sources: National central banks, financial supervisory authorities, ministries, asset management associations, bank associations, insurance associations and statistical offices, Allianz SE.

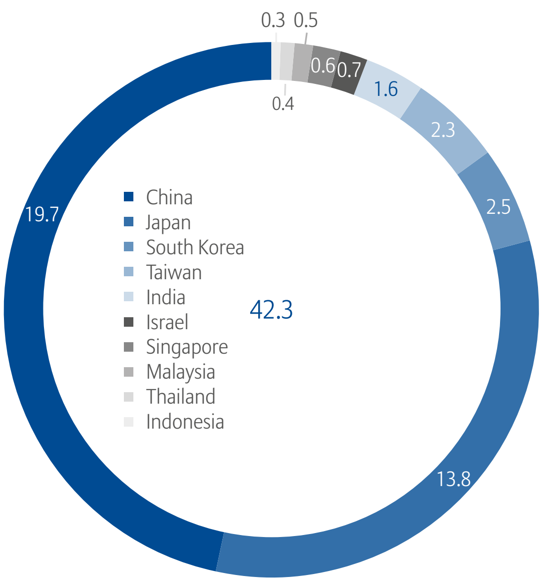
If we leave the growth laggard Japan out of the equation, a different picture emerges: the gross financial assets of households in the other nine countries (excl. Japan) increased by 14.8% last year, down slightly on the 10-year average of 15.2%. At the end of 2015, the total assets tallied up to EUR 28.6 trillion. This means that the 3.1bn people living in these nine countries held 18.5% of the world's gross financial assets.

Households in China and Japan hold a combined total of 80% of Asian gross financial assets

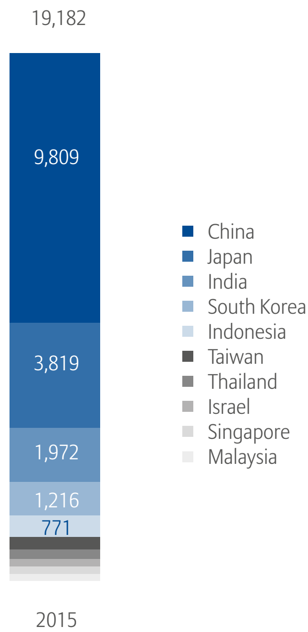
This comparison including and excluding Japan only goes to show just how concentrated the distribution of financial assets is not just globally, but also within the region. As in 2014, Chinese households had the highest gross financial assets in Asia at the end of 2015: with an equivalent of around EUR 19.7 trillion, they held a good 46% of total savings in the region. Households in Japan came in second, with EUR 13.8 trillion or 32% of gross financial assets. Although China and Japan have since switched places at the top of the table, one aspect has remained unchanged: households in these two economies, which are

Chinese households possess the highest financial assets in the region

Gross financial assets, in trillion EUR



GDP, in trillion EUR

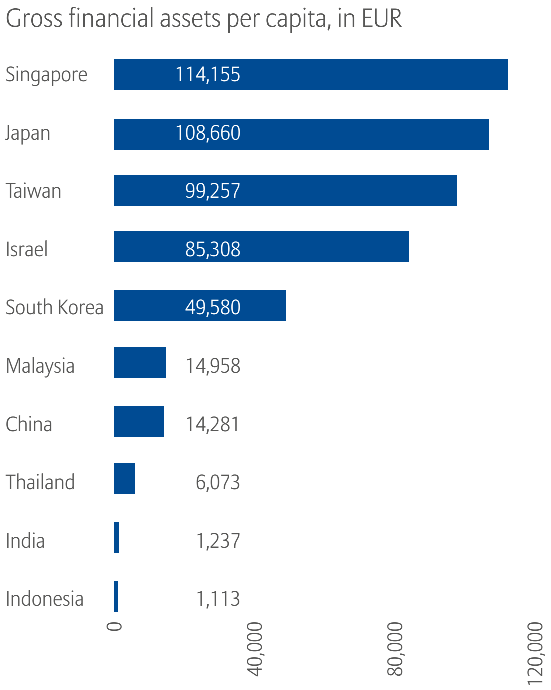


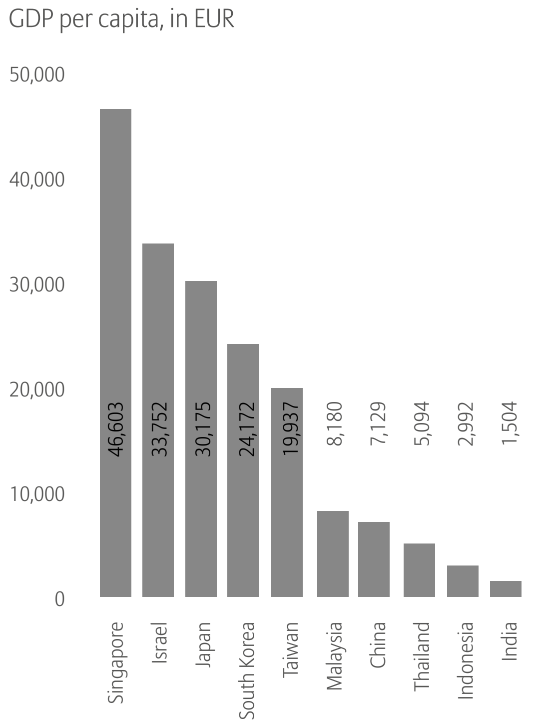
Sources: National central banks, financial supervisory authorities, ministries, asset management associations, bank associations, insurance associations and statistical offices; Thomson Reuters, Eikon, Allianz SE.

home to a total of 46% of the total population in the ten countries in our analysis and which generated 71% of the region's GDP last year, hold a combined total of almost 80% of private gross financial assets in the region.

As a result, the gap separating these two countries from the economies ranked third and fourth in the national gross financial asset rankings, namely South Korea and Japan, remains large: households in South Korea had total assets of EUR 2.5 trillion in 2015, which equates to only 5.9% of the regional total, followed by Taiwan, with EUR 2.3 trillion or a share of 5.5%. Households in India, the most populous country on earth after China and the third-largest economic power in Asia, held total financial assets worth the equivalent of EUR 1.6 trillion, which corresponds to only 3.8% of the regional total. Israel's share came to EUR 0.7 trillion or 1.6%, while Singapore's share came to EUR 0.6 trillion, or 1.5%. Households in Malaysia came in at the lower end of the scale, with personal gross financial assets totaling EUR 0.5 trillion, i.e. 1.1% of the region's total financial assets, followed by Thailand, with a total of EUR 0.4 trillion, or 1.0%, and, at the very bottom of the league, Indonesia, with the equivalent of EUR 0.3 trillion or only 0.7% of total financial assets despite being the region's fifth largest economy.

Singapore's inhabitants have the highest gross financial assets per capita





Sources: National central banks, financial supervisory authorities, ministries, asset management associations, bank associations, insurance associations and statistical offices; Thomson Reuters, Eikon; UN Population Division, World Population Prospects, The 2015 Revision, Allianz SE.

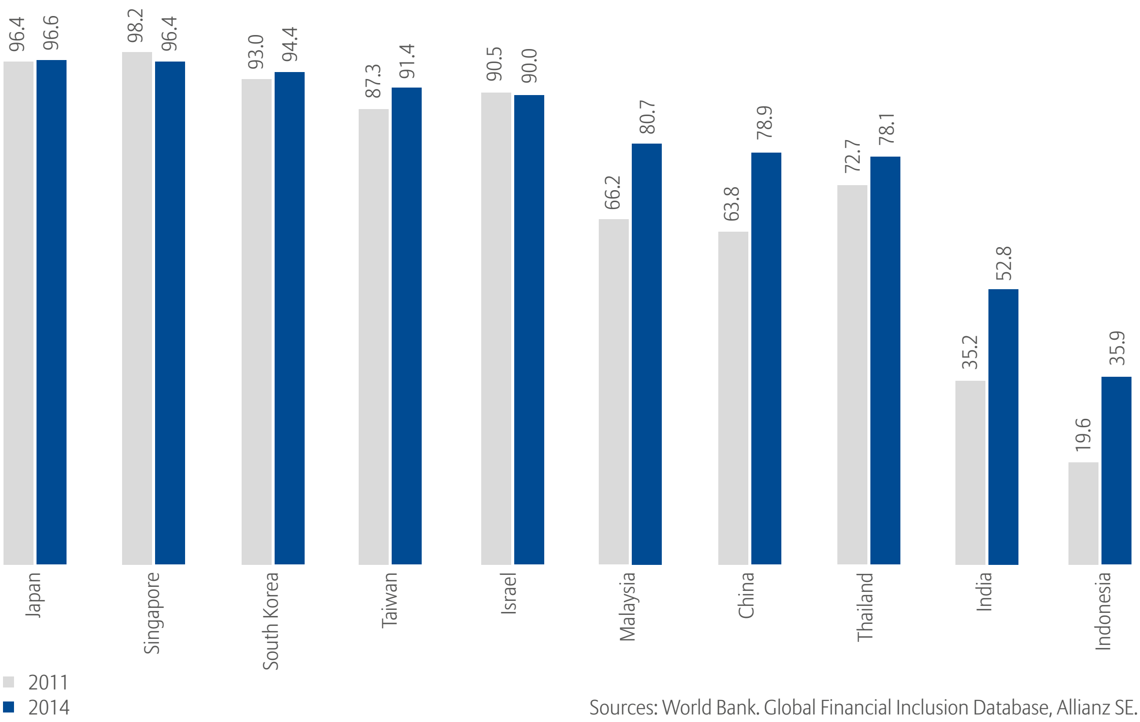
Singapore boasts the highest per capita gross financial assets

