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Allianz Research

The last hurrah

Allianz Global Wealth Report 2022

Summary

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The last year of a past epoch
In retrospect, 2021 might have been the last year of the old "new normal", with bullish stock markets powered by monetary policy. Households benefited handsomely: For a third year in a row, global financial assets grew by double digits in 2021, reaching EUR233trn (+10.4%). In the last three years, private wealth increased by a staggering EUR60trn, equivalent to adding two Eurozones to the global financial pile.

The dawn of a new era
2022 will be different. The war in Ukraine choked the recovery post Covid-19 and turned the world upside down: Inflation is rampant, energy and food are scarce and monetary tightening is squeezing economies and markets. Households will feel the pinch: Global financial assets are set to decline by more than -2% in 2022, the first significant destruction of financial wealth since the Global Financial Crisis (GFC) in 2008. In real terms, households will lose a tenth of their wealth. But in contrast to the GFC, which was followed by a relatively swift turnaround – not least in asset markets – this time around the mid-term outlook, too, is rather bleak: The average growth of financial assets is expected to be at +4.6% until 2025, compared with +10.4% in the preceding three years.

Converging growth rates
Last year, three regions stood out in asset growth: Asia ex Japan (+11.3%), Eastern Europe (12.2%) and North America (+12.5%). Thus, for the third year in a row, the richest region of the world – with gross financial assets per capita amounting to EUR294,240 (against a global average of EUR41,980) – clocked emerging-market-like growth rates. On the other hand, Western Europe (EUR109,340) behaved more like a mature, rich region, with growth at +6.7%. In general, emerging economies (+11.8%) outgrew advanced economies (+10.1%), though the discrepancy was rather small. Moreover, while financial assets in all advanced regions increased faster than the long-term average in 2021 – by a whopping 3pps – the opposite was true for emerging regions: Last year's growth rate was clearly below the long-term average (by almost 2pp). Given the still huge wealth discrepancy, this sort of convergence is rather unsettling.

USA, the Uncommon States of America
The recent convergence in growth rates notwithstanding, wealth shares have shifted over the last decade. First and foremost, the rise of China has propelled Asia's (ex Japan) share to 20% (+7.0pps). Gains by the other two emerging regions were less impressive but still noticeable, with increases of 0.4pp (Eastern Europe) and 0.7pp (Latin America), respectively. The mirror image is the decline of Western Europe, by 5.6pps to 20%, and Japan by 4.0pps to 6.8%. In sharp contrast, North America managed to increase its share of the global wealth pie to over 47% (+1.3pp), underlining its exceptional status: Although half of global financial wealth was already in the hands of Americans, their share of the global pie kept growing. (Canada's share in the region is a mere 6.1%.)

Growth driver asset structure

During the recent stock market boom, the key for high wealth growth was the share of equities in the asset portfolio: By driving the increase in value in asset holdings, it contributed around two-thirds to wealth growth worldwide in 2021. But not all regions are equal. While US savers hold 56% of their financial assets in the form of securities – primarily equities – this proportion stood at 30% in Western Europe. The success of the American investment strategy was clearly on display last year but holds for the long-term, too: The difference between the two regions in annual average growth rates for the last decade (+7.3% versus +4.6%) can mainly be explained by the different increases in value of asset holdings: This accounted for 72% of total asset growth in the US but for only 53% in Western Europe.

Growth driver savings

The other growth driver is fresh savings which, for a second year in a row, remained elevated: Despite dropping by around -19% in 2021 to EUR4.8trn, they still came in at 40% above the level seen in 2019. The average for the two Covid-19 years (EUR5.3trn) was almost twice as high as the average of the previous two years. The composition of savings also changed, albeit only slightly: The share flowing into bank deposits fell to 63%, but they remained by far the preferred asset class of savers. On the other hand, securities as well as insurance & pensions found increasing favor with savers, but their shares in fresh savings were much smaller (15% and 17%, respectively). Reflecting these dynamics, global bank deposits grew by “only” +8.6% in 2021, still the second largest increase on record (after the +12.5% jump in 2020). While the asset class securities – buoyed by the strong stock markets – grew by +15.2%, insurance & pension fund assets showed much weaker development, rising by +5.7%.

The return of debt

At the end of 2021, global household debt stood at EUR52trn. The annual increase of +7.6% vastly outpaced the long-term average of +4.6% and 2020’s growth of +5.5%. The last time higher growth was clocked was in 2006, well before the GFC. However, due to the sharp increase in nominal output, the global debt ratio (liabilities as a percentage of GDP) even fell to 69% (2020: 70%). The geographic allocation of debt has changed since the last crisis. While the share of advanced markets is in decline – the US share, for example, dropped by 10pps to 31% since the GFC – emerging economies account for an ever-rising portion of global debt. Asia (ex Japan) ranks first and foremost: its share has more than doubled over the past decade to 28%. In terms of liabilities per capita, however, the region remains a laggard: At slightly above EUR3,920, it stands at a fraction of the EUR36,290 per capita seen in advanced markets.

Structural headwinds for closing the global divide

For most emerging economies, Covid-19 was already a hard blow. To make things worse, inadequate vaccination campaigns and soaring debt have left them extremely vulnerable. The Ukraine war, with its severe consequences for energy and food prices, is the next blow. The economic, political and social consequences are likely to weigh on the development of these markets for years to come, diminishing their global role. The three structural changes of de-globalization, digitalization and decarbonization will not help either.

Stagnation in recent years

In fact, cracks in the catch-up process are already visible. They first opened in 2017, the year the then US President Trump fired the first shots in his trade wars. Since then, the process has stalled as advanced economies outperformed in terms of net financial asset growth. In 2021, however, emerging economies managed to grow at the same pace, at least (11.2%). The multiple of net financial assets per capita in advanced economies to emerging ones remained at 20 and was thus still higher than five years ago. As a result, the number of members of the global middle wealth class has stagnated in recent years at around 700mn people (12.4% of the total population of the countries in scope).

Tectonic shifts in the past

On a longer time horizon, however, the changes were quite remarkable, in particular if analyzed by country group. For example, the share of the advanced economies in the global middle wealth class was 62% in 2001; last year it was 46%. In the global high wealth class, the decline was even more dramatic, from 99% to 69%. But overall, the world remains an unequal place: The richest 10% of the world's population owned more than 86% of total net financial assets in 2021 (against 92% at the beginning of the millennium).

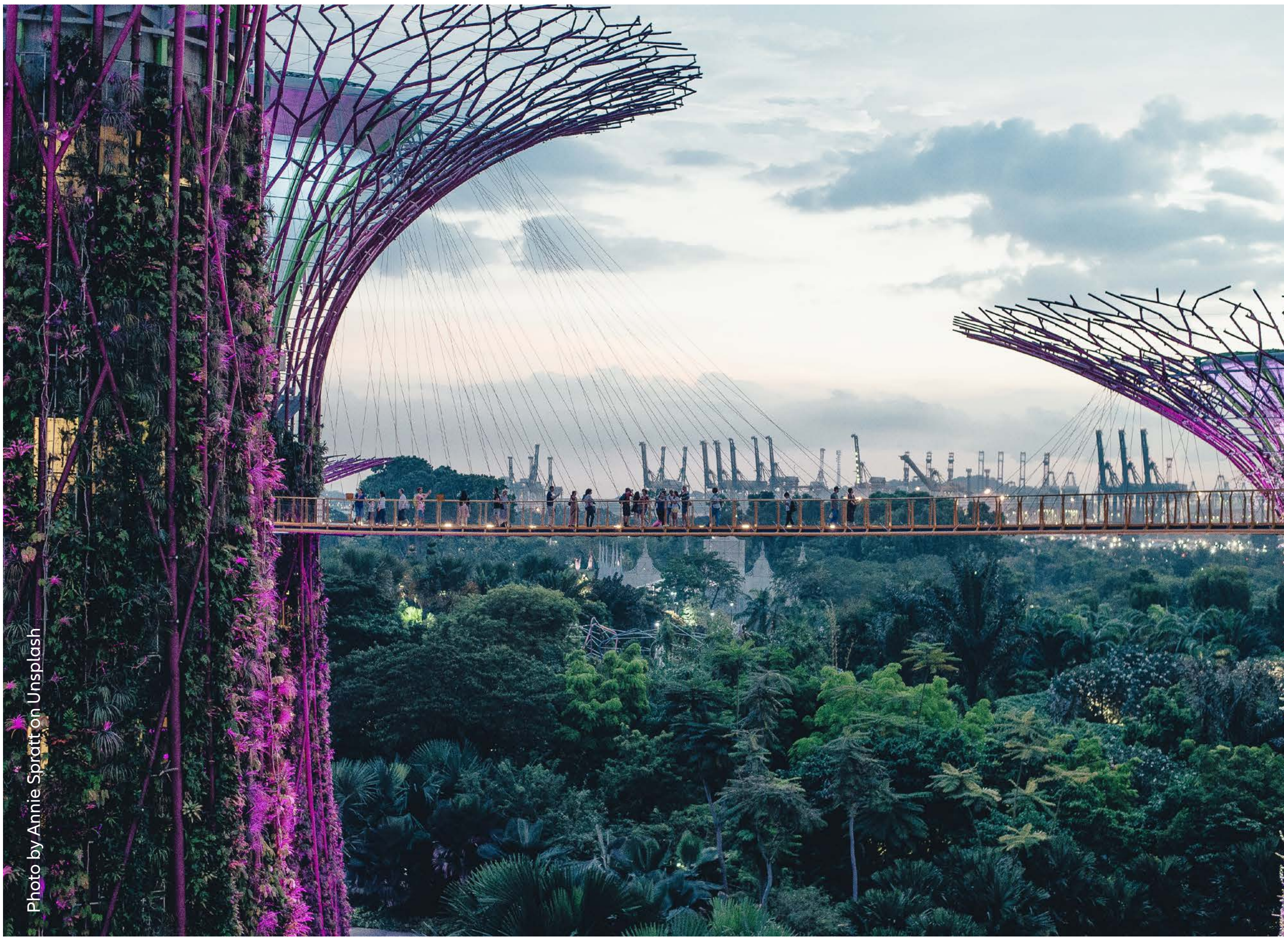
The global low wealth class in on the rise – in rich countries

The share of advanced economies in the global low wealth class has risen from 7% to 8%. But small as this increase seems, it conceals astonishing developments in the richer countries: The number of members of this wealth class has risen by +25% since 2001 (total population growth: +11%). In emerging economies, these numbers are the other way round: an increase of +12% in the low wealth class versus an increase of +21% in the total population. A closer look reveals that this development is being driven by one region in particular: Western Europe. Here, the global low wealth class has skyrocketed from 105mn people (2001) to 140mn people (2021). In parallel, the share of the population belonging to this wealth class has climbed from 27% to 34%. The euro crisis took a heavy toll on wealth distribution in Europe.

National wealth distribution: Real success stories are hard to find

Turning to the national distribution of wealth, we find only a few genuine success stories. In the dozen or so countries where the situation of the middle class has improved over the last decade, it is mainly due to a (very) low starting point, meaning that the status of the middle class continued to be precarious. The notable exceptions are Romania, Italy and (to a lesser degree) Israel. In many more countries, however, the situation of the middle class has outright deteriorated, especially with regard to its share of the total wealth pie. With shares at very low levels in some countries (i.e. way below the 30% threshold), it is questionable whether a middle class – in the proper sense of the term – still exists at all in countries such as the US, China, Brazil and South Africa.

Photo by Yiran Ding on Unsplash



Financial assets: third record year in a row

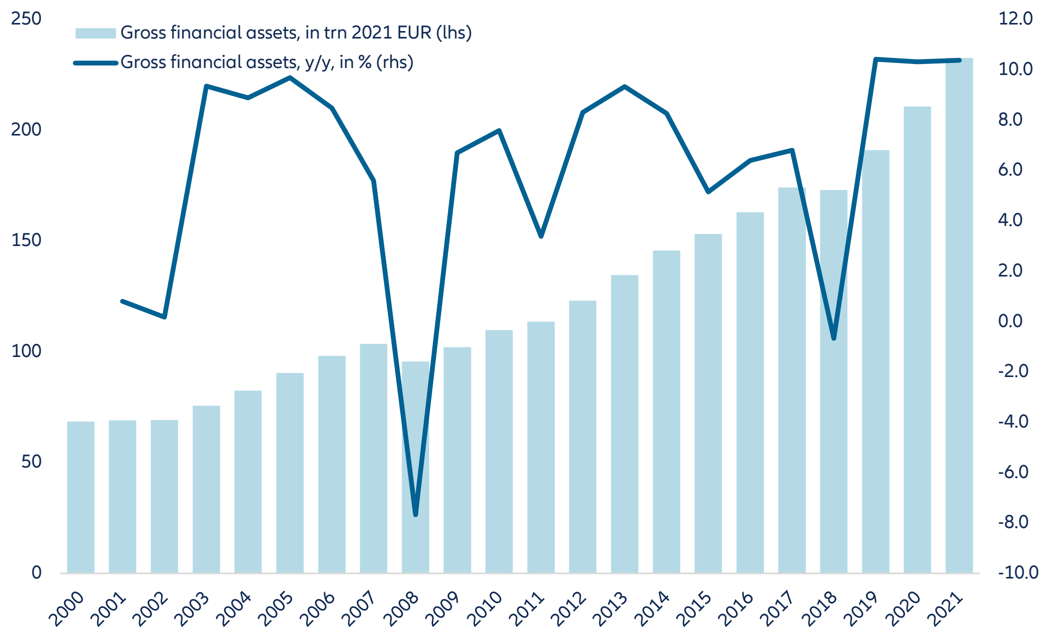
In retrospect, 2021 might have been the last year of the old "new normal", with low interest rates and bullish stock markets. Even inflation rates remained rather low – at least in the first months of 2021 – despite the strong economic recovery that led to an increase in employment in most countries.

In 2021, private households' gross financial assets[1] increased by +10.4% to a new record high of EUR233trn, which corresponded to three times the global nominal GDP. It was for a third year in a row that global financial assets grew by double digits. Thanks to the dynamic development, gross financial assets per capita rose above the EUR40,000 mark for the first time and reached EUR41,980 (see Figure 1).

However, there were marked differences between the countries and regions with respect to growth dynamics, portfolio structures and wealth distribution. Furthermore, the total growth rates belie the fact that in many countries the financial repercussions of the Covid-19 pandemic will be felt for years to come as many households have had to tap into their retirement savings to support themselves after losing their jobs during the lockdowns.

1 Including gross financial assets of non-profit organizations serving households. Financial assets include cash and bank deposits, receivables from insurance companies and pension institutions, securities (shares, bonds and investment funds) and other receivables.

Figure 1: Gross financial assets reached another record high in 2021
Gross financial assets (in 2021 trn EUR and annual change in %)



Sources: Eurostat, national central banks, financial supervisory authorities, financial associations, and statistical offices, IMF, Refinitiv Eikon and Allianz Research

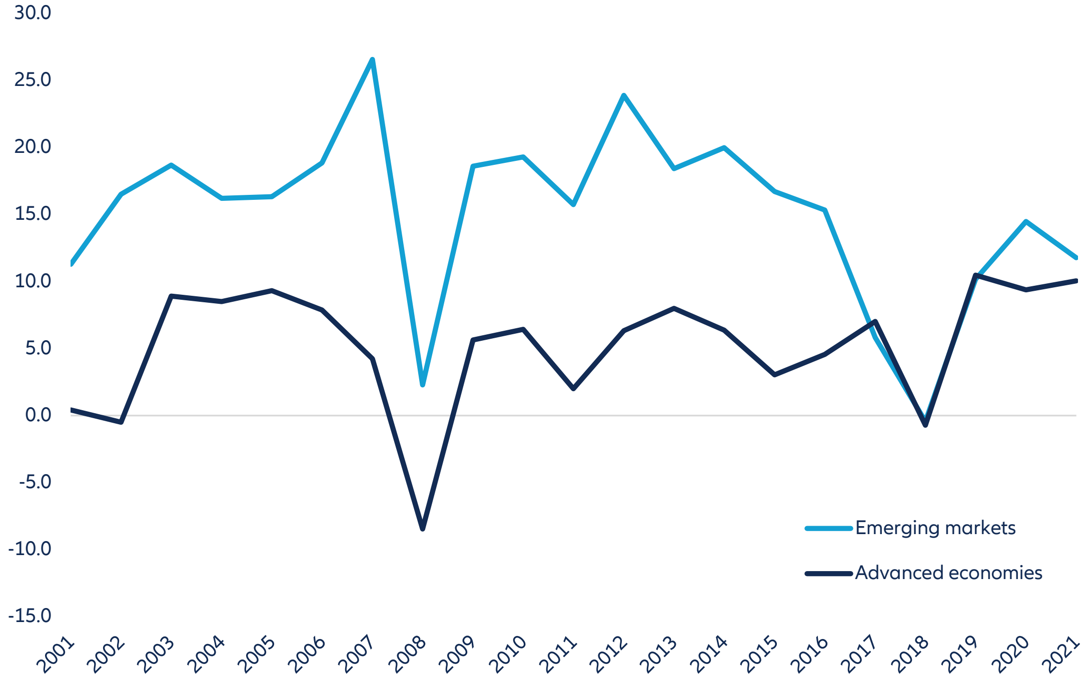
Fragile comeback of the emerging markets

Rather unexpectedly, growth dynamics have resumed in emerging economies even though private households in these markets were often hit harder financially by the Covid-19 pandemic than their peers in advanced economies, who were covered by more generous social security systems.
The catching-up process of the group of 28 emerging markets[2] that are covered in our analysis had temporarily stalled in the three years before the outbreak of the Covid-19 pandemic. In 2020 and 2021, total private households' gross financial assets grew stronger than that of their peers in advanced economies once again.

2 The group of emerging markets comprises 28 countries: Argentina, Brazil, Bulgaria, Cambodia, Chile, China, Colombia, Croatia, Hungary, India, Indonesia, Kazakhstan, Latvia, Lithuania, Malaysia, Mexico, Pakistan, Peru, the Philippines, Poland, Romania, Russia, Serbia, South Africa, Sri Lanka, Thailand, Türkiye and Ukraine. The group of advanced economies consists of 30 countries: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Israel, Italy, Japan, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Taiwan, the UK and the US.