The differences in development between the individual countries become even more pronounced if we take the size of the population into account. This produces – at least at the top end of the rankings – a different picture entirely: in this category, Singapore led the field in 2015 as the most prosperous nation in Asia, with average gross financial assets worth the equivalent of EUR 114,160 per capita, ahead of Japan with an average of EUR 108,660 and Taiwan, where average financial assets per inhabitant came to EUR 99,260. The top half of the table is rounded off by Israel, with average financial assets of EUR 85,310, and South Korea with around EUR 49,600 per capita, a figure that reveals the scars still left on South Korean households by the Asian crisis.

Malaysia, China, Thailand, India and Indonesia occupy the lower half of the table. One thing that all five countries have in common is that their per capita GDP is still lingering well below the EUR 10,000 mark, although the figures range from EUR 8,180 in Malaysia to only EUR 1,500 in India. By way of comparison: average per capita economic output in Singapore came to EUR 46,600, more than six times as high as in Malaysia. This factor is increased even further if we base our analysis on gross per capita financial assets: last year, the average Malaysian had gross financial assets of around EUR 14,960, with the Chinese per capita average

Still marked differences in access to financial services

Account at a financial institution, population aged 15 and older, in %



Sources: World Bank. Global Financial Inclusion Database, Allianz SE.

coming in at around EUR 14,280. This means that average gross financial assets in these two countries came to only one-eighth of average financial assets in Singapore and one-seventh of average assets in Japan. The gap separating Thailand from China widened again slightly last year due to the weak growth in gross financial assets in the kingdom: at the end of 2015, average per capita financial assets in Thailand came to EUR 6,070. The country was followed, albeit with a considerable gap, by India, with average per capita gross financial assets of only EUR 1,240, and Indonesia, with the equivalent of EUR 1,110 per capita.

Pronounced national differences in the status of development of the financial systems[11]

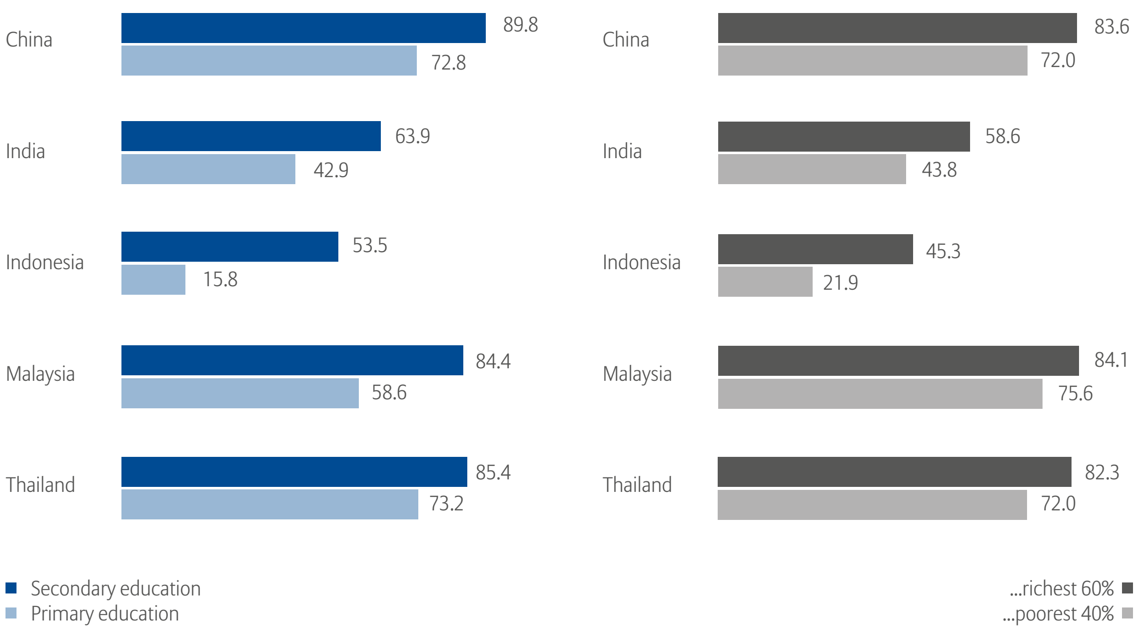
But these major differences within the region are not only attributable to the economic disparities, but also to the maturity of the financial systems in the countries analyzed. Although significant progress has doubtlessly been made, there is still (in some cases considerable) catch-up work to do in terms of giving the population access to financial services in countries like Malaysia, China, Thailand, India and Indonesia.

The percentage of the population that has access to an account held with a financial institution is one indicator of how developed a financial system is. In those countries with

11 See World Bank: Global Financial Inclusion Database und Demirguc-Kunt, Asli, Leora Klapper, Dorothe Singer and Peter van Oudheusden (2015): The Global Findex Database 2014: Measuring Financial Inclusion around the World, Policy Research Working Paper 7255, World Bank, Washington, D.C.

Access to financial services corresponds with educational attainment and income

Account at financial institution, by educational attainment and income, in %



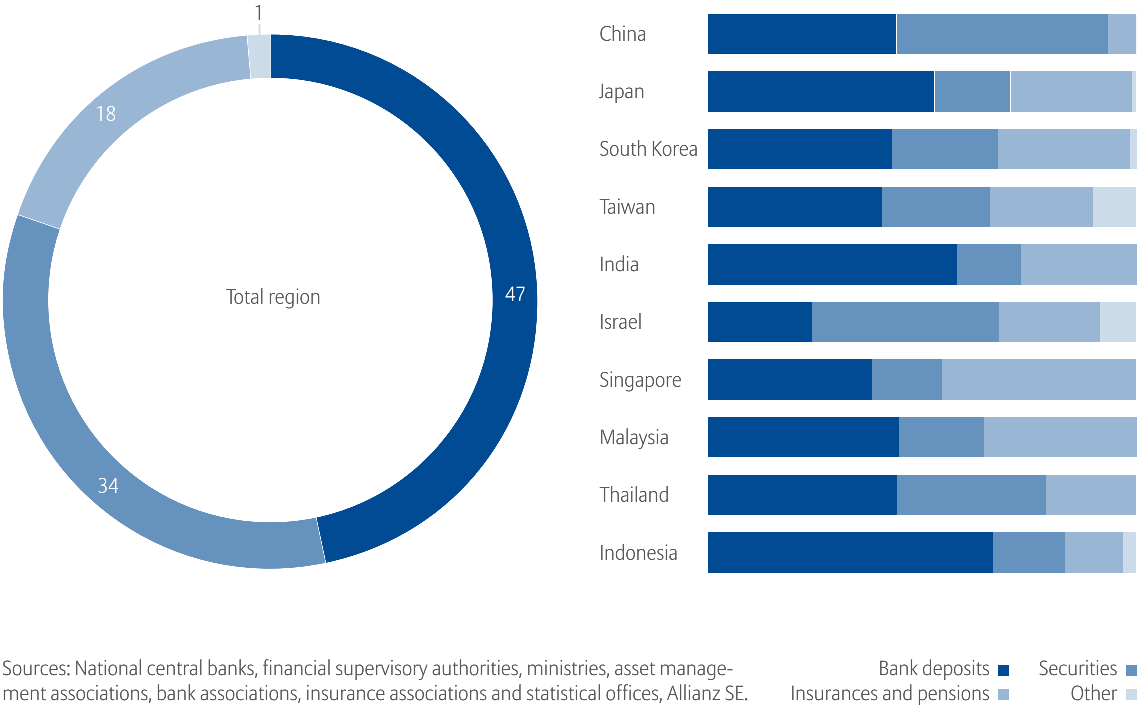
Sources: Demirguc-Kunt, Asli, Leora Klapper, Dorothe Singer, and Peter Van Oudheusden (2015): The Global Findex Database 2014: Measuring Financial Inclusion around the World, Policy Research Working Paper 7255, World Bank, Washington, D.C., Allianz SE.

high per capita financial assets – Japan, Singapore, South Korea, Taiwan and Israel – more than 90% of the population over the age of 15 has a bank account and, as a result, access to financial services. Malaysia and China have made significant progress in this respect over the last few years: thanks to increased efforts made by the government, the percentage in Malaysia rose from 65% to just under 81% in the period between 2011 and 2014. In China, the figure rose from around 64% to 79%. In Thailand, where just under 73% of the population already had access to financial services in 2011, the trend has been somewhat slower: here, the percentage rose to 78% over the same period. India and Indonesia have made the most progress in terms of the percentage of the population with access to financial services, albeit from a very low level: in the years between 2011 and 2014, for example, the proportion of Indian over-15s with a bank account rose from 35% to around 53%. The percentage has almost doubled in Indonesia: back in 2011, only one in five Indonesians had access to financial services, a figure that had already risen to no less than 36% by 2014 and is still on the rise.