However, the growth gap between the two country groups has narrowed markedly, from a record 22pps in 2007 to less than 2pp in 2021. Gross financial assets increased by +11.8% in emerging markets and +10.1% in advanced economies (see Figure 2).
Since 2010, total gross financial assets have grown more than twice as fast in the emerging markets than in the group of advanced economies, with the annual compound growth rate being +13.6% in the emerging markets and just +6.0% in the latter. As a result, the share of emerging markets' private households in global gross financial assets increased from 10% in 2010 to 19% in 2021. However, the difference is still impressive in absolute numbers: In emerging markets, private households' gross financial assets summed up to EUR45trn in 2021, while that of their peers in advanced economies had reached EUR188trn.

Figure 2: Growth dynamics resumed
Gross financial assets (in 2021 EUR, annual growth in %)



Sources: Eurostat, national central banks, financial supervisory authorities, financial associations, and statistical offices, IMF, Refinitiv Eikon and Allianz Research

The gap is even wider in per capita terms since the emerging markets that we cover in our analysis are home to 4.5bn people. In comparison, the total population of the advanced economies is only 1.1bn. As a result, gross financial assets per capita in advanced economies amounted to EUR176,760 in 2021, which was almost 18 times the average EUR10,040 held by an inhabitant in the emerging markets. The only consolation is that this factor has already more than halved in the last 10 years: in 2011, it was still 32.

Furthermore, neither the emerging markets nor the advanced economies are homogenous groups. In the emerging markets, last year's annual growth rate ranged from -8.6% in Peru to +54.9% in Argentina – mainly driven by inflation – while the 10-year average annual growth rates ranged between +5.4% in Croatia and +38.6% in Argentina. Among the advanced economies, Denmark recorded the highest annual growth rate of +17.7% in 2021, while private households' gross financial assets in the Netherlands declined by -0.1%. The 10-year compound annual growth rate in this group ranged between +1.2% in Greece and +11.4% in Estonia.

US dominance unaffected by the emerging markets catch-up

From the regional[3] and country perspective, the diverging growth dynamics mainly affected the shares of Europe and Asia in the global wealth distribution, while the position of Northern American households remained unaffected. US households are still the wealthiest in terms of total gross financial assets: At the end of 2021, they held EUR104trn or 45% of worldwide gross financial assets, marginally higher than the 43% they held in 2011. If one adds the gross financial assets of Canada's private households, North America's share of global financial wealth has increased from 46% in 2011 to 47% at the end of last year.

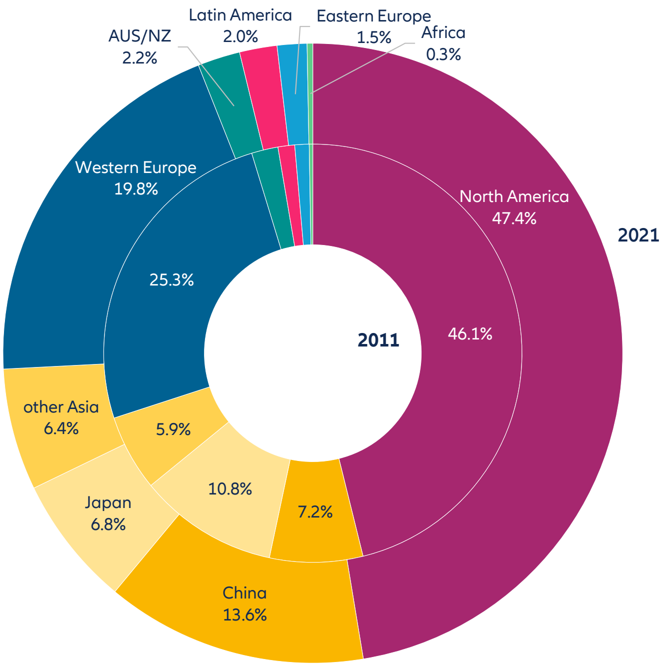
The combined share of China and Japan, the two wealthiest countries after the US, increased from 18% in 2011 to 20% to 2021. However, Chinese households now hold the larger share: The gross financial assets of China's private households amounted to an estimated EUR32trn or 14% of global gross financial assets, while Japan's private households held EUR16trn or 7%. In 2011, it was the other way round: Japan held 11% of global gross financial assets and was the richest nation in Asia, while China ranked second with its global share amounting to 7%.

China's rise did not only change the ranking within Asia, but also on a global level: Asia has replaced Europe as the second-wealthiest region after the US. The combined share of Western and Eastern European private households in global gross financial assets decreased from 26% in 2011 to 21% in 2021. At the same time, that of their Asian peers increased from 24% to 27%. Gross financial-asset growth in the Western European EU member states was decisive for this development since the private households in these countries hold around 70% of total gross financial assets in Europe. In 2021, this sum amounted to EUR33trn or 14% of global financial assets. In 2011, their share of global household wealth had still been 18%.

The developments in Australia and New Zealand as well as in Latin America contributed only marginally to this shift: Like their Northern American peers, the private households in Australia and New Zealand only slightly increased their share of global wealth from 2.1% in 2011 to 2.2% in 2021. In total, they held EUR5.3trn of financial assets last year. This was still more than the combined EUR4.6trn in gross financial assets held by Latin American private households, whose share of global financial wealth has risen from 1.3% to 2.0% within the last 10 years (see Figure 3).

3 The region North America includes Canada and the US. Other Asia includes Cambodia, India, Indonesia, Israel, Malaysia, Pakistan, the Philippines, Singapore, South Korea, Taiwan and Thailand. Western Europe includes the Western EU 27 countries Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain and Sweden, as well as Norway, Switzerland and the UK, Latin America includes Argentina, Brazil, Chile, Colombia, Mexico and Peru. Eastern Europe includes the Eastern European EU 27 member countries Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia, as well as Kazakhstan, Russia, Serbia and Turkey. For Africa we include South Africa.

Figure 3: US private households dominate the development
Gross financial assets, regional split 2011 and 2021 (in 2021 EUR, in %)



Sources: Eurostat, national central banks, financial supervisory authorities, financial associations, and statistical offices, IMF, Refinitiv Eikon and Allianz Research

Differing growth dynamics: Japan and Western Europe bring up the rear

These regional shifts are the result of differing growth dynamics, mainly driven by catch-up demand and asset structures. Globally, private households' gross financial assets increased by an average +7.1% per annum between 2011 and 2021. However, there were marked differences at the country and regional levels.

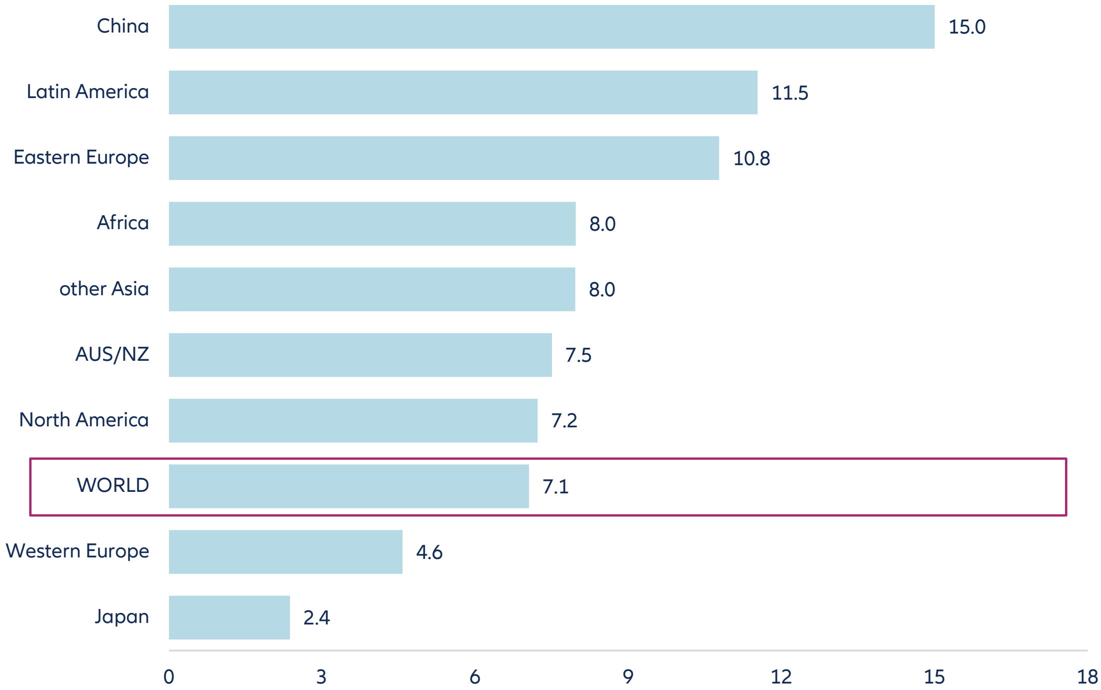
In terms of compound annual growth, China tops the ranking with an average +15.0% annual growth over the last ten years, followed by Latin America, which also recorded double-digit (+11.5%) growth per annum, and Eastern Europe with an average +10.8%. However, within the group of Eastern European countries, the growth driver was essentially the group of non-EU countries, consisting of Kazakhstan, Russia, Serbia and Türkiye, whose combined private household gross financial assets increased by an average +15.8% per annum, i.e. if considered separately even faster than that of their Chinese peers. This was mainly driven by the developments in Russia, whose private households held around 80% of this country group's financial assets. In the Eastern European EU member states, the development of total gross financial assets was significantly less dynamic: At +7.6%, the compound annual growth rate was only half as high as in the group of non-EU member states.

In the other emerging economies, compound annual growth rates were below +10% but still above the global average: In South Africa, the compound annual growth rate was +8.0% and in the remaining Asian countries ex China and Japan it amounted to +8.0%. However, the latter is also no homogenous group of countries, but rather a region of two-speed growth. On the one hand, there are the mature Asian markets: Taiwan, where the annual average growth rate over the last ten years was +6.2%, as well as Singapore and South Korea, where they were each +7.5%. On the other hand, there are countries with a huge catch-up demand such as Cambodia and India, which reported double-digit compound annual growth rates of +24.2% and +12.6%, respectively.

However, the development in North America was decisive, especially the development in the US, where the compound annual growth rate between 2010 and 2021 was +7.3%. This even lifted the global average slightly from +6.9% to +7.1%. In neighboring Canada, the average annual growth rate was +6.7%. In Australia and New Zealand, it was +7.5%.

In contrast, average growth rates in Western Europe and Japan were markedly below the global average. In Western Europe, private households' gross financial assets increased by an average +4.6% per annum. Japan brought up the rear with a compound annual growth rate of +2.4% (see Figure 4, next page).

Figure 4: The US sets the tone, Western Europe and Japan are lagging behind
10-year compound annual growth rate (in 2021 EUR, in %)



Sources: Eurostat, national central banks, financial supervisory authorities, financial associations, and statistical offices, IMF, Refinitiv Eikon and Allianz Research

Converging growth rates

The economic impact of the pandemic on emerging markets, where private households were not covered by social security systems, showed in annual growth rates that were in some cases markedly below the long-term average.

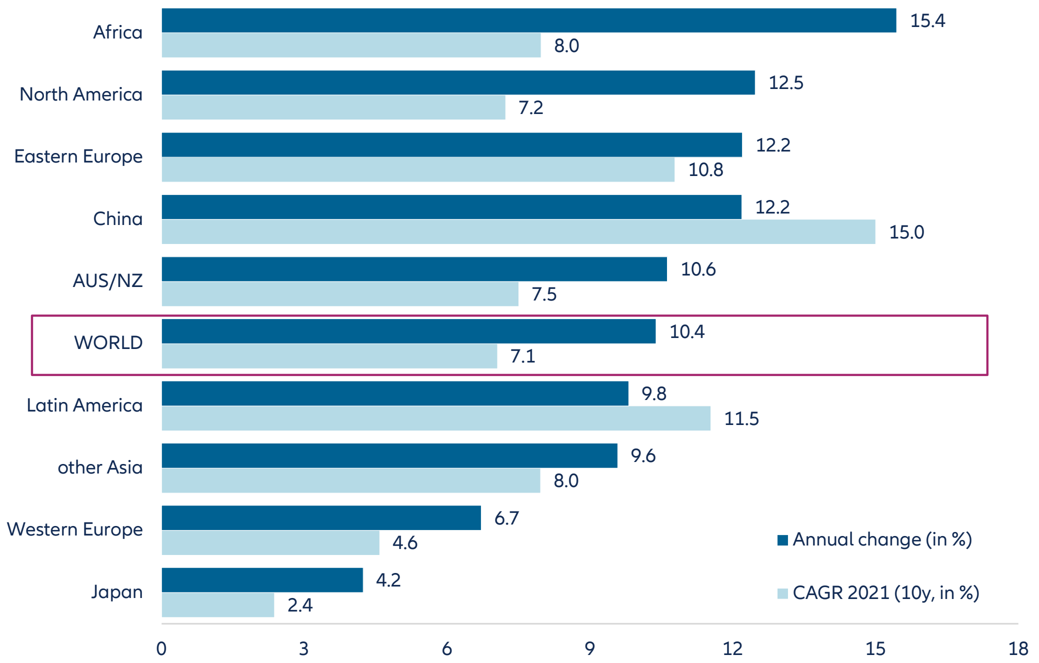
At first glance, Eastern Europe is an exception, with growth of +12.2% in 2021 versus a long-term average of +10.8%. However, the positive gap is mainly due to Türkiye, where financial assets jumped by more than +50% in 2021 because of rampant inflation. Excluding Türkiye, last year's regional growth fell to +9.1%, compared to a long-term average of +10.2%.

The picture is similar in China and Latin America: In China, last year's growth rate of +12.2% was markedly below the long-term average, partly reflecting the subdued economic growth due to China's strict zero-Covid-policy. In Latin America, annual growth was only +9.8% and thus below the +11.5% long-term average, a trend seen in every country except Mexico. Peru's private households even saw an absolute decline of their gross financial assets since many households were forced to withdraw their retirement savings prematurely to survive through the Covid-19 pandemic.

The group of remaining Asian countries fared rather well through the Covid-19 pandemic, at least in terms of gross financial asset growth. Like in the advanced economies, the +9.6% year-on-year growth rate was markedly above the long-term average of +8.0%. However, this development was mainly driven by Taiwan and South Korea, whose combined private household gross financial assets account for 51% of the group's total gross financial assets, and India, whose private households held 19% in 2021. In the other emerging countries of the region, we observed the same growth pattern as in China and Latin America, i.e., 2021 growth remained below long-term average growth rates.

In contrast, in the advanced economies, last year's growth rate was markedly above the long-term annual average. In North America, private households' gross financial assets increased by +12.5%, compared to the 10-year average of +7.2%. This was mainly driven by the development in the US, where private households' gross financial assets increased by +12.6% compared to the long-term average of +7.3%. In Canada, the rates were +11.0% versus +6.7%. In Australia and New Zealand, annual growth was +10.6% against +7.5%. Even in Western Europe and Japan, annual growth was markedly above the average annual growth of the last decade. In Western Europe, annual growth was +6.7% against an average of +4.6%, while in Japan last year's rate of +4.2% was almost double the long-term average of +2.4% (see Figure 5).

Figure 5: Diverging growth dynamics
Annual growth rates compared to compound average growth rates (in %)



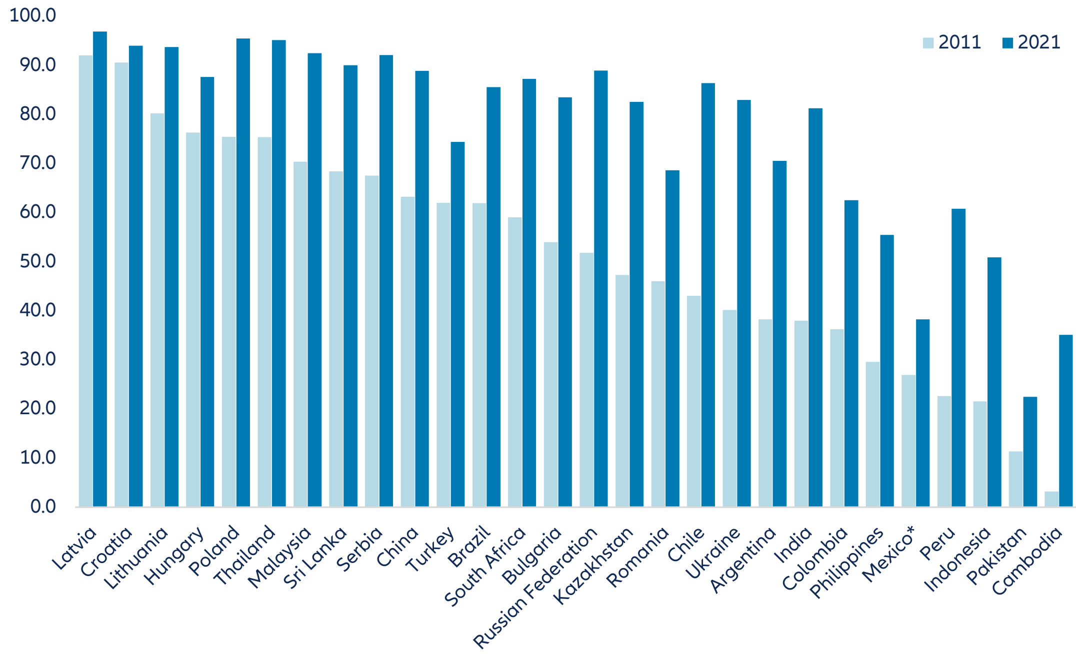
Sources: Eurostat, national central banks, financial supervisory authorities, financial associations, and statistical offices, IMF, Refinitiv Eikon and Allianz Research

Growth driver backlog demand

The reasons for the diverging growth rates are manifold. One important reason is the backlog demand in many emerging countries, where government efforts to increase financial literacy and broaden access to financial services has spurred growth in financial assets in recent years. Another reason is the portfolio structure of private households.

First of all, savings depend on the accessibility of financial services. While in advanced economies the share of adults aged 25 and older who have an account at a financial institution is close to 100%, many people in emerging markets still lack access to financial services. Ten years ago, in most of the emerging markets in our analysis, less than 60 % of all adults aged 25 and older had access to financial services. The share of adults with an account at a financial institution ranged between 3.3% in Cambodia and 90.2% in Latvia. In the meantime, the situation improved markedly, which contributed to the dynamic financial asset growth in these countries. In fact, in most of the countries, the share of adults with their own account at a financial institution has increased to more than 80% in 2021, with the overall range reaching from 22.5% in Pakistan to 96.6% in Latvia (see Figure 6).

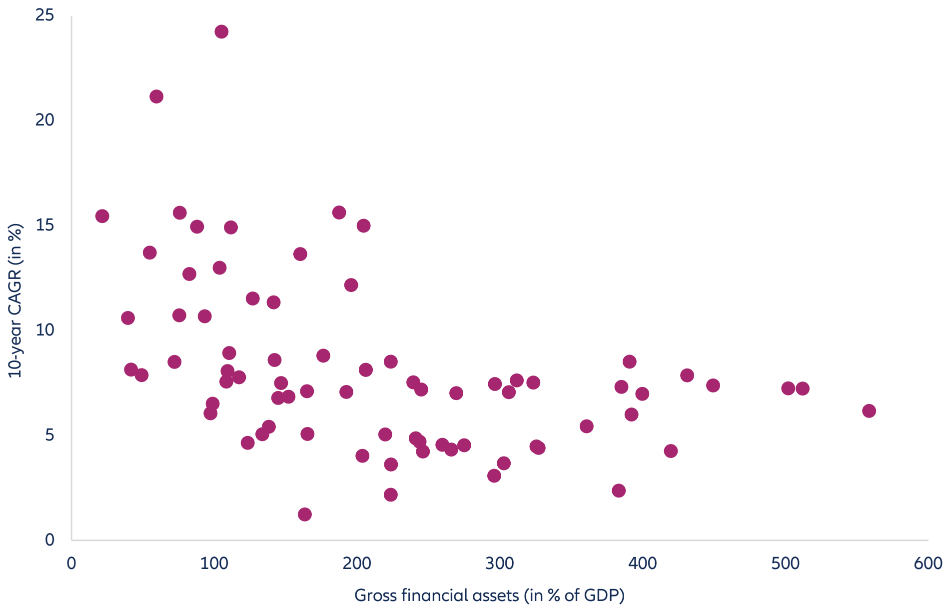
Figure 6: Accessibility of financial services has improved markedly
Adults aged 25 and older with an account at a financial institution (in % of age group)



Sources: Worldbank

But despite the marked improvements in terms of financial accessibility and financial education, there is still marked backlog demand in many emerging markets. Comparing gross financial assets to GDP and gross financial assets per capita gives a hint of the existing backlog demand in a country. In general, in countries where gross financial assets measured in relation to GDP are still relatively low, there is a higher catch-up demand and therefore, at least hypothetically, higher financial-asset growth than in countries where this relation is already comparatively high. In the analyzed countries, the relation of gross financial assets to GDP ranged from less than 50% in Serbia, Indonesia, Kazakhstan and Argentina to more than 500% in the US and Taiwan. Furthermore, there are also marked differences within the world regions. This holds not only true for Asia, where the shares ranged between 40% in Indonesia and 559% in Taiwan, but also for the Europe, where they ranged from 22% in Kazakhstan to 431% in Denmark (see Figure 7).

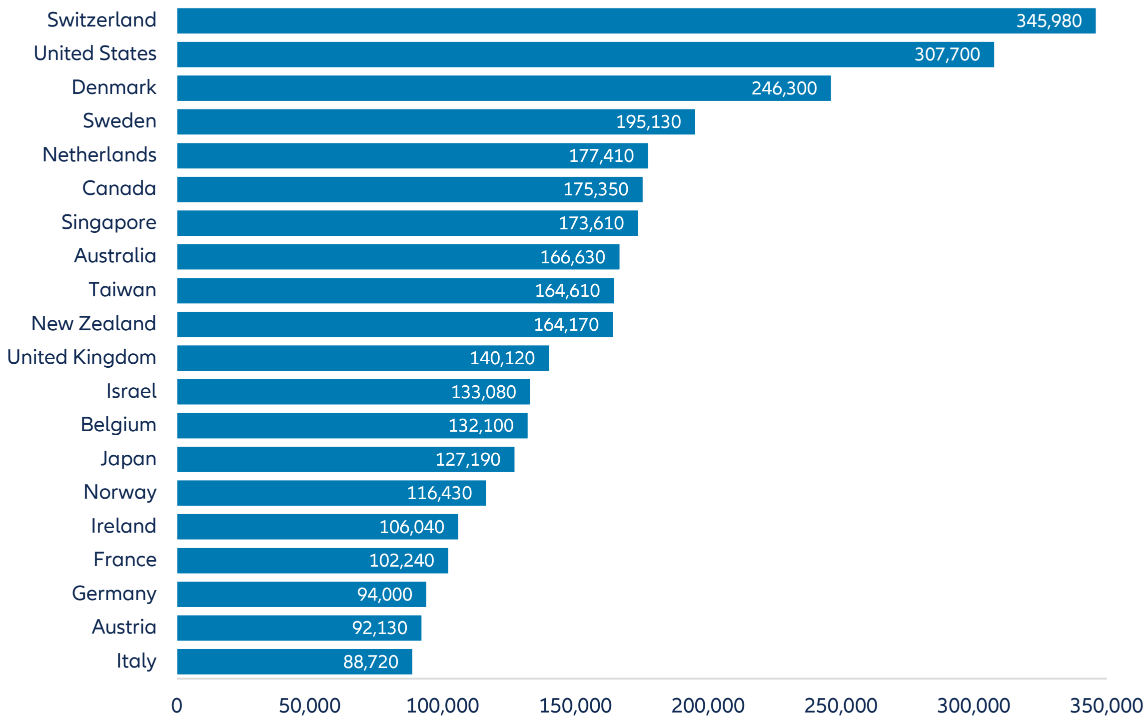
Figure 7: Low wealth – high growth
10-year compound annual growth rate (in percent) versus gross financial assets (in % of GDP)



Sources: Eurostat, national central banks, financial supervisory authorities, financial associations, and statistical offices, IMF, Refinitiv Eikon and Allianz Research

There are also marked differences in terms of gross financial assets per capita, which ranged from EUR650 in Pakistan to EUR345,980 in Switzerland. US households ranked only second in terms of gross financial assets per capita, which amounted to EUR307,700, followed by Denmark with an average EUR246,300 per inhabitant. In fact, none of the emerging markets made it into the ranking of the wealthiest countries by gross financial assets per capita. China, the second-richest country in terms of total gross financial assets, ranks only lower midfield in this ranking, with gross financial assets per capita amounting to a mere EUR22,280, compared to EUR173,610 in Singapore, EUR164,610 in Taiwan, or EUR127,190 in Japan. The wealthiest Eastern European private households in per capita terms are those in the Czech Republic, with gross financial assets amounting to an average EUR33,940, while the Chilean households lead the Latin American ranking, with gross financial assets of EUR22,450 per capita (see Figure 8).

Figure 8: Ranking by gross financial assets per capita
Gross financial assets per capita (in 2021 EUR)



Sources: Eurostat, national central banks, financial supervisory authorities, financial associations, and statistical offices, IMF, Refinitiv Eikon and Allianz Research

Gross financial assets per capita range from EUR650 in Pakistan to EUR345,980 in Switzerland.

Growth driver asset structure

A further reason for the marked differences in financial-asset growth is the asset structure of private households' portfolios, which reflects the development state of financial systems and the population's access to financial services. The more developed a financial system, the lower the share of bank deposits in private households' financial portfolios, at least in general. However, there are exceptions to the rules.

The most striking is the asset structure of private households in Japan, where the share of deposits was 55%. Such a high share is what we would expect in emerging markets with an underdeveloped financial system. However, in Japan, it is mainly due to the weak performance of the Japanese stock market since 1990. The Nikkei has stabilized above its 2000 level since 2013 but is remains below its all-time high from 1989. As a result, Japanese households have been rather reluctant to invest in stocks over the last three decades, though this is starting to change. Flows into securities reached EUR42bn in 2021, the highest since 2007. Nevertheless, the bulk of the total EUR324bn in financial flows, namely EUR262bn, went into bank deposits like in the past.

The share of bank deposits is lower on average in Eastern Europe and the other Asian economies including China, amounting to 49% and 47%, respectively. However, similarly high shares of deposits in private households' financial asset portfolios could be found in the non-EU Eastern European countries, where they made up 55% of total gross financial assets. In the Eastern European EU member states, the share was on average 44%. This also holds true for the Asian emerging markets, such as India or Indonesia, where the share of deposits is also still close to 60%. Driven by the economic environment, even Chinese households appear to have rediscovered their preference for bank deposits. According to our estimates, the share of deposits in their portfolios in 2021 was still around 48%, up from 42% in 2017.

The share of deposits is markedly lower in other parts of the world. The asset structures in South Africa, Australia and New Zealand, as well as in Western Europe, are dominated by claims against life insurance companies and pension funds, reflecting the importance of occupational and private capital-funded pension provision in these countries and regions. In fact, South Africa is among the countries with the highest life insurance penetration worldwide.

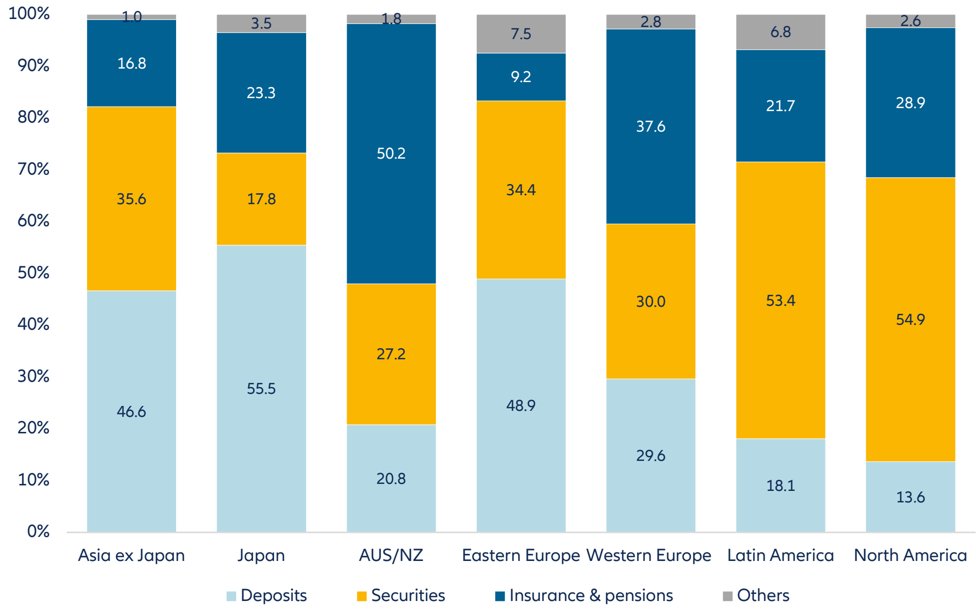
In Latin America and North America, more than 50% of private households' financial assets are invested in securities, which paid off in the recent years of booming stock markets. However, this could pose a problem in times of a sustained stock market decline, especially when households are forced to realize their losses.

This could become an issue in Brazil and Mexico, where private households held 62% and 55%, respectively, of their total financial assets in securities in 2021[4]. In the other four Latin American countries that we cover in our analysis, the shares of securities were markedly lower, ranging from a mere 7% in Peru to 33% in Chile. In Chile and Colombia, claims against insurance companies and pension funds were the dominating financial products, with shares of 46% and 49%, respectively. In Peru, this asset class made up 31% of private households' portfolios, though these were still dominated by bank deposits.

In Northern America, it is the US households that were responsible for the 55% share of securities in the region's assets. In 2021, they held EUR58trn or 56% of their total gross financial assets in securities. This was at the same time almost 60% of the global wealth held in securities, which amounted to EUR99trn. Canadian households held "only" 44% of their financial assets in securities, though this is still above the global average of 42% (see Figure 9).

4 These holdings, however, include not only publicly traded securities but also other equity such as ownership shares in small companies. This help to explain the high shares of this asset class in some emerging economies.

Figure 9: Marked differences in asset structures
Gross financial assets, by asset class (in 2021 EUR, in % of total gross financial assets)



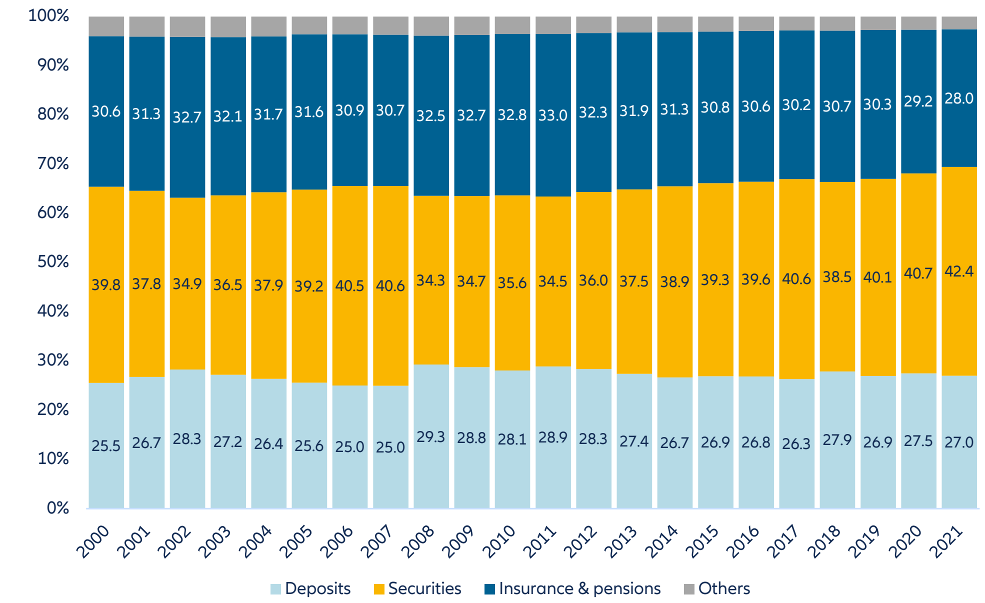
Sources: Eurostat, national central banks, financial supervisory authorities, financial associations, and statistical offices, IMF, Refinitiv Eikon and Allianz Research

Globally, securities dominate private households' financial asset portfolios

Globally, mainly driven by the developments in the US at the end of 2021, private households held 27% of their gross financial assets in bank deposits, 42% in securities and 28% in insurance and pension products, with the latter representing an all-time low.
This strong capital market orientation might turn out to be a double-edged sword in the coming years: Private households benefitted nicely from higher stock market returns in recent years but they are now more vulnerable to the risk of a major capital market setback. At the same time, the dwindling popularity of insurance and pension products gives further reason for concern as in ageing societies there is an increasing need for private pension provision (see Figure 10).

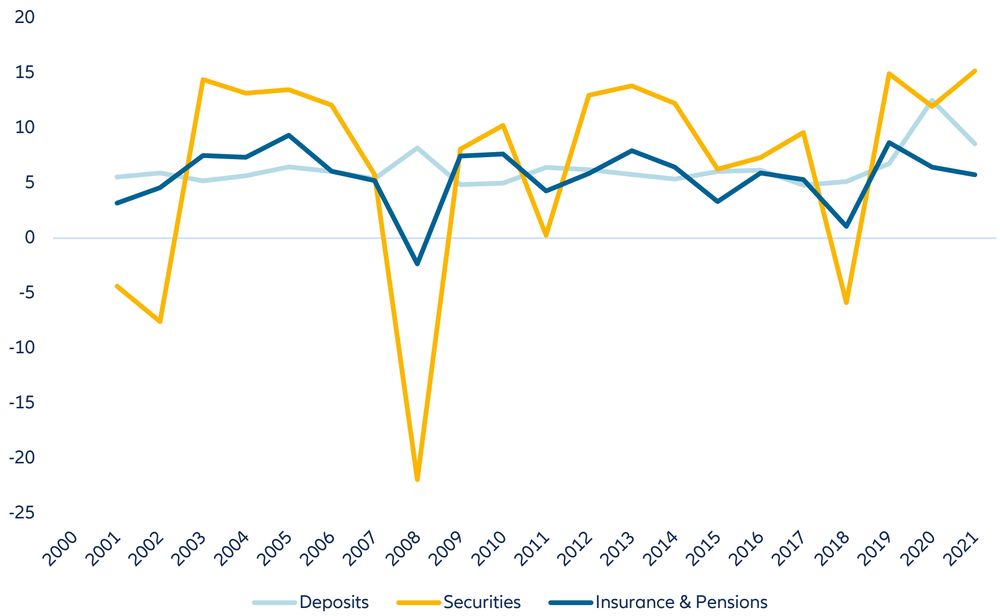
The ongoing shift in the portfolio structure was also supported by the slowdown of deposit growth from the record high of +12.5% in 2020 to +8.6% in 2021, while security growth picked up to +15.2%. The increase in insurance and pension assets slowed down further to +5.7%, not least reflecting government measures such as the reduction of pension-fund contribution rates and allowing individuals to prematurely withdraw pension savings to ease the financial hardships of the Covid-19 pandemic in countries such as Chile and Peru (see Figure 11).

Figure 10: Securities are the most popular asset class globally
Gross financial assets, by asset class (in 2021 EUR, in % of total gross financial assets)



Sources: Eurostat, national central banks, financial supervisory authorities, financial associations, and statistical offices, IMF, Refinitiv Eikon and Allianz Research

Figure 11: Securities are the most popular asset class globally
Gross financial assets, by asset class (y/y-change, in %)



Sources: Eurostat, national central banks, financial supervisory authorities, financial associations, and statistical offices, IMF, Refinitiv Eikon and Allianz Research

Bank deposits remained the asset class of choice

The increase in securities seems to be mainly driven by stock market value gains and to a lesser extent by new investments as private households globally invested only EUR0.7trn or 15% of their total new savings into securities in 2021. The bulk of the EUR4.8trn flows, namely EUR3.0trn or 63%, went in bank deposits. This was a slightly lower share than the record 70% seen in 2020, but still markedly above the average of 42% between 2000 and 2019. Besides, the sheer volume of new bank deposits swelled the total flow of funds to the second highest amount after 2020.