So these countries, and Indonesia and India in particular, still have considerable catch-up work to do, especially given that the figures in these countries still vary, sometimes considerably so, depending on the educational background and income levels of individual sections of the population. As a rule of thumb: the higher an individual's education and income, the more likely that person is to have an account held with a financial institution. In 2014, for example, around 90% of Chinese people with secondary level education had a bank account, compared to only 73% of people who had only completed primary education. The

Bank deposits (still) the most important asset class

Portfolio structure, in %



Sources: National central banks, financial supervisory authorities, ministries, asset management associations, bank associations, insurance associations and statistical offices, Allianz SE.

figures based on income level tie in with this trend: almost 84% of people who ranked among the richest 60% of the population, but only 72% of the poorest 40%, had a bank account. In India, only 43% and 44% of people with lower educational credentials and lower incomes respectively had a bank account, compared with 64% of people who had completed secondary education and almost 59% of the richest 60%. The most pronounced differences between individual sections of the population were in Indonesia: whereas more than half, or around 53%, of the population that had attended secondary school said that they had access to a bank account, this figure dropped to only 16% in the group that had only completed primary education. Income differences are a major determining factor here, too: 45.3% of people who make up the richest 60% of the population have an account, compared with only 22% of the poorest 40%.

Bank deposits remain the most popular asset class in the region

The composition of the financial assets of households also varies in line with the maturity of the national financial systems. Asian households had invested an average of 47% of their financial assets in bank deposits. This means that current and savings accounts and term deposits remained the most popular asset class in 2015, ahead of securities with a share of 34% and life insurance and pension funds with a share of 18%; other investments accounted for a mere 1% or so. The share of bank deposits in household asset portfolios has, however, been falling for a few years now, as households start shifting their financial assets towards investments offering higher returns, particularly securities. This trend had already started before the financial crisis but came to a temporary halt when the stock markets crashed. The slump prompted many savers to seek refuge in liquid, low-risk investments, propelling the share of bank deposits in the total asset portfolio up to 58% in 2008. It took until 2014 for this figure to slip back to below the 50% mark again.

One of the reasons why bank deposits remain so dominant in Asia is that Japanese households have developed a more skeptical attitude towards securities investments due to the ongoing bearish cycle on the capital market, opting to put their money into bank deposits instead. As a result, households in Japan, the country with the second highest gross financial assets in the region, hold 58% of their total financial assets in bank deposits. On the other hand, the greater shift towards the capital markets has been driven primarily by households in China, which have started to move their financial assets into products – often also offered by banks – promising higher returns in recent years. This has since nudged the share of conventional bank deposits in the overall portfolio down to below the 50% mark. Although investors in India and Indonesia have started to diversify their financial assets in recent years, the level of diversification has been very low to date. As expected, these countries still have the highest share of bank deposits in the portfolio of private households, with the figure coming to 71% in Indonesia and 58% in India. In Malaysia, South Korea, Taiwan and Thailand, bank deposits accounted for between 40% and 43% of financial assets. By contrast, these deposits were significantly underweighted in Singapore, where they accounted for 37%, and in Israel, where they made up only 23% of the overall portfolio.

Retirement provision as a motivation to save[12]

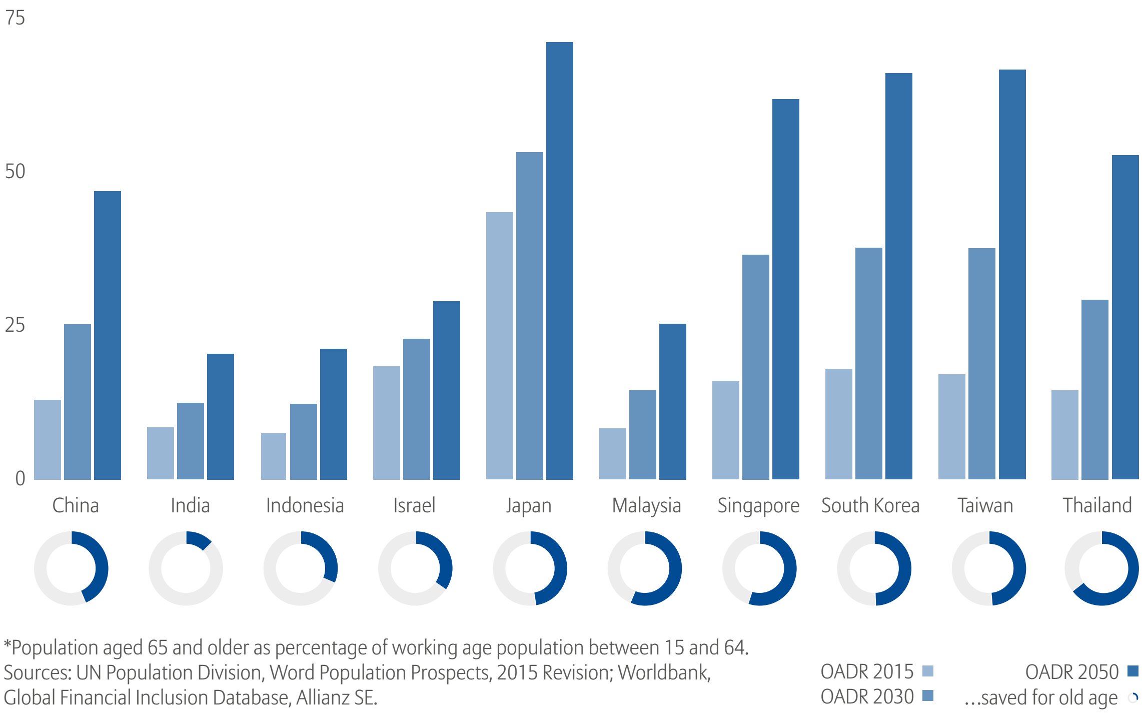
Although life insurance policies and pension funds only account for 18% of the overall portfolio of Asian households, setting money aside for old age is a major motivation to save for many investors. Particularly in Asia's rapidly aging societies like Singapore, South Korea, Taiwan and Thailand, where the old age dependency ratio[13] is set to rise to values of between 52% (Thailand) and 66% (South Korea and Thailand) over the next 35 years, saving for old age plays a key role. According to the World Bank, 65% of all individuals over the age of 25 surveyed in Thailand cited retirement provision as their motivation for saving, with 55% giving the same reply in Singapore. In South Korea and Taiwan, this reason was cited by almost half of the population (49.6% and 48.7% respectively) – a far from insignificant proportion.

12 Cf. Demirguc-Kunt, Asli, Leora Klapper, Dorothe Singer and Peter van Oudheusden (2015): The Global Findex Database 2014: Measuring Financial Inclusion around the World, Policy Research Working Paper 7255, World Bank, Washington,

13 The „old age dependency ratio" refers to the number of people aged 65 and over as a percentage of the population of working age (between 15 and 64).

Savings behavior influenced by population age structure

Old-age dependency ratio* and old-age provision as savings motive, in %

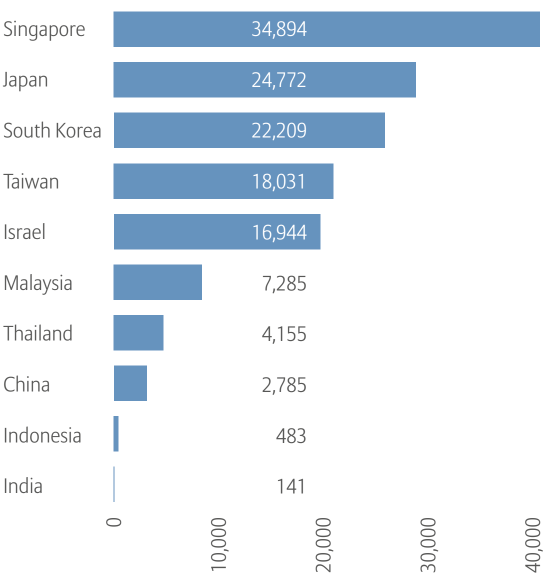


*Population aged 65 and older as percentage of working age population between 15 and 64.
Sources: UN Population Division, Word Population Prospects, 2015 Revision; Worldbank, Global Financial Inclusion Database, Allianz SE.