In contrast to deposits, insurance and pensions continued to lose popularity: Only 17% (EUR0.8trn) went into insurance and pension assets, a far cry from the record 54% in 2013 and a continuation of the downward trends in absolute and relative figures (see Figure 12).

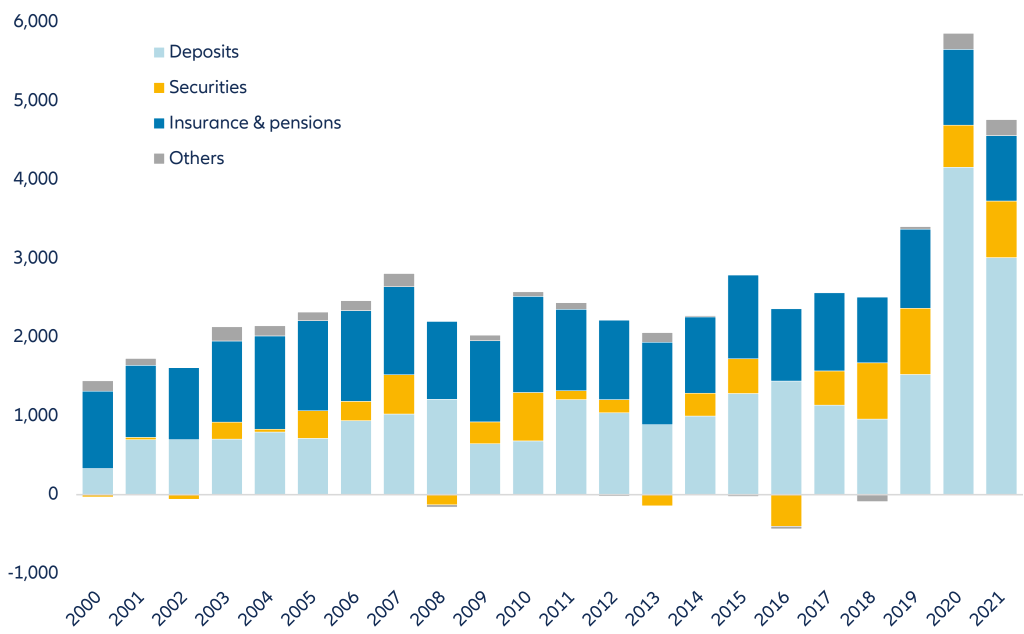
A closer look reveals some surprising trends in several countries and regions[5]. Surprisingly, US private households transferred an even higher share of their new savings into bank deposits than the average household in the rest of the world. And this share even slightly increased from 71% in 2020 to 73%, even as it decreased at the global level. The absolute amount was EUR1.7trn, which corresponded to 56% of all flows into bank deposits.

Less surprisingly, Japanese private households transferred an even higher share of their new savings into bank deposits than their peers in the US, namely 81% or EUR260bn. However, this share was lower than in 2020, when Japanese households placed all of their new savings in bank deposits. In 2021, they seem to have rediscovered the stock market again after 2018 since 13% of the flow of funds were invested in securities. They share this renewed interest in securities with their peers in Western Europe.

Western European households transferred a comparatively low share, namely 47% of their new savings into bank deposits. In 2020, the first year of the Covid-19 pandemic, this share was 65%. EUR320bn or 23% of the total EUR1.4trn flows were invested in securities, almost double the share of the year before (13%); finally, 25% were invested in insurance and pensions, up from 18% in 2020 (see Figure 13).

5 The combined new net savings of the private households in the US, Western Europe and Japan account for 84.5% of the total flows covered in our analysis.

Figure 12: Bank deposits remained the asset class of choice globally
Flow of funds, by asset class (in 2021 EUR bn)



Sources: Eurostat, national central banks, financial supervisory authorities, financial associations, and statistical offices, IMF, Refinitiv Eikon and Allianz Research

Figure 13: Investment behavior upside down
Gross financial assets, by asset class (in 2021 EUR, in % of total gross financial assets)

Sources: Eurostat, national central banks, financial supervisory authorities, financial associations, and statistical offices, IMF, Refinitiv Eikon and Allianz Research

Turning point

However, with the global economy teetering on the brink of recession and equity markets becoming more volatile, it remains to be seen whether the renewed interest in equities as an asset class in Western Europe and Japan will continue, or whether the trend we are observing in the US will prevail. Especially since the prospects for returns are reduced, while (book) losses from past investments in shares cannot be prevented.

In fact, these losses might already materialize in 2022 as most stock markets are very likely to end the year in the red. The trigger was the war in Ukraine, which choked the recovery post Covid-19 and turned the world upside down: Inflation became rampant as prices for energy and food skyrocketed. As a consequence, monetary tightening is squeezing economies and markets. Household wealth will feel the pinch: Global financial assets are set to decline by more than -2% in 2022, the first significant destruction of financial wealth since the Great Financial Crisis (GFC) in 2008. In real terms, households will lose a tenth of their wealth.

But in contrast to the GFC, which was followed by a relatively swift turnaround – not least in asset markets – this time around the mid-term outlook, too, is rather bleak. Big economies such as the Eurozone and the US will slip into recession in 2023. Lasting higher prices will continue to curtail real income growth and savings efforts. Under the assumption that stock markets will recover, i.e. deliver "normal" returns, the average growth of financial assets is expected at +4.6% until 2025. This compares with the outstanding +10.4% in the preceding three years. Savers will have to learn to (re-)adjust to leaner times.

From confusion to action – aligning ESG with SDG target pathways

ESG (environment, social, governance) is the trend in investing as many of today's investors care for more than just profit. According to some estimates, EUR35trn of assets are managed under the ESG logic[6] . There is nothing wrong with taking the environmental, social and governance implications of an investment into account, but the ESG boom raises an important question: Can these impacts really be measured in a comprehensible way? Although the available information related to all types of assets has increased recently, it is often not sufficient in scope and quality to form a conclusive assessment of the current ESG state of an asset. The next hurdle is to formulate an objective and transparent evaluation of how good, or bad, the future ESG performance of the asset will be. And beyond that, some investors will want the methodology and analysis to be science-based and under the supervision of neutral parties such as trusted NGOs or established international organizations. This is rational as it prevents investors from falling into the greenwashing or at least the greenwishing[2] trap.

6 See, for example, Bloomberg (2022), ESG by the Numbers: Sustainable Investing Set Records in 2021.
7 Greenwishing refers to pursuing activities and allocating essential amounts of resources to activities that are "green" but have very little impact for solving or treating the actual problem. Typically, the effort and resources could be allocated in a much more effective way. The widespread engagement in greenwishing activities results from various factors. The tendency to approach ESG from a public relations or communication perspective often results in addressing small-scale local issues. In addition, the activities of choice are typically not based on an impact and cost-benefit assessment of a broad and representative set of potential activities.

Table 1: Inflation has surged. What should your government do to mitigate the impact? Answers in %

	Column A: 2020 emission intensity (tons of CO2 per unit produced)	Column B: 2030 emission intensity (tons of CO2 per unit produced)	Column C: 2020 emissions (mn tons of CO2)	Column D: 2030 emissions (mn tons of CO2)	Column E: emissions (mn tons of CO2)	Column F: Emission reduction	Column G: Temperature target compliance
Company HE "High Emitter"	1.2	0.6	6	3	-3	-50%	1.5°C
Company LE "Low Emitter"	0.6	0.4	3	2	-1	-33%	2.0°C

To add to this, common approaches of evaluating the climate performance of an asset can diverge. Table 1 illustrates one common difference between "Taxonomy" and "Science Based Targets" approaches for two imaginary companies (automobile producers, for example). A taxonomy approach (like the EU-Taxonomy) focuses very much on current emission intensities, shown in Column A. The "High Emitter (HE)" company currently has twice the emissions per produced unit (e.g. per automobile) in comparison to the "Low Emitter (LE)" company. A taxonomy-motivated approach would favor the LE over the HE in an investment portfolio. However, an approach based on the Science Based Targets Initiative NGO (SBTi) would focus on teach company's transition aspirations, which can be the change of the emission intensity from Column A to Column B in our example. Looking further, it becomes immediately clear that the allegedly "dirty" producer HE is the one that contributes much more to mitigating climate change if its transition plan is implemented. In the future, the HE will still be dirtier measured by emission intensity compared to the LE (Column B). But the HE will have avoided three times the total emissions (Column E) and will have reduced emissions by -50% compared to the -33% reduction of the LE. Consequently, the HE's transition pathway could be compatible with the ambition of limiting global warming to 1.5°C, while the LE's effort just complies with limiting global warming to 2.0°C (Column G). This (hypothetical) example underlines how important it is to apply a dynamic perspective.

The same logic applies to the larger scope of other ESG-related issues, in particular with regard to societal transition goals. Admittedly, defining desirable targets in the social sphere is much more complicated (and contentious). But fortunately ESG does not need to develop its own set of transition targets from scratch. The United Nations Sustainable Development Goals (SDGs) provide an established framework that classifies sustainability issues in 17 distinct categories. A recent study by van Vuuren et al. (2022) gives an overview of key indicators for the SDGs and links them to scientific evidence on the desired transition targets. For example, under the SDG 5, gender equality, one indicator is the gender gap in mean years of schooling. Today, it amounts to 0.79 years; the targets for 2030 and 2050 aim to reduce it to zero.[8] This approach lays the foundation for addressing ESG in an impact-oriented view that addresses the broad agenda of sustainability goals in the way climate change is already addressed today.

The upshot: the ESG methodology is far from being perfect, especially with regard to the two latter letters. But it would be a grave mistake to throw the baby out with the bathwater. Given the tremendous progress in measuring climate impacts, there is no reason to assume that similar strides are impossible in S and G. With the United Nations SDGs, a powerful tool is already available to measure ESG impacts and thus inform investment decisions.

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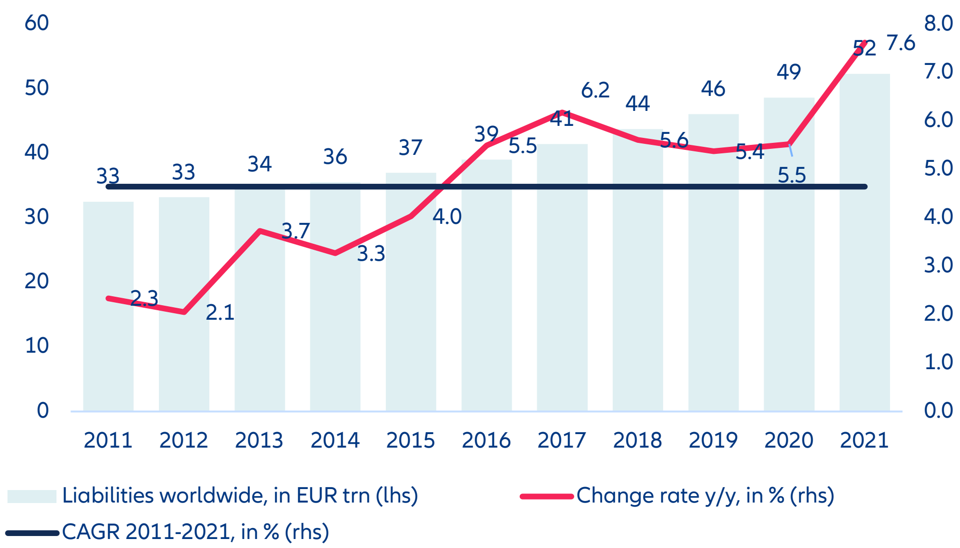
8 For a full discussion of all SDGs and how to operationalize them, see Zimmer, M. (2022), From confusion to action – aligning ESG with SDG target pathways, forthcoming.

Liabilities: the return of debt

Household debt has been on the rise across most of the economies in our sample. On the one hand, this is a very welcome sign of the deepening of financial markets in emerging markets and the ability of households to tap into a different way of financing. On the other hand, the context of rising interest rates and the higher cost of living could pose a risk to household balance sheets. If debt servicing becomes too high, households could find themselves saddled with debt overhangs.

Figure 14: The rise of the debt dragon
Development of global debt burden



Sources: national statistical offices, central banks, Allianz Research

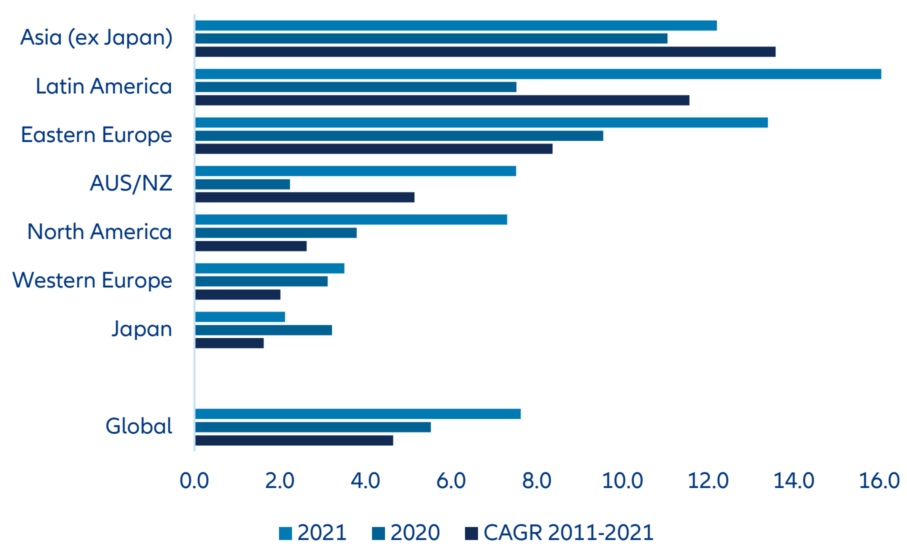
Putting debt constraints to rest

The Russian war of aggression against Ukraine is a turning point in world history such as we last experienced over 30 years ago with the fall of the Berlin Wall. However, while the caesura at that time marked the beginning of "hyper-globalization", this phase may be coming to an end. The form of the international division of labor will change fundamentally, from the primacy of efficiency to the Not too long ago, though it might seem like a lifetime, the pandemic was the crisis that policymakers were trying to shield consumers from.
To avoid additional stress, governments intervened in household credit with debt-deferral and debt-forbearance policies, effectively preventing consumers from falling into debt delinquency. However, now we are facing a different economic situation, a "vibecession"[10] or limbo between economic doom and unprecedented strength in some sectors of the economy, like the labor markets.
At the end of 2021, global household debt grew by +7.6% y/y, vastly outpacing the long-term average rate (Compound Annual Growth Rate 11-21) of +4.6%, to reach EUR52.3trn. This was the fastest pace since 2006, well before the 2008 great financial crisis (GFC).

In line with previous years, emerging markets saw the fastest growth in debt (+13.2% in 2021). In Latin America, household debt increased by +16.1%, outpacing the CAGR 11-21 of +11.6%; Eastern Europe saw a rise of +13.4% compared to its average of +8.4%. In contrast, Asia (ex Japan) was the only region where debt growth remained slightly below the last decade's average, at +12.2% in 2021 versus a CAGR 11-21 of +13.6%. Though debt growth was slower in advanced economies, we do see an acceleration compared to the long-term average: +5.8% vs. the CAGR 11-21 of +2.7%. Debt in North America rose by +7.3% compared to the decade average of +2.6%, pointing towards a worrying trend in the context of rising interest rates. Debt in Western Europe grew by +3.5% (CAGR 11-21: +2.0%) and in Japan by +2.1% compared to the long-term average of +1.6%. The heavily-indebted region of Oceania saw an increase of +7.5% compared to its CAGR 11-21 of +5.1%. All in all, these growth numbers are testament to the fact that the decade-long debt constraint following the GFC, reducing the debt pile in relation to income, has finally been put to rest (see Figure 15).

10 An expression coined by American economist Kyla Scanlon, referring to the mixed signals coming from the US economy. The labor market remains strong despite the contraction in GDP, raising questions over whether the US is actually facing a technical recession.

Figure 15: The regional divide
Increase of debt by region, in %



Sources: national statistical offices, central banks, Allianz Research

Changing global debt map

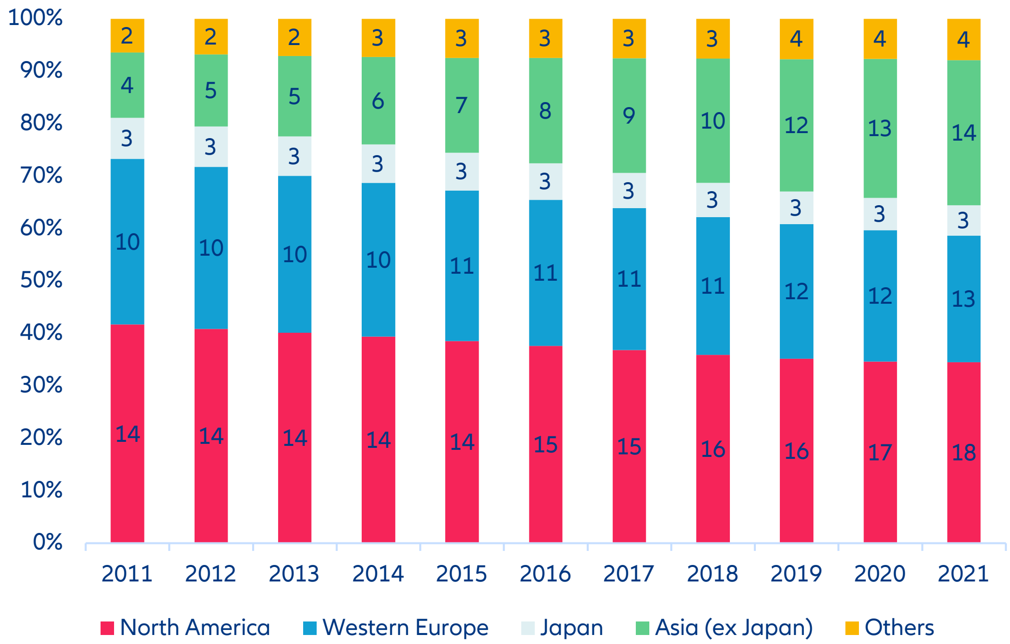
Crises after crises is the order of this very young decade, handing households a difficult card to play when it comes to managing financial shocks and risk. While many households fared well during the pandemic, with growing savings and more disposable income, the trend has now reversed: Inflation is hitting average and low-income households where it hurts the most through energy prices and utilities, high food prices and unaffordable housing costs.