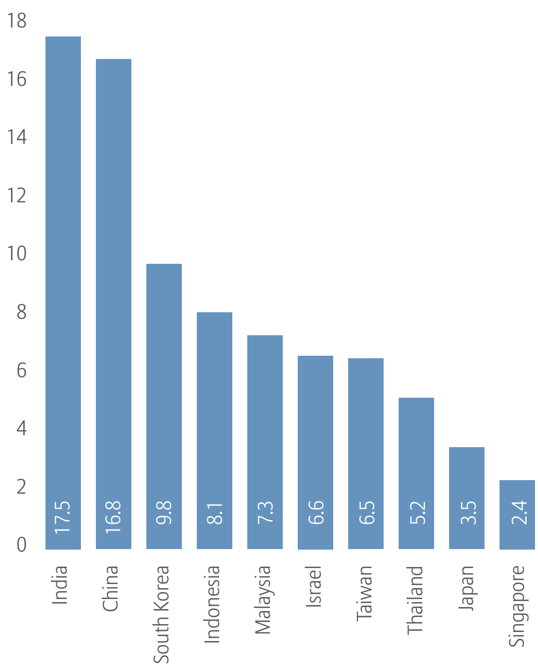
The survey replies from Malaysia and Japan are interesting. Whereas in Malaysia, 56% of people said that they were saving for old age, despite a relatively low old age dependency ratio in the long term, this figure only came to 48% in Japan. This comes despite the fact that Japan already has one of the oldest populations in the world, with an old age dependency ratio that looks set to rise to 70% by the middle of the century. In China, where the one child policy has given rise to one of the fastest aging societies in the world, people are starting to focus more and more on retirement provision, with 44% already citing it as their motivation for saving in 2014. In India, Indonesia and Israel, saving for retirement is far less of a motivation. Alongside the fact that these countries have fairly young populations thanks to high birth rates, other motivations, such as saving for children's education or to finance durable consumer goods, are likely to play a more prominent role in India and Indonesia in particular for the time being.

Liabilities also increased further

Liabilities per capita, in EUR



Growth rate, in %



Sources: National central banks, financial supervisory authorities, ministries, asset management associations, bank associations, insurance associations and statistical offices; UN Population Division, World Population Prospects, The 2015 Revision, Allianz SE.

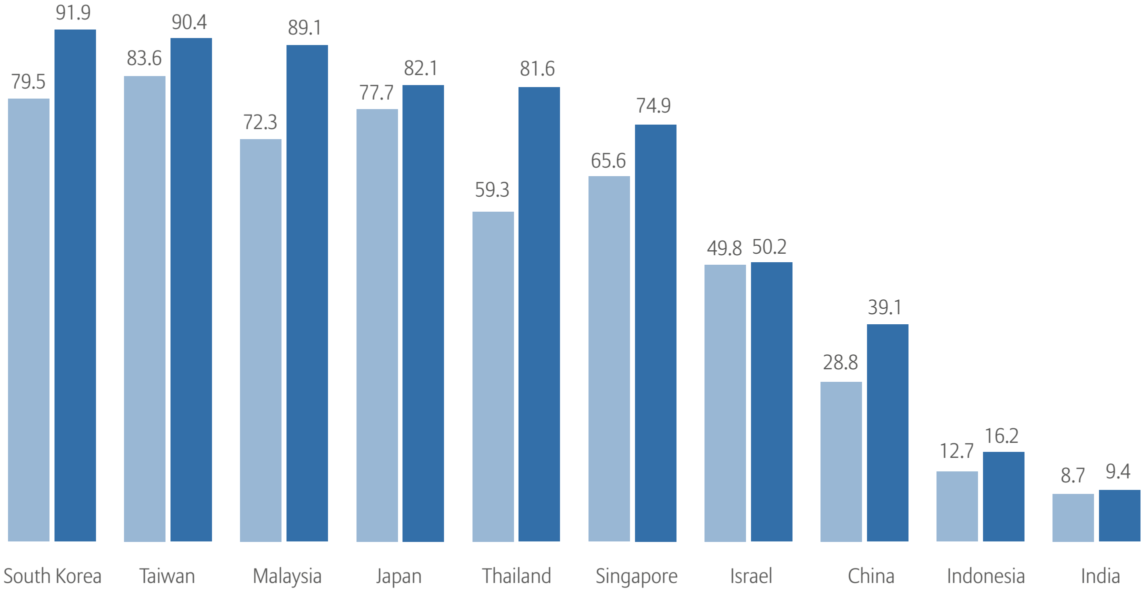
Liabilities of households up to EUR 9.6 trillion

But it was not just the gross financial assets of private households in Asia that increased in 2015: their debt levels headed north as well. At 9.8%, the rate of debt growth was only just behind the rate of growth in gross financial assets (10.2%) in 2015. The highest rates of growth were seen in India (17.5%) and China (16.8%). It was in South Korea, however, that debt growth picked up the most speed: whereas in 2014, debt rose by "only" 6.3%, the country reported the third-highest rate of growth in the region, at 9.8%, last year. An acceleration in household debt – albeit to a lesser extent – was also seen in Taiwan, where the growth rate climbed from 6.0% to 6.5%, and in Japan, where it rose from 2.6% to 3.5%. In Indonesia (8.1%), Malaysia (7.3%), Israel (6.6%) and Thailand (5.2%), on the other hand, credit growth moved down a gear.

All in all, this means that liabilities came to the equivalent of EUR 9.6 trillion when 2015 drew to a close, with around 40% attributable to Chinese households (EUR 3.8 trillion) and 32% attributable to households in Japan (EUR 3.1 trillion). The country with the third-highest debt level was South Korea, whose households had liabilities to the tune of EUR 1.1 trillion or around 12% of the regional total. South Korea was followed by Taiwan, with a share of around 4%, and Thailand, with just under 3%. In per

Household indebtness increased further

Liabilities in % of GDP



Sources: National central banks, financial supervisory authorities, ministries, asset management associations, bank associations, insurance associations and statistical offices; Thomson Reuters, Eikon, Allianz SE.

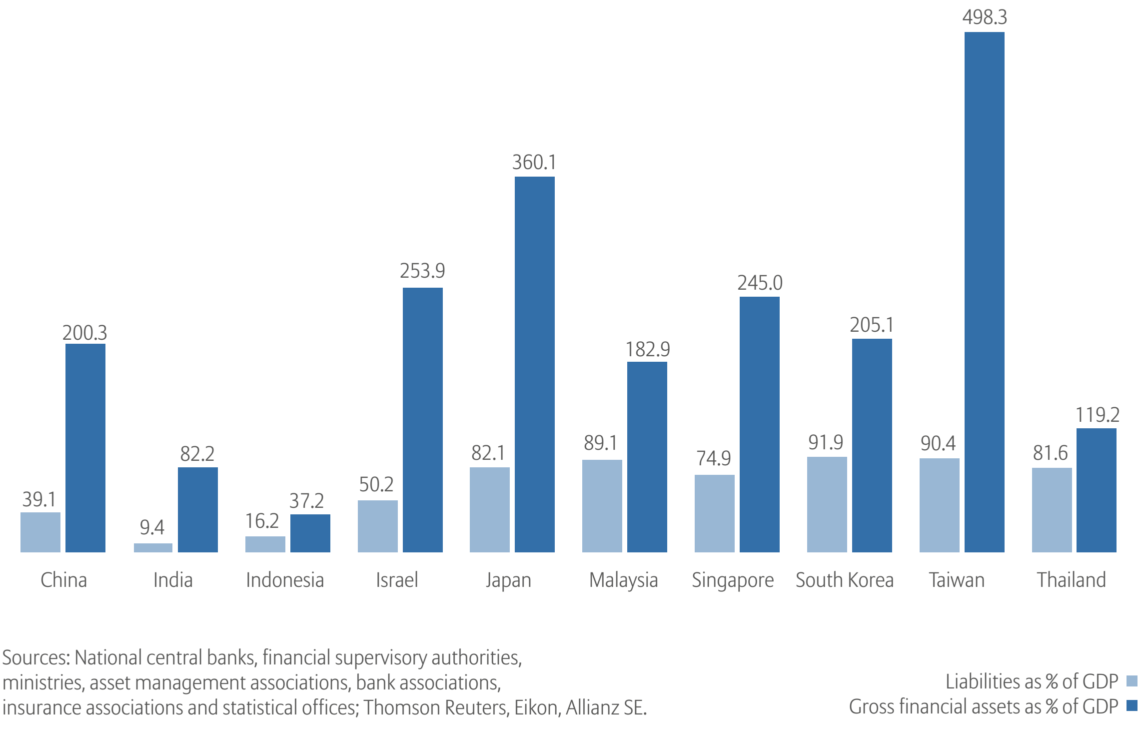
capita terms, however, households in Singapore had the most debt, with the equivalent of EUR 34,900 per inhabitant. Japan's households came in second with liabilities averaging EUR 24,770, followed by South Korea in third place, with average per capita debt of EUR 22,210. Despite the rapid growth in liabilities, debt levels in India remained the lowest in the region: at the end of 2015, each Indian had average debt of just EUR 140.