The biggest issue with household debt is when households must turn to it to make ends meet – which is already the case in some developed economies. In the UK, households are subscribing to "desperation borrowing", according to reports from a debt advice charity . Households could take years to recover from this type of shock.

If the cost-of-living crisis continues, the lagged effect of an increase in household debt ultimately means lower future consumption. A high household debt burden in times of economic hardship will also limit households' leeway to deal with any additional income shocks. While household fresh savings grew by a still whopping EUR4.8trn, liabilities flows rose by EUR2.1trn last year – up +62% from 2020's flows.

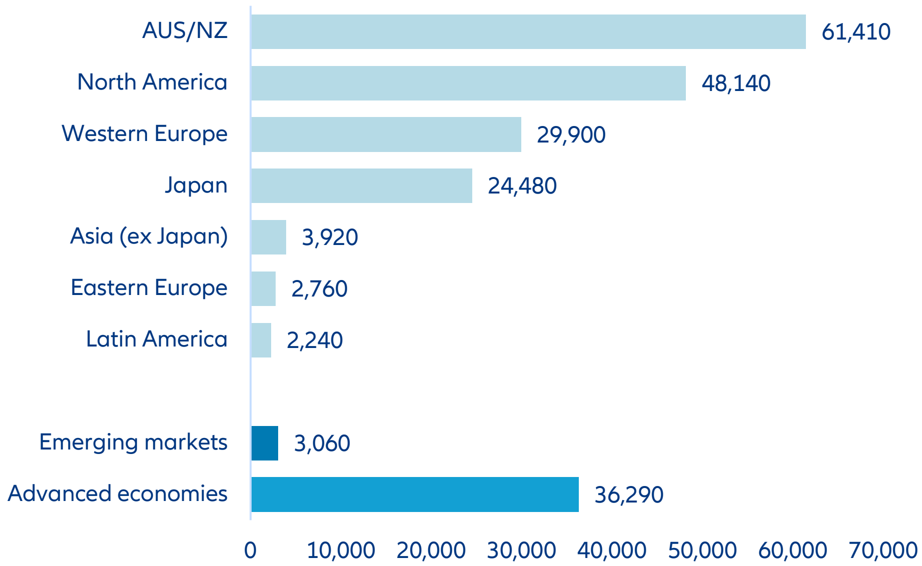
Reflecting the debt constraint in many advanced economies in the aftermath of the GFC, the geographic allocation of debt has changed since the last crisis. At the height of the GFC, the US held 42.2% of the global debt burden. Today, the share of American debt (EUR16.1trn) has decreased to 30.9%. Western Europe's share of global debt has also decreased to 24.1% (EUR12.6trn), from 32.1% before the GFC. Emerging markets account for an ever-rising proportion of the world's liabilities, notably Asia ex Japan: It is not only now the second-largest region in terms of debt (27.6% of global liabilities or EUR14.5trn) but its global share has more than doubled in the past decade. However, it falls behind in terms of liabilities per capita: just above EUR3,920 vs. EUR36,290 in advanced markets (see Figure 16).

Figure 16: Increasing shares of debt
Development of global debt



Sources: national statistical offices, central banks, Allianz Research

Figure 17: Real debt of real estate
Debt per capita 2021, in EUR



Sources: national statistical offices, central banks, Allianz Research

Calm before the storm?

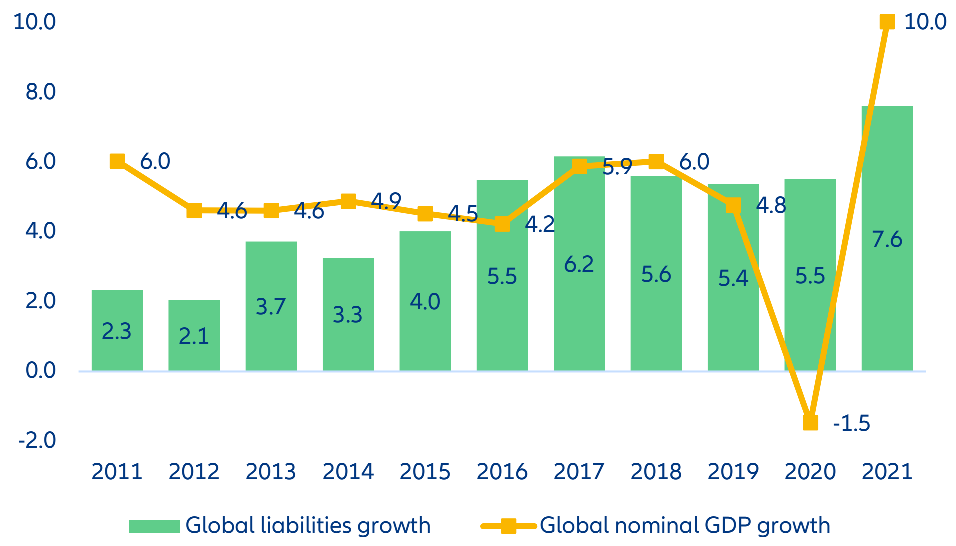
During the past two years, growth in liabilities overtook global GDP growth – especially with the -1.5% decline in global output in 2021. However, 2021 brought about a reversal: Global liabilities grew by +7.6%, while nominal GDP rose by +10.0%, though this was mainly the result of the post-pandemic rebound. Given the looming threat of a global economic slowdown, the previous pattern of liabilities outgrowing global output is likely to return (see Figure 18, following page).

Before the pandemic, the household debt-to-GDP ratio was flat for the first time. However, in 2020, the ratio saw a visible uptick, not so much because of an increase in debt but because of the fall in output. In 2021, the opposite happened: Because of the strong rebound in economic activity, the debt ratio fell slightly to 68.9%. The only exception was the region Asia ex Japan, where we see more debt (60.6%). Interestingly, the debt ratio edged up in Japan, too (see Figure 19, following page).

A final word to net financial assets, i.e., gross financial assets minus liabilities. 2021 was a year of robust growth for net financial assets, which increased by +11.2%, above the last decade´s average of +7.9% (CAGR11-21). North America´s growth outpaced the rest of the regions (+13.5% y/y). Oceania saw the second-highest pace of growth (+12.5%), followed by Eastern Europe (+11.8%), Asia ex Japan (+11.0%), Latin America (+8.0%) and Western Europe (+8.0%).

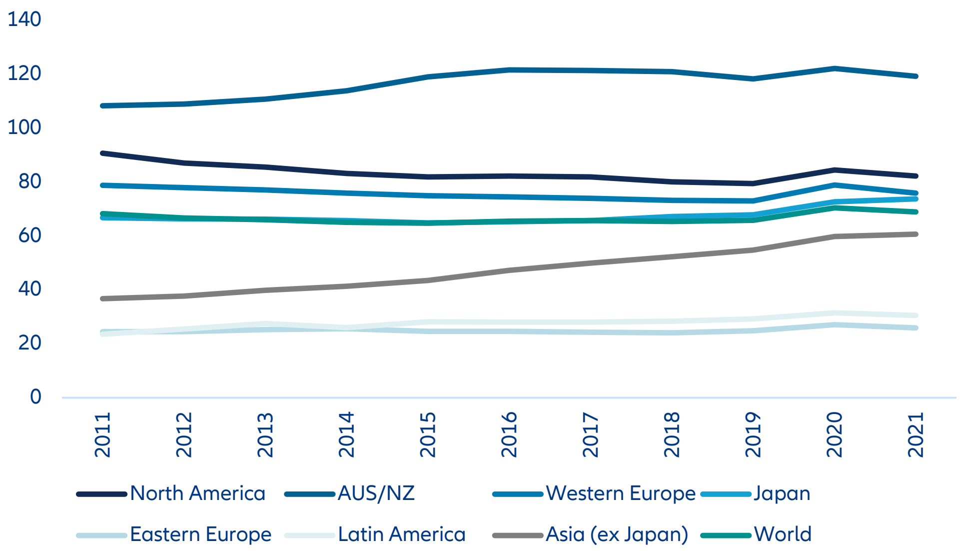
The accumulated global net financial wealth at the end of 2021 was EUR181trn. Over 50% of this wealth is concentrated in North America, home to the largest and most developed financial markets. Even more surprisingly, however, is the fact that this share has crept up recently: it is now even higher than at the beginning of the century. Western Europe, in contrast, has seen its share falling by almost 9pp since 2000 to 18.5% in 2021; Asia ex Japan is trailing not too far behind with 17.8%, while the rest hold between 12.6% of the net financial wealth. In terms of net wealth per capita, North America is by far the richest region with EUR246,100. Oceania comes in second at EUR104,810, followed by Western Europe at EUR79,430, Asia ex Japan at EUR8,710, Eastern Europe with EUR7,290, and Latin America at EUR7,050. If we were to split the net financial wealth equally amongst the population in our sample, it would be EUR 32,470 per capita – over twice the amount of a decade ago.

Figure 18: The growth divergence and convergence
Debt and GDP growth and household liabilities growth, y/y in %



Sources: national statistical offices, central banks, Allianz Research

Figure 19: The flatliners
Liabilities as % of nominal GDP



Sources: national statistical offices, central banks, Allianz Research

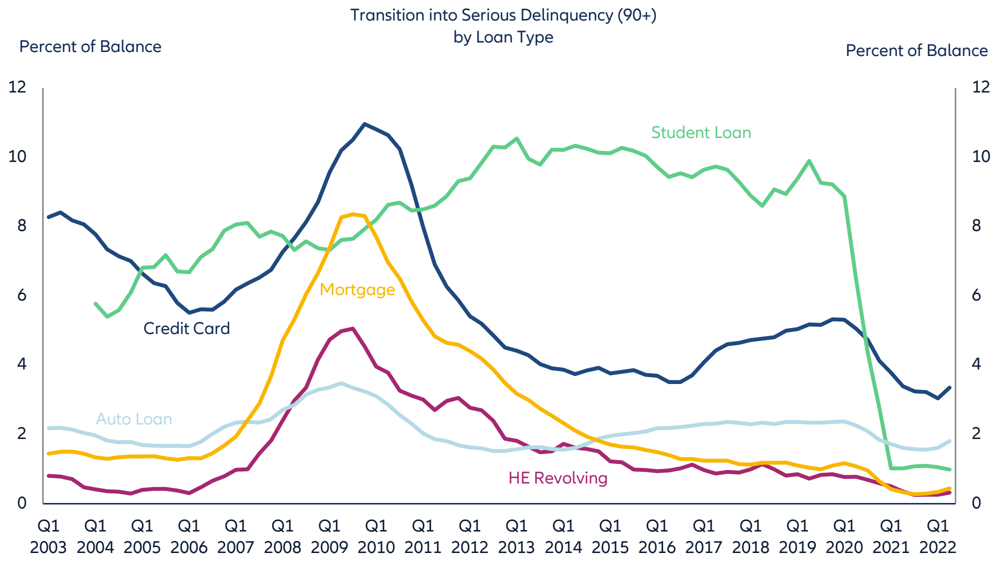
North America

In 2021, North American households held EUR18.1trn in liabilities, with the US accounting for the lion's share of EUR16.1trn. Debt in the US represents 79.9% of the output, while in Canada household liabilities are 109.9% of GDP. The ratio increased somewhat from what it was pre-pandemic (US: 77.2%; CAN: 106.2%). Despite increased debt forbearance, and debt delinquency hitting a 13-year low, we expect an increase in delinquency and debt levels as the cost of living rises. While debt forbearance allows consumers to suspend their debt payments when they are having troubles repaying their loans, they do not forgive unpaid loans. These are to be repaid over an extended period. This is why there was a massive decline of student loan delinquency during the pandemic. However, as forbearance schemes expire, the uptick unavoidably follows, as shown in Figure 20.

The liabilities flows in the US increased by almost two-fold between 2020 and 2021 as the 2mn borrowers that were in debt forbearance faced refinancing and new debt. In the US, mortgage, auto loan and credit card balances all increased, partly driven by rising prices. Year-on-year debt increased by +7.3%, the highest rise since 2006. Nonetheless, debt delinquency has yet to become a macroeconomic issue. Moreover, the US government just announced a USD10,000 student-debt forgiveness grant to alleviate the pain that would arrive later this year as pandemic schemes expire.

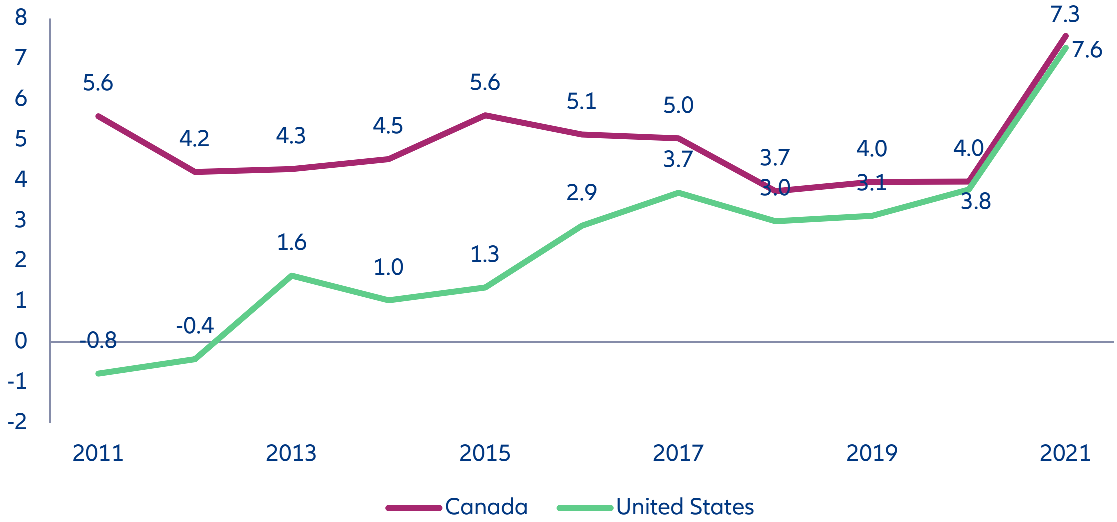
In Canada, mortgages represent 71.4 % of total household liabilities, a huge increase since the peak seen during the GFC (61.1%). In the US, however, mortgages have decreased as a share of household debt from 72.9% in 2008 to 64.0% in 2021. The trends in growth rates in the two countries were markedly different but since the pandemic they have started to converge, as seen in Figure 21. While there was some belt-tightening in the aftermath of the GFC in the US – debt declined for four years in a row – Canadian households never trimmed their debt burden. Instead, they have continued to borrow heavily. With growth rates of +2.4% and +4.9% in the last 10 years, the increase in liabilities is still higher than that seen in the US. Consequently, liabilities per capita are now higher in Canada than in the US: EUR47,920 vs. EUR50,060. Just before the GFC, US households' debt burdens were on average more than 50% higher than those of Canadian households. Mortgages and increasing housing and construction prices are responsible for pushing up consumer debt levels in Canada. Despite the increase in mortgage debt, however, as disposable income growth outpaced debt growth, the debt-to-income ratio eased from record 185.0% to 182.5%. If the labor market continues to be healthy, this trend might ease debt concerns.

Figure 20: Tell me what you owe, I'll tell you who you are
Transition into serious delinquency (90+ days) by loan type



Sources: national statistical offices, central banks, Allianz Research

Figure 21: Neighbors in debt
Debt growth y/y, in %



Sources: national statistical offices, central banks, Allianz Research

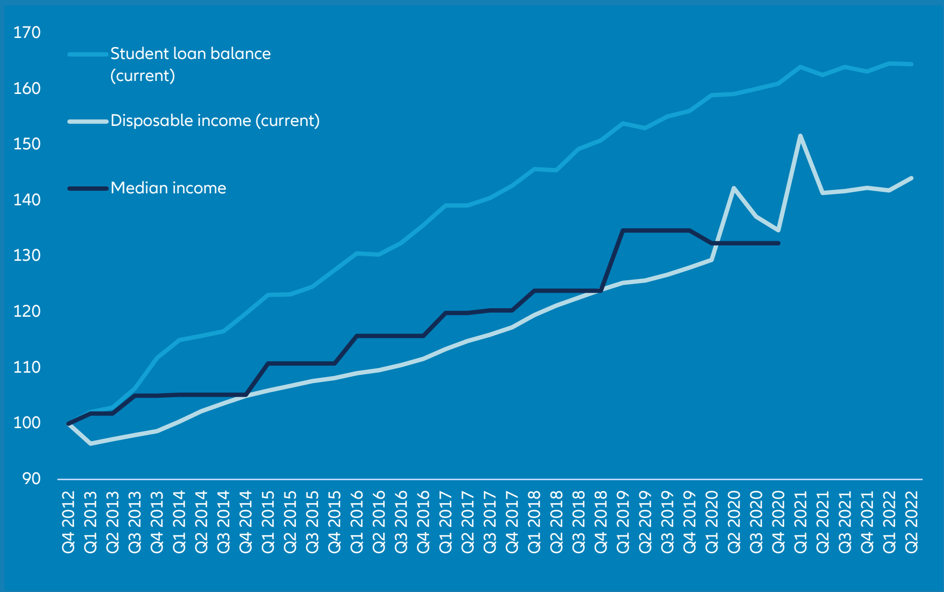
Student debt

Few policies have been as divisive as the student-loan forgiveness plan that the White House unveiled in August, estimated to cost taxpayers USD300bn, according to Wharton's budget model. On the one hand, 45mn people are shouldering USD1.6trn in federal student loans, which account for about 8% of total household liabilities, more than the share of car loans, credit cards or other consumer debt. On the other, critics argue that the policy could have inflationary consequences.

Previously, some economists opposed the idea of student-loan forgiveness because of inequality concerns: student debt is supposed to help fund higher education and have a positive impact on the recipients' earning potential, so why help those that have already been helped? Now, times have changed, the economy has changed and student borrowers and economists' opinions have also changed.

Since the 1980s, the total cost of public and private college degrees has nearly tripled, even if accounting for inflation. Public spending has not kept up with that pace, which left many students with no choice but to borrow if they wanted to get a degree. Considering the debt opportunities, for-profit universities bloomed like daisies in the spring to cater to those students that wanted an education. As more people demanded education and started to graduate and work, a widening gap between income and student loan balances materialized, as shown in Figure 22. If education is the ticket out of poverty and into the middle class, it is now being sold at an impossible price.

Figure 22: Student debt balance, personal disposable income and median household income (Q4 2012 = 100)

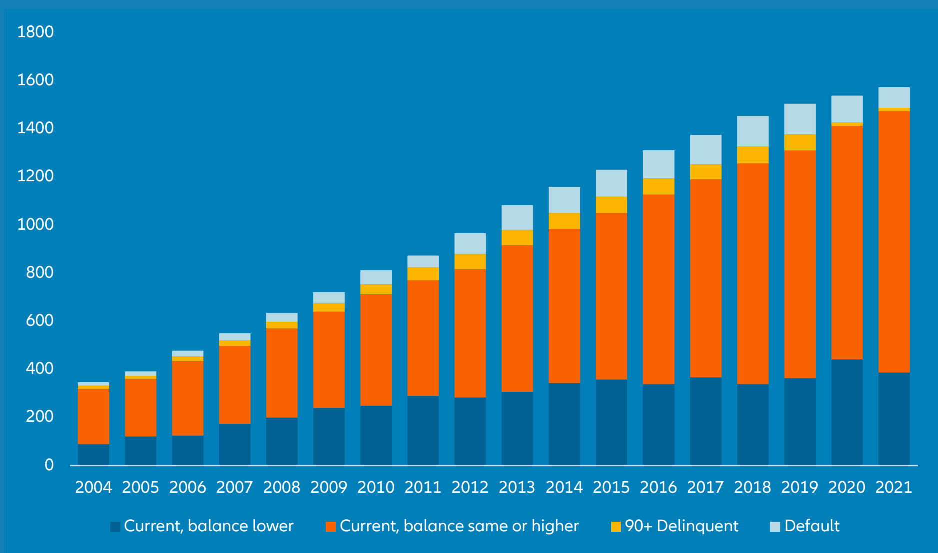


Sources: Datastream, US Census Bureau, Allianz Research

In this context, debt forgiveness just helps those that have not yet received their money's worth. Many of those shouldering the debt did not manage to graduate college. Without having earned the degree that would enable them to have higher returns in the future, there is little to no payoff from having attended college. This undermines their financial security and their ability to accumulate wealth. In addition, the policy proposed by the Biden administration is not a blanket debt cancellation but rather loan relief for borrowers that need financial relief. As there is a growing number of borrowers that have not yet decreased the amounts owed, interest still accrues, pushing them deeper into debt even if they are regular in their monthly payments. Delinquencies have artificially disappeared, but once the pandemic forbearance measures lapse, the situation could become much tighter without further help (see Figure 23).

Last year, net financial assets grew in sync in both the US and Canada (+13.6% and +12.5%, respectively), both above their long-term average rate of +8.5% and 7.6% (CAGR 11-21), respectively. Since the dawn of the pandemic, net wealth in the US has increased by +30.1% and in Canada by +21.1%, enough to cover both countries' GDPs fourfold. Whatever economic tide comes their way, it seems like all will be OK in Oklahoma, at least on average.

Figure 23: Total balance of student loan borrower by payment status



Sources: Datastream, US Census Bureau, Allianz Research

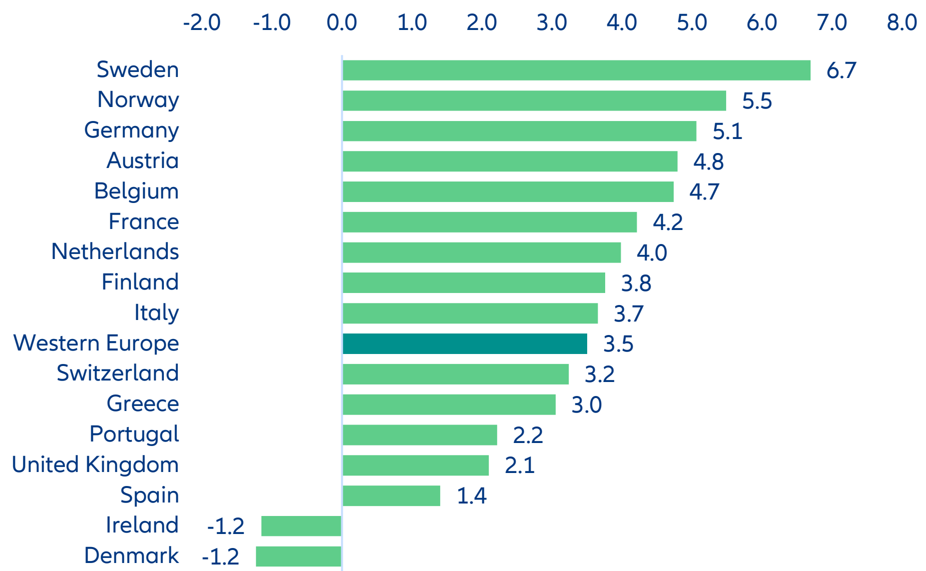
Western Europe

Western European households hold EUR12.6trn in debt, accounting for 24.1% of global household liabilities. The Swiss carry the heaviest debt burden in terms of liabilities per capita: EUR108,870, almost four times the regional average of EUR29,900 per inhabitant. Nonetheless, they also have the highest net worth of EUR237,110 per capita, far more than Denmark, the runner up, whose citizens hold EUR183,610 in net financial assets on average. After the GFC and the euro crisis, liabilities growth in Europe had been subdued. In 2021, household debt grew by a still modest +3.5% in Western Europe. The countries with the highest household-debt growth were Sweden with +6.7%, Norway (+5.5%), Germany (+5.1%), and Austria (+4.8%). Ireland (-1.2%) and Denmark (-1.2%), on the other hand, still saw declining rates (see Figure 25, following page).

On average, the debt ratio (liabilities as a percentage of GDP) stood at 75.9% at the end of 2021, which is on par with the advanced economies average of 80.8%. In some countries, however, it easily exceeds the 100% threshold, namely in Switzerland (132.0%), Denmark (109.7%), the Netherlands (105.5%) and Norway (105.5%). Even if interest rates are rising, they are still relatively low and debt levels are still manageable for the time being. However, a pocket of concern is the UK where the cost-of-living crisis is eating away the financial stability of lower-income households.

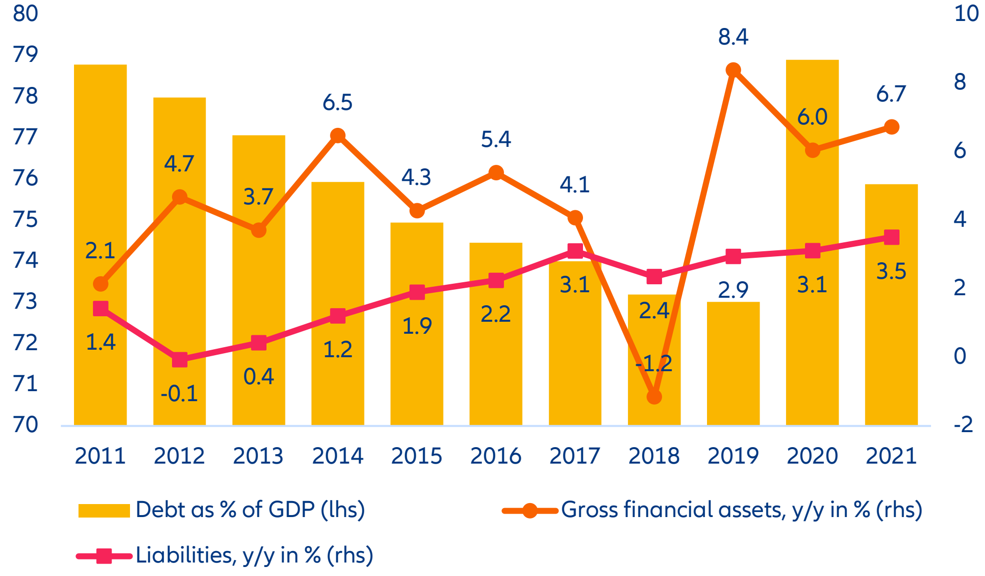
In Western Europe, net financial assets grew by +8.0% in 2021, reaching EUR79,430 per capita on average. Within the region, however, there are huge cross-country differences: net wealth per capita is above the regional average in Denmark (EUR183,610), Sweden (EUR146,510) and the Netherlands (EUR125,510). Meanwhile, the south is still struggling to converge towards the regional average: Greece (EUR17,900), Portugal (EUR28,860) and Spain (EUR40,480) are currently below their peers.

Figure 24: How Western Europe owes
Debt growth by country, 2021/2020 in %



Sources: Eurostat, national statistical offices, Allianz Research

Figure 25: The debt burden
Debt profile in Western Europe



Sources: Eurostat, national statistical offices, Allianz Research

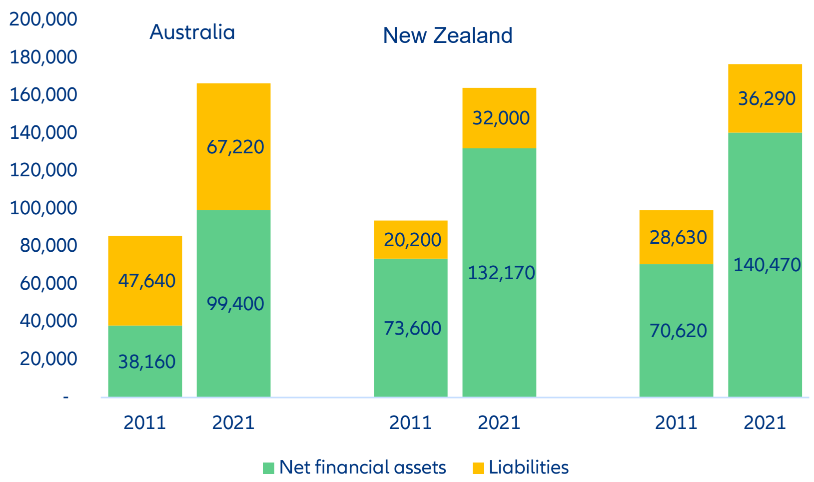
Western European households hold EUR12.6trn in debt.

Oceania

In New Zealand and Australia, households hold EUR1.9trn of liabilities, a symptom of an old malaise: high housing prices. Australia's debt ratio is the second highest worldwide at 125.8% in 2021, reflecting the burden that construction and housing prices have placed on household balance sheets. Housing prices and debt are high and rising, pushed up not only by owner-occupied loan commitments, but also by investors. The situation is not as critical in New Zealand: Growth in liabilities increased to an above average +9.1% in 2021 compared to the 11-21 CAGR of +5.9%, but they represent 77.9% of the national output. Australians are shouldering EUR67,220 of liabilities per capita on average, 94.7% of which is in mortgage debt. In New Zealand, the liabilities per capita amount to "only" EUR32,000, of which 89.0% is mortgages.

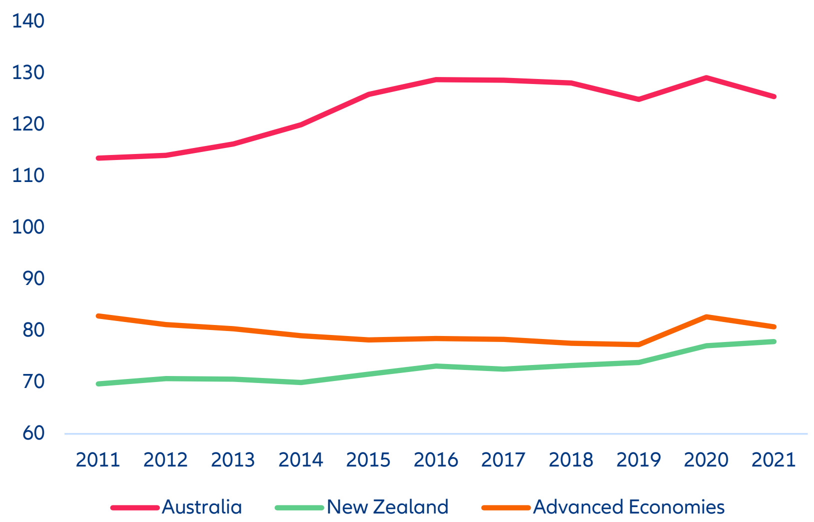
Net financial assets in Oceania have grown almost twice as fast as liabilities (+12.5% vs 7.5%) annually in the last decade and have increased almost threefold since 2011 to reach EUR3.3trn. Because of financial-asset growth outpacing liability growth, the liability-to-net asset-ratio has improved significantly in the last decade: from 98.1% in 2011 to 58.6% in 2021. With net financial assets per capita of EUR99,400 in Australia and EUR132,170 in New Zealand, the countries are ranked 7 and 14, respectively, in the global wealth table.

Figure 26: Debt down under
Net financial assets and debt per capita, in EUR



Sources: national statistics offices, central banks, Allianz Research

Figure 27: Steepness of the debt curve (debt as percent of GDP)

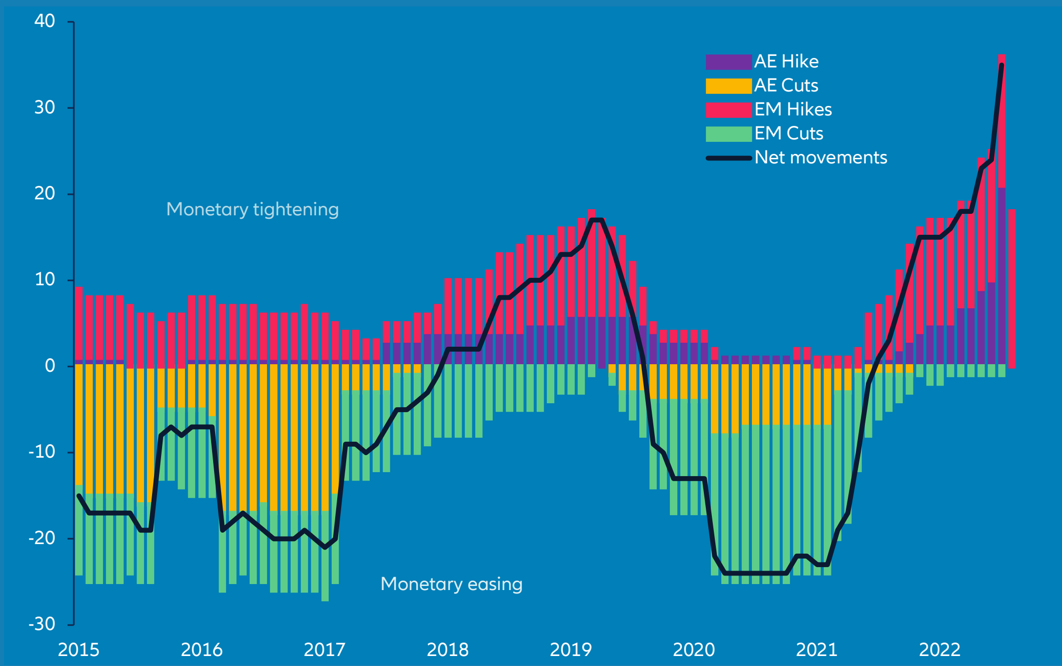


Sources: national statistics offices, central banks, Allianz Research

Monetary policy and household liabilities

With the monetary policy cycle now in sync around the world – for the most part (see Figure 28) – many households could find it increasingly difficult to pay back debt because of the increase in servicing costs. While all markets that are experiencing tighter monetary policy are exposed to the pass-through to debt-servicing costs, Australia, Denmark and Canada are the most exposed owing to higher household indebtedness. If the labor market stays healthy, most borrowers should be able to remain on track with their payments. However, it will be harder to lower balances as disposable incomes suffer, which will also reduce the ability to absorb shocks. The health of the labor market is another issue for highly indebted households, which ideally require higher wages to pay off their debt. Firms respond by posting higher wages, but fewer vacancies, which will lead to higher unemployment, worsening the outcome for highly indebted households.

Figure 28: Mapping the lows and the highs
Hikes and cuts by central banks

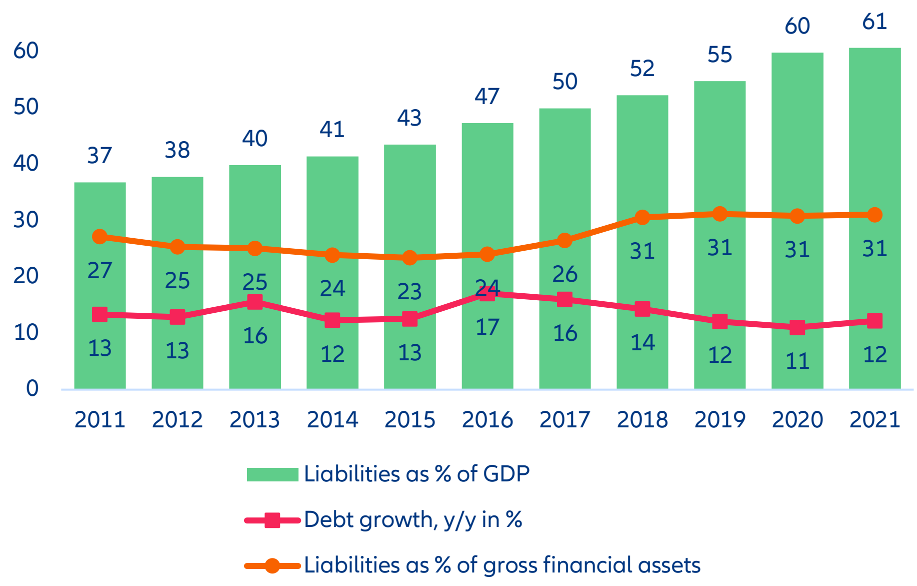


Sources: Datastream, Allianz Research

Asia (ex Japan)

Debt has grown at a different pace in emerging markets. In 2021, Asia (ex Japan) saw double-digit growth of around +12.2%, though this was lightly slower than the past decade's average (CAGR of +13.6%), partly due to developments in the Chinese market (see Figure 29). The deceleration of debt growth in China could be a symptom of the still raging pandemic malaise, which is hurting consumer confidence, as well as the lingering real estate crisis. Though Chinese liabilities growth has been accelerating for the past decade, since 2020 the country has experienced a "slowdown" in double-digit growth of +13.9%, compared to the 10-year CAGR of +17.8%. China's overheated property market remains a pocket of risk as households paid house prices similar to those of San Francisco and New York while earning just about a quarter of the income. Homeowners have reportedly started refusing to pay home loans because of problems with construction and deliveries. Amongst other things, these developments have made the Chinese central bank slash interest rates. However, despite these issues, household liabilities in China amounted to EUR9.8trn in 2021. China's weight in Asia (excluding Japan) went from 46.4% in 2011 to 67.8% at the end of 2021. In 2011, Japan recorded EUR2.5trn of household debt, which was significantly larger than China's EUR1.9trn. Today, Japanese household debt amounts to about EUR3.1trn, a third of the Chinese debt portfolio. In terms of liabilities per capita, however, China and Japan are still worlds apart. While Chinese households' debt reached EUR6,880 on average at the end of 2021, the figure for Japan was EUR24,480.