India's debt ratio was correspondingly low, with liabilities accounting for 9.4% of GDP. In Indonesia and China, this rate was already much higher, at 16.2% and 39.1% respectively. The chasm separating these countries from the two countries with the highest level of debt in relation to GDP, South Korea and Taiwan, where the debt ratios have now exceeded the 90% mark, remains vast. The debt ratio has risen in all countries in the region over the last five years.

The biggest cause for concern is the trend in Thailand. Whereas in Taiwan, liabilities corresponding to 90.4% of GDP at the end of 2015 were offset by assets equating to 498% of GDP, gross financial assets in Thailand only exceeded liabilities by around 40%. Due to the poor development in gross financial assets compared with debt, net financial assets in Thailand actually fell last year. Although Malaysia and South Korea have much higher financial assets, in relation to liabilities, than Thailand, a very close eye is being kept on the trends in these two countries, as an economic slowdown, coupled with an increase in unemployment, could soon send the credit default rate soaring. Only Israel, Japan, China and – due to the fact that access to bank loans remains very limited – India have a ratio of assets to liabilities on a par with Taiwan's.

Assets markedly higher than liabilities

Asset and liability ratios, 2015 in %



Sources: National central banks, financial supervisory authorities, ministries, asset management associations, bank associations, insurance associations and statistical offices; Thomson Reuters, Eikon, Allianz SE.

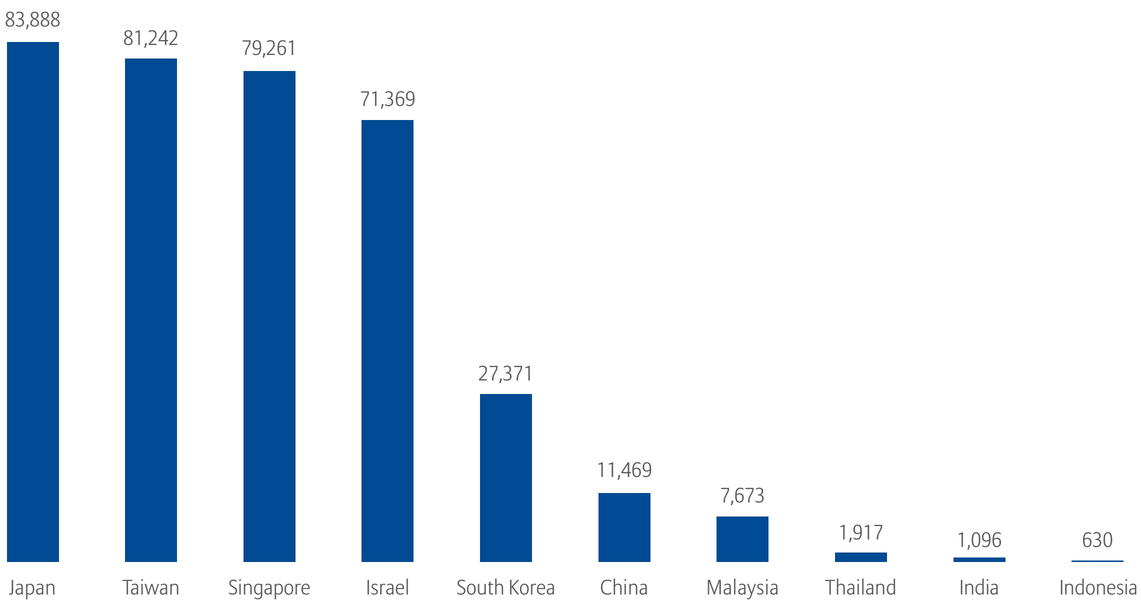
Japanese households have the highest per capita net financial assets in the region

Following deductions for liabilities and in relation to the size of the population, Japan remained the richest country in Asia, as in previous years: the average Japanese person had net financial assets worth the equivalent of EUR 83,890 at the end of 2015. The next two countries in the rankings, Singapore and Taiwan, have switched places: due to higher household debt in Singapore, Taiwan took second place in 2015 with average net financial assets worth the equivalent of EUR 81,240 per capita, pushing Singapore, whose inhabitants had average net financial assets of EUR 79,260, into third place. This also means that the gaps between the countries at the top of the table increased in a year-on-year comparison; in 2014, the differences between the assets held by Japanese households and those held by households in the country in third place only came to EUR 1,030 per capita.

As far as the other countries are concerned, only Israel was able to keep up with the top-ranked countries, actually narrowing its competitors' lead as against 2014: on average,

By net financial assets per capita, Japanese still the richest

Net financial assets per capita, in EUR



Sources: National central banks, financial supervisory authorities, ministries, asset management associations, bank associations, insurance associations and statistical offices; UN Population Division, World Population Prospects, The 2015 Revision, Allianz SE.

each Israeli had net financial assets worth the equivalent of EUR 71,370 at the end of 2015. By contrast, the gap separating Israel from the other countries was sizeable: due to the high debt ratio, average net per capita financial assets in South Korea were not even half as high as in Israel, coming in at EUR 27,370. In Malaysia, too, the high debt levels mean that the average net per capita financial assets, at EUR 7,670, were only half as high as gross financial assets. This also meant that China, where average net financial assets surpassed the EUR 10,000 threshold for the very first time, coming in at EUR 11,500, surpassed Malaysia in these rankings for the first time.

At the lower end of the rankings, the gaps separating the individual countries have narrowed. This was largely because the net financial assets of households in Thailand fell slightly, due to a sharper rise in liabilities than in gross financial assets last year. At the end of 2015, the average Thai had net assets of EUR 1,920. At the same time, net per capita financial assets in India moved past the EUR 1,000 mark for the first time to total EUR 1,100. In Indonesia, average net financial assets were still well below EUR 1,000 per capita.

This means that the differences within the region are still considerable: at the end of 2015, the average Japanese person still had net financial assets worth 76 times more, and the average Chinese person net financial assets worth 10 times more, the assets of the average Indian. Nevertheless, the strong growth in financial assets in Asia has increased the proportion of the population that belongs to the high wealth class from 2.9% to 7.1%. 20% still belonged to the middle wealth class, but “only” 72.9% to the low wealth class, in 2015.

Bismarck Archipel
Tennant Creek
Rockhampton
Port Hedland
Alice Springs
Birdsville
Port Augusta
Broken Hill
Kalgoorlie
Adelaide
Bendigo
Albury
Sydney
Wollongong
Nouméa
VANUATU
Auckland
Hamilton
Christchurch
Dunedin
Tasmanien

Australia and New Zealand

Population

Total	28.5 m
Share of the global population	0.4%

GDP

Total	EUR 1,246bn
Share of global GDP	1.9%

Gross financial assets of private households

Total	EUR 3,299bn
Average	EUR 115,770 per capita
Share of global financial assets	2.1%

Debt of private households

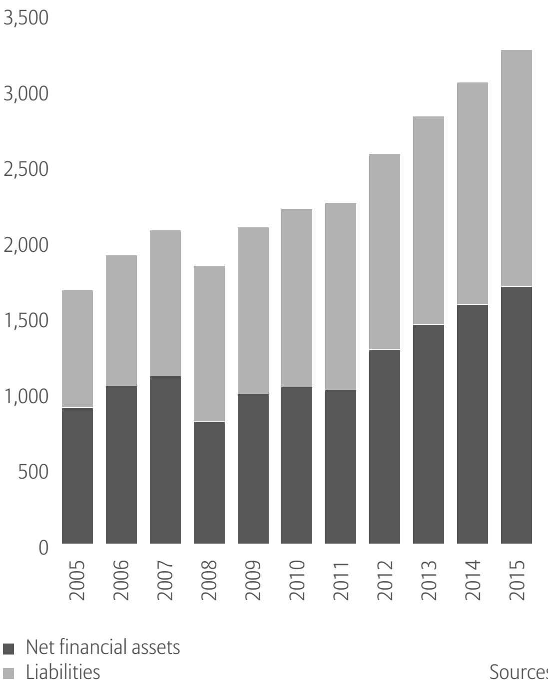
Total	EUR 1,581bn
Average	EUR 55,470 per capita
As % of GDP	126.8%

At the end of last year, EUR 3.3 trillion, or 2.1% of the world's financial assets, were in the hands of households in Australia and New Zealand. Driven by the commodities boom, the asset base has more than trebled since the turn of the millennium. During the same period, average per capita assets in the region, before deducting liabilities, climbed from a good EUR 42,930 to around EUR 115,770 (EUR 120,520 in Australia and EUR 90,600 in New Zealand). The slump in commodity prices in 2008 and the losses on the stock markets interrupted the upward trajectory only temporarily – just one year down the line, the region had made up for the asset losses again.

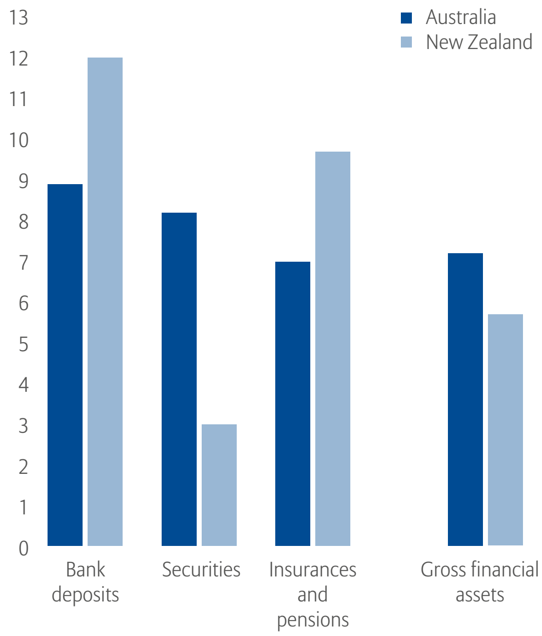
In 2015, financial assets held in bank deposits, securities, insurance policies and pensions grew by 7.0% in total. At 7.2%, the rate of asset growth in Australia was not only ahead of that witnessed in New Zealand (+5.7%), but also outstripped the average for the industrialized nations (+3.0%). Insurance policies and pensions are by far the most popular form of investment among Australian households: a good 57% of the asset portfolio fell into this category at the end of 2015, with superannuations proving to be particularly sought-after. Superannuations are a combination of state and private, voluntary and tax-incentivized pension provision. More than half of total savings last year flowed into this form of investment, the volume of which grew by 7.0% year-on-year as a result. Cash, demand and savings deposits swelled by 8.9% in a continuation of the strong development seen in

Oceania: Wealth (and debt) growth continues

Net financial assets and liabilities, in EUR bn



% change in asset classes, 2015/ 2014



Sources: Australian Bureau of Statistics, Reserve Bank of New Zealand, Allianz SE.

recent years. Australians invested only around 18% in securities, with the amount held in this form of investment up by 8.2% in 2015.

The composition of the asset portfolio of households in New Zealand is the other way round entirely: whereas insurance policies and pensions play only a minor role, accounting for a share of a good 11%, assets held in securities made up almost 65% of the portfolio. The latter showed somewhat subdued growth to the tune of 3.0% last year, whereas bank deposits increased by 12.0% and insurance policies and pensions by 9.7%.

Debt remains an Achilles' heel

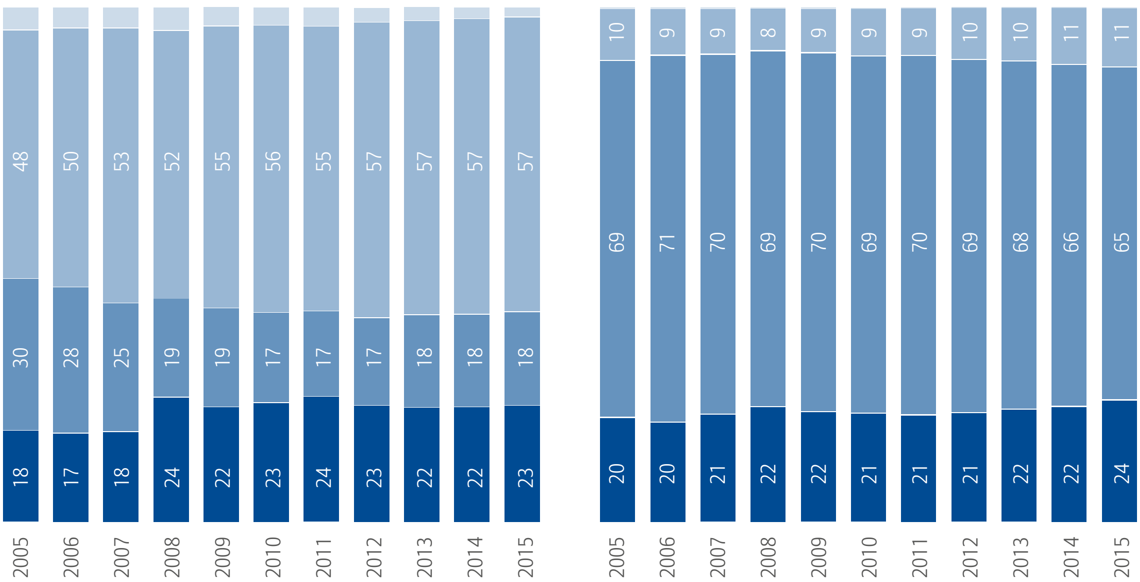
Starting in the mid-1970s, when the savings rate was still over 18%, Australian households gradually started setting less and less aside. The savings rate has been on a downward trajectory ever since, even slipping into negative territory at times during the first decade of the millennium. This downward trend was fueled by several factors, including easier access to loans, stable economic growth, rising incomes and a high propensity to consume. It took the outbreak of the financial crisis to force Australians to tighten their belts. In 2009 the average savings rate leapt up to 9.9% from 6.6% the previous year and remained relatively stable at

Converse asset portfolio

Asset classes as % of gross financial assets

Australia

New Zealand



■ Bank deposits ■ Securities
■ Insurances and pensions ■ Other

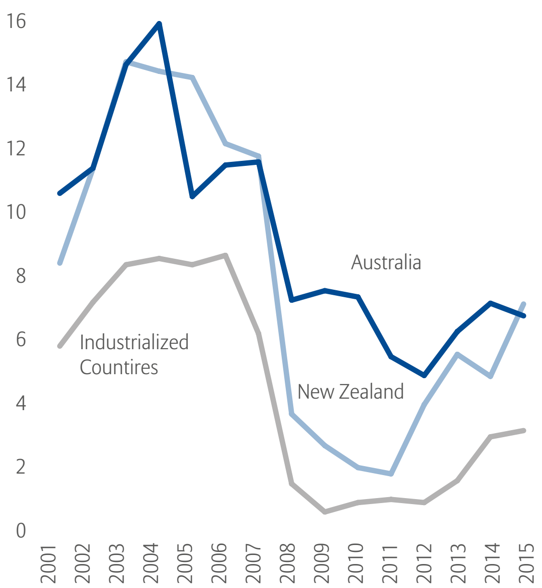
Sources: Australian Bureau of Statistics, Reserve Bank of New Zealand, Allianz SE.

over 10% until 2013. As they started to set more money aside, Australians also adopted a more restrained approach to further borrowing. Compared with the pre-crisis years, the rate of debt growth has been sliced in half, to an average of around 6% a year, since 2008 – not least thanks to the low interest rate environment, which allowed many households to pay off their loans earlier than agreed.

After the debt ratio, i.e. the ratio of debt to economic output, reached an all-time high of just under 119% in 2007, it slipped back by more than two percentage points in 2008; in recent years, however, the ratio has been edging its way up again. Although borrowing has slowed since the crisis, debt has been increasing by an average of 6.1% p.a. over the past four years, more than twice the rate of growth in nominal economic output. The ratio of liabilities to gross domestic product had soared to as high as 135.4% by the end of last year. At the same time, the savings rate started to fall again in 2013, dropping to an annual average of 8.4% in 2015. Per capita debt came in at the equivalent of around EUR 61,660 – a record high and twice the average figure for the world's industrialized nations.

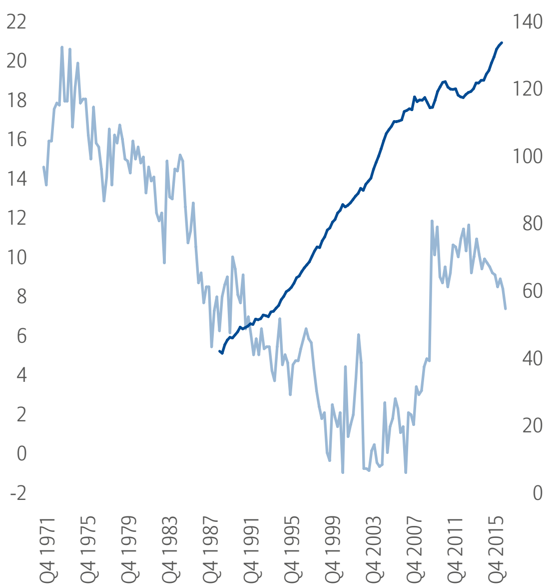
Debt burden is a weak spot of Australian economy

Debt growth: Debts increasing faster once again
Debt development y/y, in %



Sources: Australian Bureau of Statistics, Reserve Bank of New Zealand, Thomson Reuters, Allianz SE.