Figure 29: The other side of asset growth
Growth in liabilities since 2011, Asia

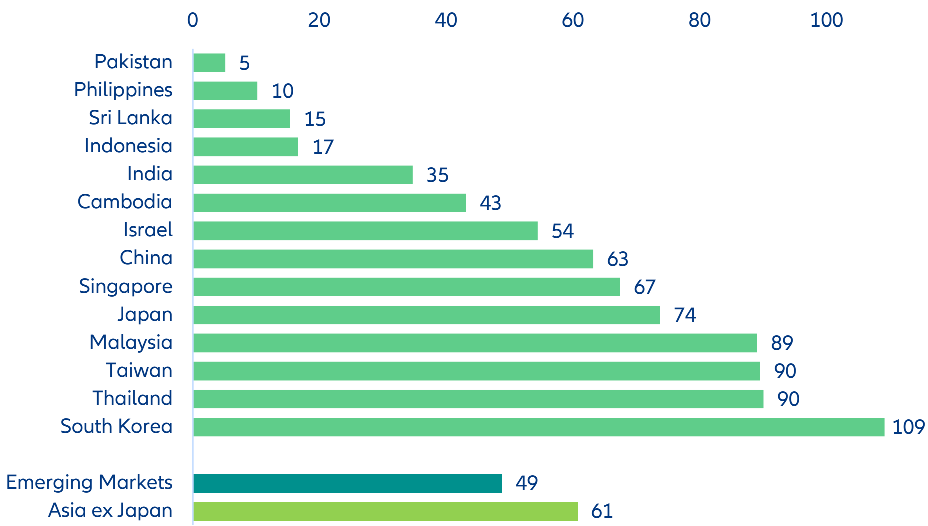


Sources: national statistical offices, central banks, Allianz Research

In terms of net financial assets, Asia ex Japan has seen important developments in the past two decades, moving from EUR1,070 per capita back in 2000 to EUR8,710 (end-2021). Chinese net assets per capita at the end of 2011 were at EUR4,650 and are currently at EUR15,400. Singapore has also increased its net wealth per capita by two-fold in the past decade to EUR134,150. However, Taiwan surpassed Singapore to become the richest country in terms of net financial assets per capita (EUR 138,220). Japan follows with (EUR102,720). Yet, countries such as Cambodia (EUR880 per capita) and the Philippines (EUR1,820 per capita) have yet to catch up in terms of wealth and financial inclusion.

In smaller Asian countries such as Thailand and Malaysia, the debt ratio has ballooned due to booms in the auto and housing industries. In Thailand, household debt as a percentage of GDP stands at 90.0%. Similarly, in Malaysia, the ratio is at 89.0%. In South Korea, liabilities represent 109.1% of GDP. For the whole region, the ratio reached 60.6% in 2021, making it the only one where liabilities are considerably higher today than a decade ago (see Figure 30, following page). As a means of comparison, the ratio is 48.8% for emerging markets in our sample and advanced economies stand at 80.8%.

Figure 30: Shouldering debt
Debt as % of GDP in 2021, by country



Sources: national statistical offices, central banks, Allianz Research

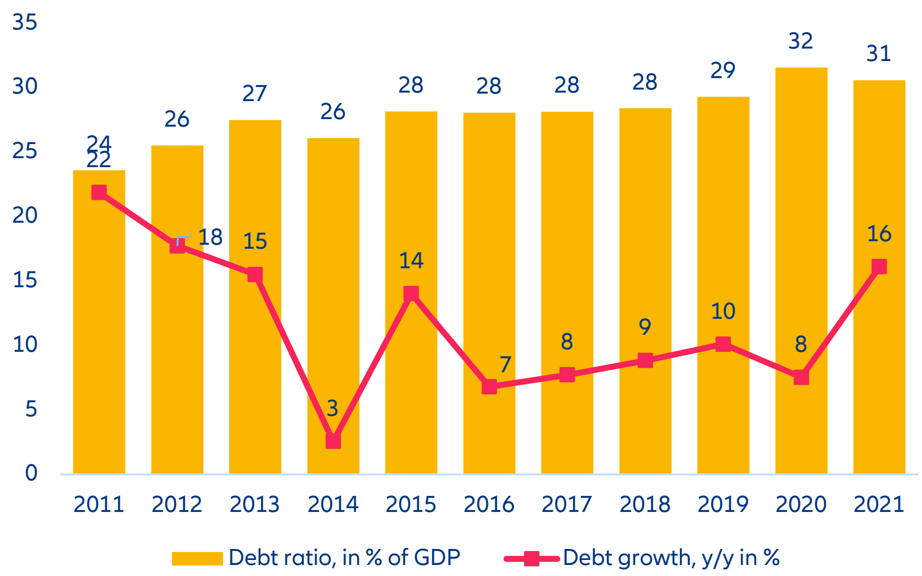
Latin America

Latin American households collectively amassed EUR1.1trn of household debt, amounting to 30.6% of GDP (+16.1% y/y growth and CAGR 11-21 +11.6%, see Figure 31). The region's heavyweights are Brazil (EUR651bn) and Mexico (EUR184bn) as they account for 76% of the region's debt. In the years following the GFC, government banks in Brazil boosted credit provisions. As a result, the level of household liabilities rose at a CAGR 11-21 of +12.8% in the past decade, increasing almost three-fold. The debt ratio, however, stood still at a relatively modest 47.5% at the end of 2021, over 15pps higher than a decade ago. In 2015-2016, Brazil experienced its sharpest economic decline in recent history and the secular debt increase ultimately resulted in a reduction of consumption, which has held back the economic recovery. So much so that Brazil has been growing at the pace of its output gap. Last year, however, Brazil returned to form and saw growth of +21.0%.

The aggressive interest rate hikes in Latin America have created pockets of vulnerability as debt costs increase. In Brazil, for example, household debt represents 53.0% of family incomes, and the policy rate is currently in double-digits (13.8%).

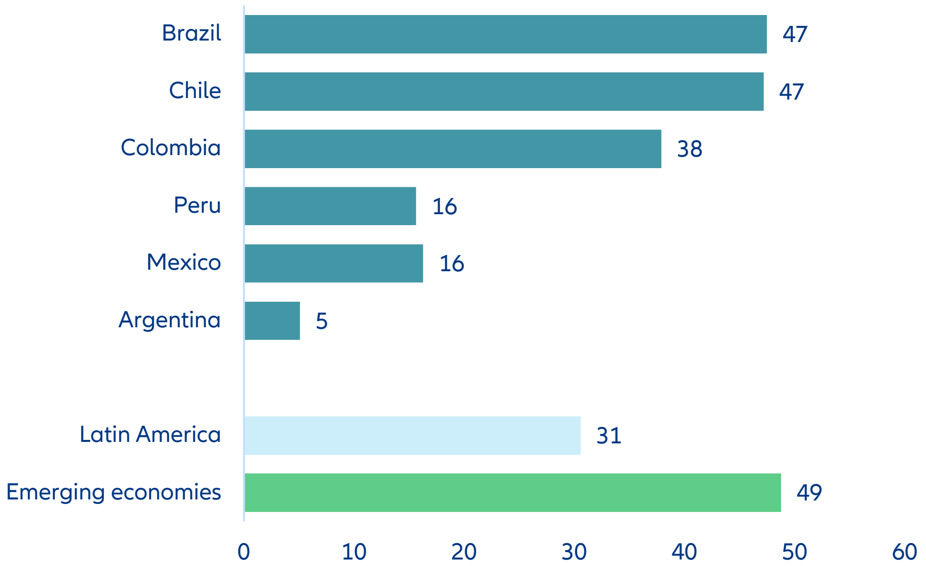
The net assets per capita of emerging markets currently stands at EUR6,980. However, half of the countries in our Latin American sample fall under this figure. The regional average is at EUR7,050, on par with the emerging market average. The net assets per capita range from EUR1,270 in Argentina to EUR16,440 in Chile, which is the only country in Latin America that is part of the Middle Wealth country group. The region was hit hard by the pandemic and many economies are yet to recover. Current levels of consumer and business confidence do not point towards prosperity in the short-term. In this context, the probable recession in advanced economies, political instability and the aggressive interest rate hikes will keep Latin America a laggard in terms of GDP growth, and in turn wealth accumulation.

Figure 31: Navigating financial inclusion
Debt development since 2011, Latin America



Sources: national statistical offices, central banks, Allianz Research

Figure 32: Lagging behind
Debt ratio by country 2021, in %



Sources: national statistical offices, central banks, Allianz Research

Latin American households hold EUR1.1trn in debt.

Housing crisis

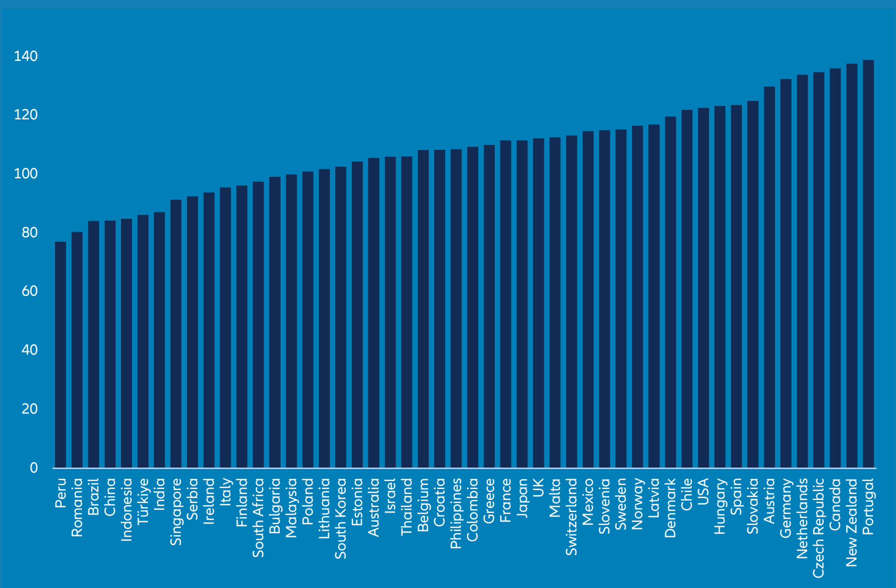
ESG (environment, social, governance) is the trend in investing as many of today's investors care for more than jA-round the world, house prices have been consistently climbing over the past decade, outpacing the rate of income or wealth and making it unaffordable for many to become homeowners. According to the World Bank, 1.6bn people will be affected by the housing shortage by 2025. In 2021, house prices in the US rose by +11.2% compared to the previous year. The German and UK housing markets followed a similar upwards trajectory, growing by +8.5% and +8.2%, respectively. But New Zealand saw the largest increase, with prices jumping by +23%. The basics of supply and demand explain these trends: The demand for housing has been on the rise, owing to low interest rates, rising savings and the shift towards more remote work since the pandemic. On the other hand, supply-chain bottlenecks and rising costs of construction have pulled the supply of affordable housing downwards. Now, with coordinated rate hikes around the world, not only will houses be expensive, but servicing mortgage debt might also become unaffordable. Figure 33 shows the latest data for house-price-to-income ratios (Q2 2021), which does not even include the latest inflation developments.

As financing costs represent a heavier weight on households' income, the requirement of higher down payments and consequent mortgage payments will make the dream of owning a house a fantasy. Since 2015, the house-price-to-income ratio in Germany has grown by +32%; the US and the UK are not too far behind with +22% and +12%, respectively.

This matters because real estate is not only an asset through which individuals can accumulate wealth, but it also offers source of stability when household income fluctuates. With increasing prices and higher mortgage costs, this channel of wealth accumulation is closing down for most individuals, which has direct implications for wealth inequality across generations, ethnicities and different income groups. In a survey conducted by the PEW Research Centre in 2021, almost 50% of Americans said that finding affordable housing is becoming increasingly difficult. Seventy percent of them said that young adults now face a bigger challenge in becoming homeowners as compared to their parents' generation. This can be extended to much of the developed world, painting a worrying picture of the housing market across the globe.

With homeownership being inaccessible, demand for rental housing has increased. In this context, affordable and quality rental accommodation is exceedingly important. To take down the barriers to the housing market, there is a need for stronger and directed government involvement. Increased investment in quality social housing is one way governments can increase the stock of housing and, at the same time, ensure that household income is not eroded through high rentals. Existing policies such as housing allowances and subsidies for homebuyers can also be modified to better target cohorts that are the most vulnerable, specifically lower-income-households and the youth, making the housing market more inclusive.

Figure 33: House price-to-income ratio



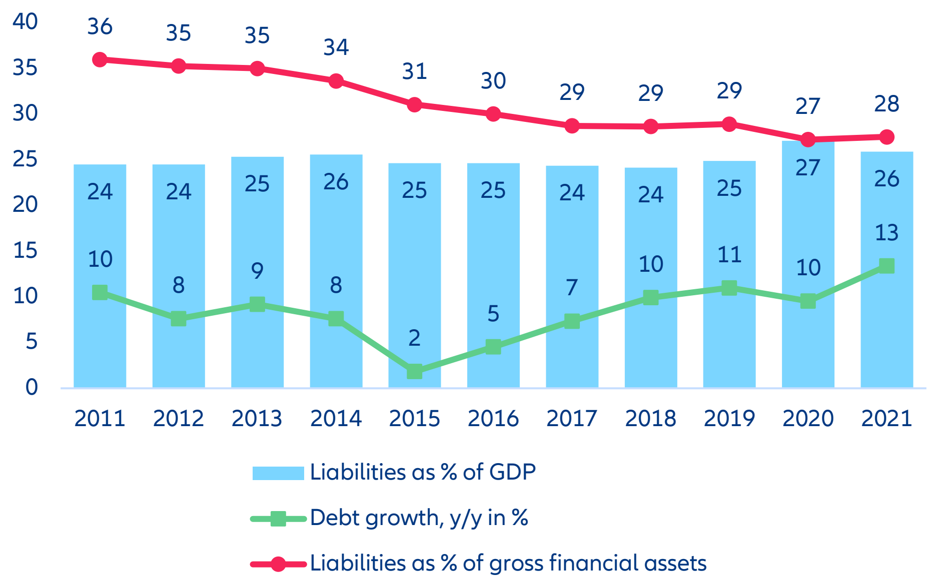
Sources: IMF, Allianz Research

Emerging Europe

Emerging Europe posted above-long-term-average growth of +13.4% in 2021, compared to its CAGR 11-21 of +8.4%. Its level of debt stands at EUR993bn. Before the war in Ukraine, Russia (EUR346bn), Poland (EUR190bn) and the Czech Republic (EUR101bn) were the region's largest markets for debt in terms of volume. In terms of the debt ratio (liabilities as a percentage of GDP), the largest debt burdens were recorded in Slovakia (51.4%) and Estonia (43.8%), although these ratios still fall into the category of rather low indebtedness. Pre-pandemic trends are bound to be exacerbated by the current crisis in Türkiye, where we observed a +22.0% jump y/y in household liabilities, a byproduct of the country's loan expansion that has helped to keep the economy alive. The credit campaigns are delaying economic turmoil but might set the economy on an unsustainable path of accumulated household debt. So far, however, the record-high inflation makes the debt burden look bearable: the debt ratio stood at a very modest 16.5% at end-2021.

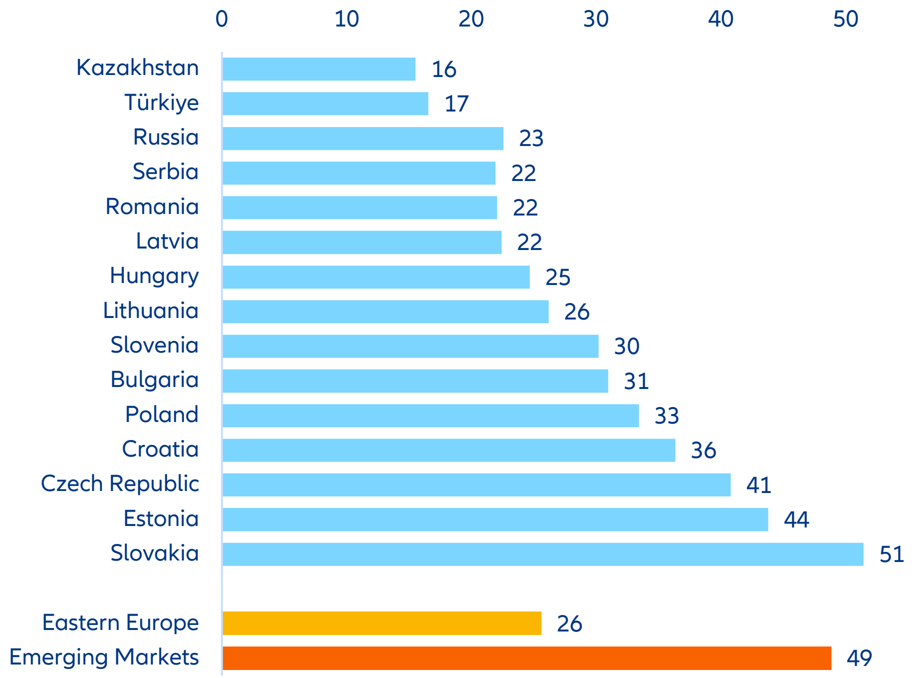
Net financial assets per capita in Eastern Europe have increased in the past decade from EUR2,320 in 2011 to EUR7,290 in 2021. However, the development of net assets per capita differs across the region: The Czech Republic's net assets per capita have more than doubled since 2011 to EUR24,380; Poland went from EUR4,160 in 2011 to EUR11,250 and Bulgaria increased its net assets per capita almost threefold to EUR11,410 since 2011. On the other hand, while Russia (EUR7,130 per capita) and Türkiye (EUR2,400 per capita) have also increased their net wealth since 2011, their wealth levels in general are still below middle wealth Eastern European peers.