Savings rate and liability ratio in Australia



Savings rate, in % (lhs)
Liabilities as % of GDP (rhs)

Low interest rates are still keeping any risk of the household sector getting itself into financial difficulty at bay. Indeed, the ratio of interest payments on mortgage loans to disposable income fell from its peak of 11% in the third quarter of 2008 to 7.0% in the closing quarter of 2015. The proportion of non-performing home loans actually dropped in the last six months of last year, falling to 0.6%. Nevertheless, macroeconomic shocks like rising interest rates, a labor market slump or falling house prices could swiftly pose a threat to the solvency of heavily-indebted households. The pressure on house prices has already eased somewhat: in addition to the more stringent lending rules introduced in 2014, this trend has been helped along by the growing supply of apartments, primarily in the cities of Sydney, Melbourne and Brisbane. If demand fails to keep up with the growing number of residential properties set to be completed over the next few years, house prices could be poised to fall in these regions. In this event, investors would have to service their loans from lower rental income. Owner-occupiers who run into difficulties with their repayments could also find it trickier to sell their properties in order to escape the debt trap. This means that the high debt level remains an Achilles' heel of the Australian economy.

The per capita debt of households in New Zealand was much lower at the end of last year: the average New Zealand citizen had a debt burden of EUR 22,700 to bear, just over one-third of the average debt of their Australian neighbors. The debt ratio, too, was roughly half as high as Australia's, coming in at a good 66% at the end of 2015.

Debt development, on the other hand, has been following a fairly similar path: in the first years of the new millennium until the outbreak of the crisis, liabilities were growing at an average rate of 12.4% a year. This trend moved down a gear in 2008 in New Zealand, too, and the average annual rate of growth had dipped to 2.3% by 2011. A historically low interest rate level, less stringent lending conditions between 2012 and 2013 and an increase in net immigration fueled the demand for home ownership, pushing house prices up. These developments are mirrored in the level of debt growth: over the past four years, the average annual growth rate has more than doubled again, with the debt level rising by as much as 7.0% year-on-year in 2015.

A rapid rise in house prices increases the risk of a correction on the residential property market and the risk of over-indebted households being unable to service their loans. New Zealand's central bank had already reacted in October 2013 by imposing restrictions on the volume of mortgage loans that could be granted with high loan-to-value ratios. In November 2015, the central bank once again tightened up its guidelines for home loans in Auckland, where prices had recently soared considerably. Although the residential property market appears to have cooled down since then, prices are already very high in relation to incomes and rents, especially in Auckland. Pressure on house prices continues to pose a serious risk to financial stability, as New Zealand's central bank emphasizes in its latest report.

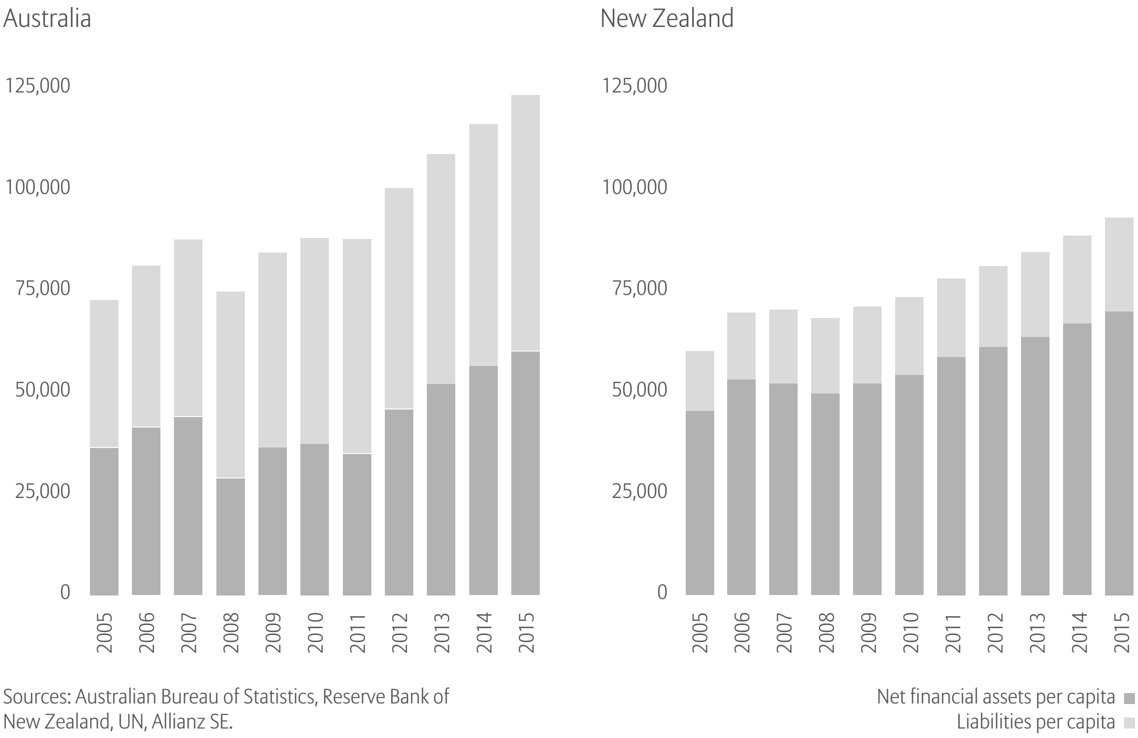
Differences in the ratio of assets to liabilities

Looking at the region as a whole, 40% of the population had high net financial assets in a global comparison, i.e. an average of more than EUR 42,000 per capita, at the end of 2015. In North America, this proportion came in at 41%, whereas "only" around 35% of the population of western Europe falls into this category. If we only look at the assets side of the wealth balance sheet, then at the end of last year, Australians had average per capita financial assets of almost EUR 120,520, putting them one-third ahead of their neighbors in New Zealand (EUR 90,600 per capita). Following deductions for liabilities, however, the latter are in a much better position: due to the relatively high debt burden, Australian financial assets fell to only EUR 58,870 per capita in net terms, whereas in New Zealand, average per capita assets came in at EUR 67,900 in net terms. This means that Australian households are more indebted than their counterparts in New Zealand in both absolute and relative terms. For each euro borrowed in Australia, there were assets worth EUR 2.00, while households in New Zealand had around EUR 4.00 in assets for each liability of one euro.

In the global league of the highest net per capita financial assets, New Zealand is unchanged in twelfth place, after Israel, and only one place ahead of Australia. Compared with 2000, Australia has climbed from 19th to 14th place.

Different assets to debt ratio

Net financial assets and liabilities per capita, in EUR



Sources: Australian Bureau of Statistics, Reserve Bank of New Zealand, UN, Allianz SE.

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APPENDIX A: METHODOLOGICAL COMMENTS

General assumptions

The Allianz Global Wealth Report is based on data from 53 countries. This group of countries covers around 90% of global GDP and 69% of the global population. In 43 countries, we had access to statistics from the macroeconomic financial accounts. In the other countries, we were able to estimate the volume of total financial assets based on information from household surveys, bank statistics, statistics on assets held in equities and bonds, and technical reserves.

In some countries, it is still extremely difficult to find data on the financial assets of private households. Let's take the Latin American countries as an example. For many countries, the only information that can be found relates to the entire private sector or the economy as a whole, which is often of only limited use as far as the situation of private households is concerned. In addition to Chile, Columbia has fairly good data that can be used to analyze the financial structure of private household assets. In Argentina, for example, we were able to estimate financial assets with the help of data on bank deposits and insurance reserves.

In order to rule out exchange rate distortions over time, the financial assets were converted into the national currency based on the fixed exchange rate at the end of 2015.

Statistical distinctions

The process associated with the introduction of the European System of Accounts 2010 (ESA 2010) in September 2014 involved updating and harmonizing the guidelines governing the preparation of many macroeconomic statistics. The new requirements also apply to the macroeconomic financial accounts. One change relates to private households: under the ESVG 2010 regulations, the two sectors "Private households" and "Private organizations without pecuniary reward" are no longer grouped, but are now reported separately. This also has implications for the Allianz Global Wealth Report, which takes data from the macroeconomic financial accounts as a basis where available. For many countries, however - particularly those outside of the European Union - there is no separate data available for these sectors in general, or at least not at present. So in order to ensure global comparability, this publication analyzes both sectors together under the heading "private households".

Determination of wealth bands for global wealth classes

Lower wealth threshold: there is a close link between financial assets and the incomes of private households. According to Davies et al. (2009), private individuals with below-average income tend to have no assets at all, or only very few. It is only when individuals move into middle and higher income groups that they start to accumulate any assets to speak of.

We have applied this link to our analysis. Countries in the upper-middle income bracket (based on the World Bank's country classification system) therefore form the group in which the average assets of private households has reached a relevant volume for the first time. This value marks the lower threshold for the global wealth middle class. How high should this value be?

In terms of income, households with incomes that correspond to between 75% and 150% of average net income are generally considered to constitute the middle class. According to Davies et al., households with income corresponding to 75% of the average income have assets that correspond to 30% of the average assets. As far as the upper threshold is concerned, 150% of average income corresponds to 180%

of average assets. Consequently, we have set the threshold values for the middle wealth class at 30% and 180% of average per capital assets. If we use net financial assets to calculate the two thresholds, we arrive at an asset range of between EUR 7,000 and EUR 42,000 for the global middle wealth class in 2015. The gross thresholds lie at EUR 9,300 and EUR 55,900.

Individuals with higher per capita financial assets then belong to the global high wealth class, whereas those with lower per capita financial assets belong to the "low wealth" class.

These asset bands can, of course, also be used for the purposes of country classification. Countries in which the average net per capita financial assets are less than EUR 7,000 can be referred to as "low wealth countries" (LWCs). "Middle wealth countries" (MWCs) are all countries with average net per capita financial assets of between EUR 7,000 and EUR 42,000; finally, all countries with even higher average net per capita financial assets are described as "high wealth countries" (HWCs).

Country classification based on net per capita financial assets:

HWC	MWC	LWC
Australia *	Chile*	Argentina***
Belgium *	China***	Brazil***
Denmark*	Estonia*	Bulgaria*
Germany*	Finland*	India***
France*	Greece*	Indonesia***
Great Britain*	Ireland*	Kazakhstan *
Israel**	Croatia*	Colombia**
Italy*	Latvia*	Mexico***
Japan*	Lithuania*	Peru***
Canada*	Malaysia**	Poland*
New Zealand*	Norway*	Romania*
Netherlands*	Portugal*	Russia**
Austria*	Slovenia*	Serbia***
Sweden*	Spain*	Slovakia*
Switzerland**	South Korea*	South Africa*
Singapore*	Czech Republic*	Thailand***
Taiwan**	Hungary*	Turkey*
USA*		Ukraine***

*2015 asset balance sheet **Extrapolation based on 2014 asset balance sheet
***Approximated based on other statistics

Appendix B: Financial assets by country	Gross financial assets in EUR bn	Gross financial assets 2015, yoy in %	Gross financial assets EUR per capita	Net financial assets EUR per capita	Gini coefficient of wealth distribution in %	GDP EUR per capita
Argentina	86	45.0	1,980	1,393	0.67	9,279
Australia	2,889	7.2	120,523	58,866	0.59	45,522
Austria	614	1.8	71,867	51,062	0.73	39,459
Belgium	1,219	3.9	107,881	85,027	0.59	36,265
Brazil	797	2.9	3,837	734	0.73	6,610
Bulgaria	58	4.9	8,170	6,370	0.65	6,177
Canada	4,091	6.2	113,831	76,960	0.63	36,614
Chile	297	9.0	16,575	11,723	0.73	11,373
China	19,651	18.3	14,281	11,496	0.52	7,129
Colombia	142	12.3	2,955	1,384	0.73	4,910
Croatia	52	1.1	12,176	8,059	0.60	10,269
Czech Republic	190	7.1	18,054	12,614	0.60	15,778
Denmark	823	6.5	145,111	81,293		46,906
Estonia	22	-2.9	16,969	9,913	0.64	15,589
Finland	301	4.6	54,651	27,468	0.64	37,653
France	4,869	4.9	75,610	53,425	0.65	33,910
Germany	5,485	4.6	67,982	47,681	0.73	37,501
Greece	239	-3.7	21,862	11,231	0.55	16,068
Hungary	130	7.5	13,207	10,562	0.60	10,825
India	1,622	13.9	1,237	1,096	0.66	1,504
Indonesia	287	8.9	1,113	630	0.74	2,992
Ireland	355	2.6	75,718	41,913	0.54	45,765
Israel	688	6.0	85,308	71,369	0.64	33,752
Italy	4,117	2.2	68,854	53,494	0.59	27,365
Japan	13,753	1.7	108,660	83,888	0.55	30,175
Kazakhstan	24	46.7	1,348	613	0.60	6,268
Latvia	26	5.2	13,076	9,603	0.64	12,371
Lithuania	34	11.0	11,936	7,504	0.64	12,920
Malaysia	454	4.9	14,958	7,673	0.70	8,180
Mexico	934	5.0	7,356	6,170	0.70	7,633
Netherlands	2,195	3.6	129,698	80,182	0.64	40,046
New Zealand	410	5.7	90,600	67,901	0.64	34,245
Norway	428	5.4	82,093	19,442	0.57	62,686
Peru	100	11.5	3,190	2,446	0.69	5,401
Poland	407	5.9	10,548	6,540	0.62	10,808
Portugal	374	1.3	36,169	20,744	0.63	17,335
Romania	114	4.4	5,839	3,967	0.62	8,051
Russia	607	11.3	4,229	3,086	0.68	6,462
Serbia	13	4.1	1,452	745	0.64	3,700
Singapore	640	4.5	114,155	79,261	0.64	46,603
Slovakia	59	4.3	10,873	5,300	0.44	14,388
Slovenia	39	2.5	19,044	13,135	0.53	18,642
South Africa	434	3.7	7,961	5,894	0.78	4,351
South Korea	2,494	9.6	49,580	27,371	0.53	24,172
Spain	2,008	1.4	43,541	26,595	0.56	23,442
Sweden	1,278	9.1	130,664	89,942	0.79	46,394
Switzerland	2,164	1.7	260,804	170,589	0.62	71,030
Taiwan	2,330	4.6	99,257	81,242	0.63	19,919
Thailand	413	1.8	6,073	1,917	0.67	5,094
Turkey	311	17.1	3,949	2,142	0.67	7,811
Ukraine	38	-1.9	845	696	0.60	1,692
United Kingdom	8,562	1.8	132,308	95,600	0.75	39,078
USA	65,156	2.4	202,489	160,949	0.81	51,332
World	154,826	4.9	31,068	23,330		11,848

Appendix C: Global Ranking

…by net per capita financial assets (in EUR)			…by gross per capita financial assets (in EUR)		
1	Switzerland	170,589	1	Switzerland	260,804
2	USA	160,949	2	USA	202,489
3	United Kingdom	95,600	3	Denmark	145,111
4	Sweden	89,942	4	UK	132,308
5	Belgium	85,027	5	Sweden	130,664
6	Japan	83,888	6	Netherlands	129,698
7	Denmark	81,293	7	Australia	120,523
8	Taiwan	81,242	8	Singapore	114,155
9	Netherlands	80,182	9	Canada	113,831
10	Singapore	79,261	10	Japan	108,660
11	Canada	76,960	11	Belgium	107,881
12	Israel	71,369	12	Taiwan	99,257
13	New Zealand	67,901	13	New Zealand	90,600
14	Australia	58,866	14	Israel	85,308
15	Italy	53,494	15	Norway	82,093
16	France	53,425	16	Ireland	75,718
17	Austria	51,062	17	France	75,610
18	Germany	47,681	18	Austria	71,867
19	Ireland	41,913	19	Italy	68,854
20	Finland	27,468	20	Germany	67,982
21	South Korea	27,371	21	Finland	54,651
22	Spain	26,595	22	South Korea	49,580
23	Portugal	20,744	23	Spain	43,541
24	Norway	19,442	24	Portugal	36,169
25	Slovenia	13,135	25	Greece	21,862
26	Czech Republic	12,614	26	Slovenia	19,044
27	Chile	11,723	27	Czech Rep.	18,054
28	China	11,496	28	Estonia	16,969
29	Greece	11,231	29	Chile	16,575
30	Hungary	10,562	30	Malaysia	14,958
31	Estonia	9,913	31	China	14,281
32	Latvia	9,603	32	Hungary	13,207
33	Croatia	8,059	33	Latvia	13,076
34	Malaysia	7,673	34	Croatia	12,176
35	Lithuania	7,504	35	Lithuania	11,936
36	Poland	6,540	36	Slovakia	10,873
37	Bulgaria	6,370	37	Poland	10,548
38	Mexico	6,170	38	Bulgaria	8,170
39	South Africa	5,894	39	South Africa	7,961
40	Slovakia	5,300	40	Mexico	7,356
41	Romania	3,967	41	Thailand	6,073
42	Russia	3,086	42	Romania	5,839
43	Peru	2,446	43	Russia	4,229
44	Turkey	2,142	44	Turkey	3,949
45	Thailand	1,917	45	Brazil	3,837
46	Argentina	1,393	46	Peru	3,190
47	Colombia	1,384	47	Colombia	2,955
48	India	1,096	48	Argentina	1,980
49	Serbia	745	49	Serbia	1,452
50	Brazil	734	50	Kazakhstan	1,348
51	Ukraine	696	51	India	1,237
52	Indonesia	630	52	Indonesia	1,113
53	Kazakhstan	613	53	Ukraine	845
	World	23,330		World	31,068

Imprint

Publisher
Allianz SE
Economic Research
Königinstraße 28
80802 München
www.allianz.com

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Photos
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Design
Schmitt. GmbH, Hamburg

Closing date
01. August 2016