Figure 34: Before the storm
Growth in liabilities since 2011, Emerging Europe



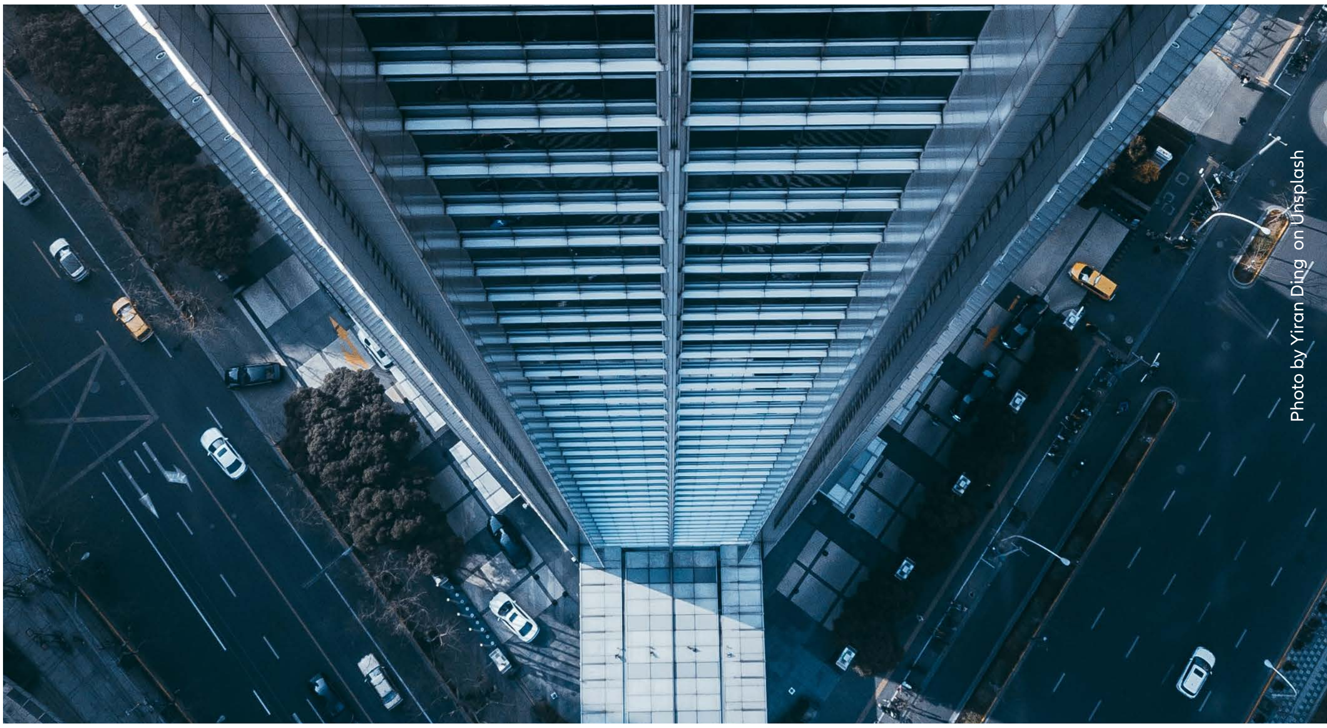
Sources: national statistical offices, central banks, Allianz Research

Figure 35: Country distribution
Debt as % of GDP in 2021, by country



Sources: national statistical offices, central banks, Allianz Research

Photo by Eryka Ragna on Unsplash



Wealth distribution: frozen

The global perspective: Structural headwinds are blowing

The brutal invasion of Ukraine is a turning point in world history, the likes of which we last experienced more than 30 years ago with the fall of the Berlin Wall. There is no doubt that the world economy will change fundamentally: trade relations, energy supplies, international value chains and technological dependencies will all be put to the test. This will have far-reaching consequences for the role of emerging economies.

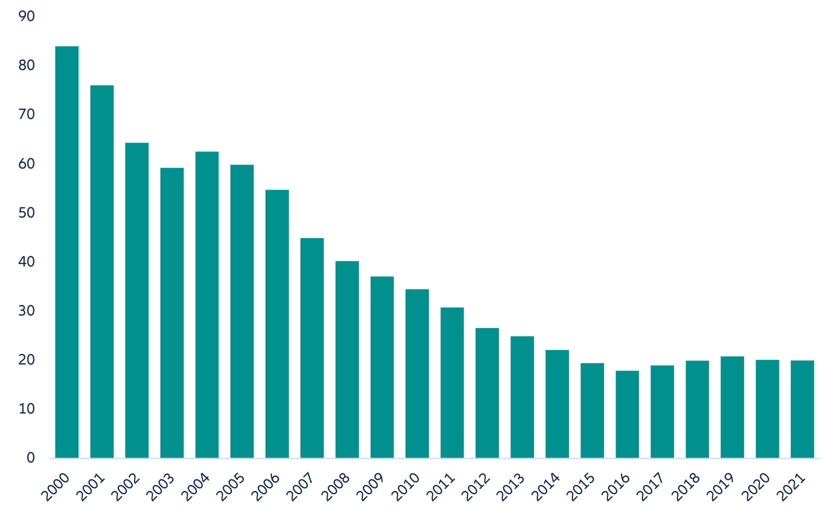
For most of these countries, Covid-19 was already a hard blow. Inadequate vaccination campaigns and soaring debt have left them extremely vulnerable. The Ukraine war, with its fatal consequences for energy and food prices, is the next one. The economic, political and social consequences are likely to weigh on the development of these markets for years to come.

Furthermore, the three structural changes of de-globalization, digitalization and decarbonization will likely contribute to a diminishing role of emerging markets in the future: The overhaul of the global division of labor implies a shortening of supply chains, leading to the on- or near-shoring of production. Digitalization is at its heart a new way to create value, rendering the comparative advantages of relatively cheap and middle-skilled labor obsolete. And the green transformation, further boosted by the drive for energy independence after the Ukraine war, will deeply transform consumer demand in richer countries, from cheap and fast mass-consumption products to eco-friendly, long-lasting products that use recycled materials.

The upshot: Closing the prosperity gap is no longer supported by powerful trends like hyper-globalization but will face some structural headwinds in the years to come. In fact, cracks in the catch-up process are already visible; they first opened in 2017, the year the then US President Trump fired the first shots in his trade wars. In that year, for the first time in more than ten years, growth in net financial assets in emerging economies was slower than that in advanced economies –by a whopping 5.6pps. In the preceding years since 2000, the annual growth gap averaged more than 11% but the other way round, with the emerging economies firmly in the lead. As a result, the prosperity gap between rich and poor countries narrowed dramatically. In 2000, net financial assets per capita were around 84 times higher on average in the industrialized countries than in the emerging economies; by 2016, this ratio had fallen to 19 (see Figure 36).

Since then, the catch-up process has stalled. As in 2017, 2018 and 2019, advanced economies even outperformed emerging ones. The development in 2020 – a return to a growth lead of emerging economies by 4.5pps – was clearly distorted by Covid-19 and the measures taken to contain it. As many developing countries shunned economic-wide lock-downs, they performed surprisingly well in the first year of the pandemic. In 2021, however, the growth lead shrunk to a meagre 1pp. The multiple of net financial assets per capita remained at 20 and was thus still higher than five years ago.

Figure 36: The stalled catch-up process
Net financial assets per capita, advanced economies as a multiple of emerging economies



Sources: national statistics offices, central banks, World Inequality Database, UN population division, Allianz Research

Tectonic shifts occurred in the past

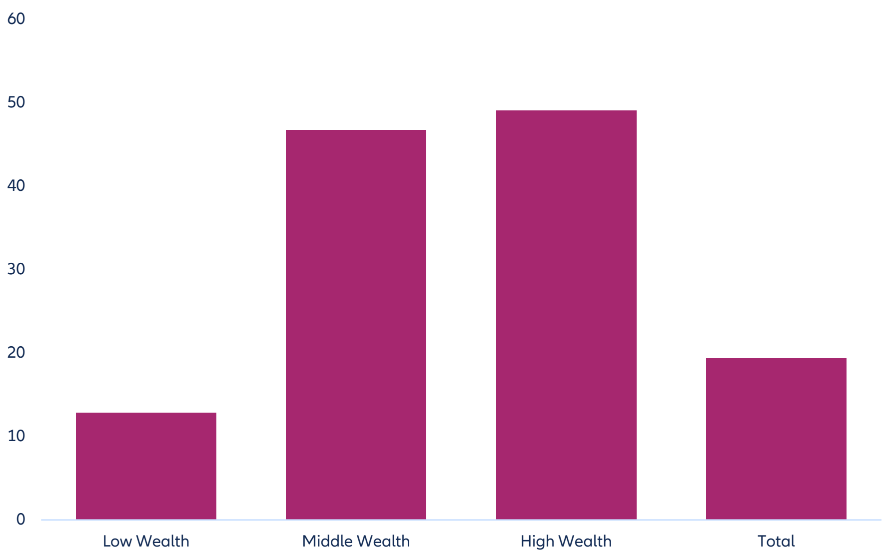
As a result, the number of members of the global middle wealth class[12] has stagnated in recent years at around 700mn people. Incidentally, this also applies to low and high wealth classes, which reached around 4,300mn and 600mn people, respectively, largely unchanged. In other words, on a global scale, wealth distribution appears "frozen". Given the still enormous discrepancies, this is bad news – and also contrasts sharply with the positive development in previous years, when global inequality declined substantially.

A few figures can illustrate this. While the number of people in the LW class grew by +13% since the turn of the millennium, the other two wealth classes grew by +47% (MW) and +49% (HW); total population growth in the countries we studied was +19% during this period (see Figure 37). The weights of the individual wealth classes thus shifted significantly: The share of the LW class fell by more than 4pps to 77%; by contrast, the shares of MW and HW classes rose by a good 2pps to 12% (MW) and 11% (HW), respectively.

Even more remarkable than these general shifts in weight, however, are those by country group. For example, the share of the advanced economies in the global MW class was 62% in 2001; last year it was 46%. In the global HW class, the decline was even more dramatic, from 99% to 69%. Considering that the weights of the country groups in the total population of the countries under review have hardly changed – the share of the advanced economies fell by just over 1pp – these declines can easily be described as tectonic shifts. Only in the lowest wealth class do the richer countries continue to play hardly any role, their share having risen from 7% to 8% (see Figure 38).

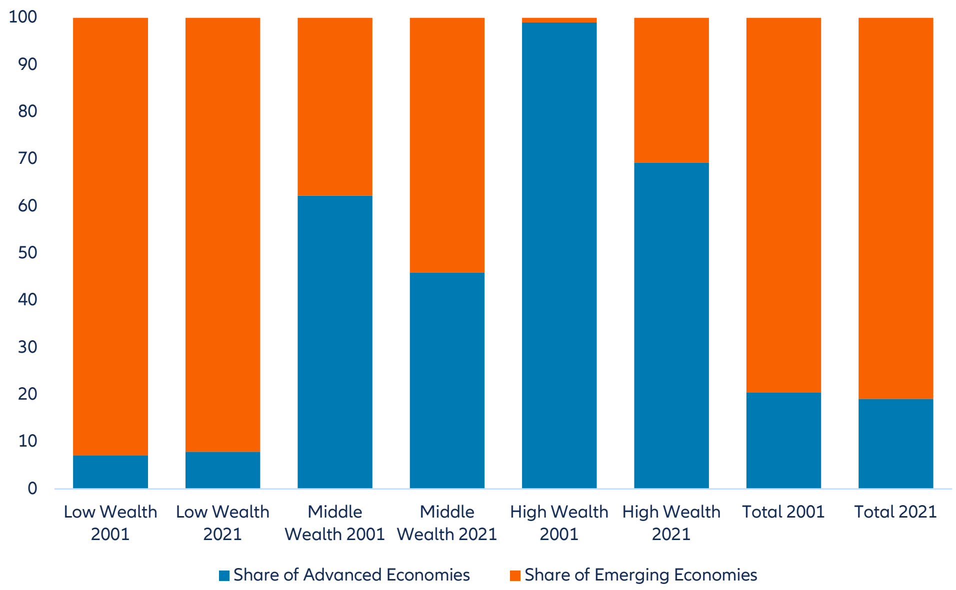
12 The classification in wealth classes is based on worldwide average net financial assets per capita, which stood at EUR32,470 in 2021. The global middle wealth class ("middle wealth", MW) includes all individuals with assets of between 30% and 180% of the global average. This means that for 2021, asset thresholds for the global wealth middle class are EUR9,700 and EUR58,400. The "low wealth" (LW) category, on the other hand, includes those individuals with net financial assets that are below a EUR9,700 threshold, while the term "high wealth" (HW) applies to those with net financial assets of more than EUR58,400 (for details on how the asset thresholds are set, see Appendix A).

Figure 37: Different speeds
Population growth by wealth classes since 2001, in %



Sources: national statistics offices, central banks, World Inequality Database, UN population division, Allianz Research

Figure 38: Tectonic shifts
Global wealth classes by share of advanced and emerging economies, 2001 and 2021, in %

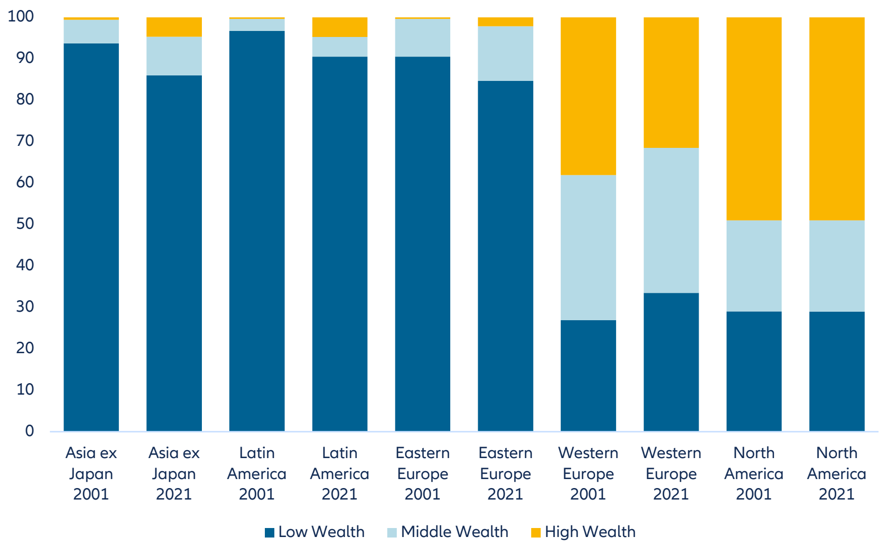


Sources: national statistics offices, central banks, World Inequality Database, UN population division, Allianz Research

Even if the changes in the global LW class do not look spectacular at first glance, overshadowed by the sheer size of this wealth class in the poorer countries, they conceal astonishing developments in the richer countries. For example, the number of LW members in these countries has risen by +25% since 2001; the growth in MW (+8%) and HW (+4%), on the other hand, was much lower – and also significantly below the general population increase (+11%). Correspondingly, the share of this group has risen to 32%; in 2001, it was not only significantly smaller overall (28%), but also smaller than the MW share (31%). Today, in the richer countries, the share of people who can classify themselves as belonging to the global middle class has fallen to 30% – below that of people who belong to the global LW class.
A closer look reveals that this development is driven by one region in particular: Western Europe. Here, the global LW class has skyrocketed from 105mn people (2001) to 140mn people (2021); in parallel, the share of the population has climbed from 27% to 34%. A similar development can be observed in Japan: +12mn people to a total of 37mn people in LW. In North America (and Oceania), on the other hand, this group has also increased in number (+17mn and +2mn people, respectively), but in step with the general population growth; its share of the total population has therefore remained stable at 29% (and 28%, respectively). These figures once again underscore North America's (and thus the US') special role: Hardly any other region in the world generates so much wealth. In a global comparison, it can therefore maintain its position even against fast-growing emerging economies and does not fall behind like Western Europe (or Japan). At the same time, in hardly any other rich country is the distribution of wealth as unequal as in the US. This is also evident, for example, from the fact that the share of Americans in the global MW class is well below the average for the advanced economies (20% vs 30%), while the share in HW is well above (50% vs 38%); the share in LW, on the other hand, is comparable (30% vs 32%). The fact that in one of the richest countries in the world almost one third of the population belongs to the global LW class has not changed in the last two decades.

In the poorer regions, the shifts by wealth class are not as obvious since the population is larger overall and the global wealth low class still dominates. Nevertheless, major changes can be observed here as well. In Eastern Europe, the shares of the two higher wealth classes (MW and HW) have grown from below 10% to over 15%; in Latin America they have grown from 3% to 9% and in Asia (ex Japan) from 6% to 14%. The development in Asia (ex Japan) is mainly driven by China: 80% of the members of the global MW class and the HW class now speak Chinese (see Figure 39, following page).

Figure 39: Bidirectional changes
Share of global wealth classes by regions, 2001 and 2021, in %



Sources: national statistics offices, central banks, World Inequality Database, UN population division, Allianz Research

In the richer countries, the share of people who can classify themselves as belonging to the global middle class has fallen to 30%.

The rich are getting richer – but only slowly

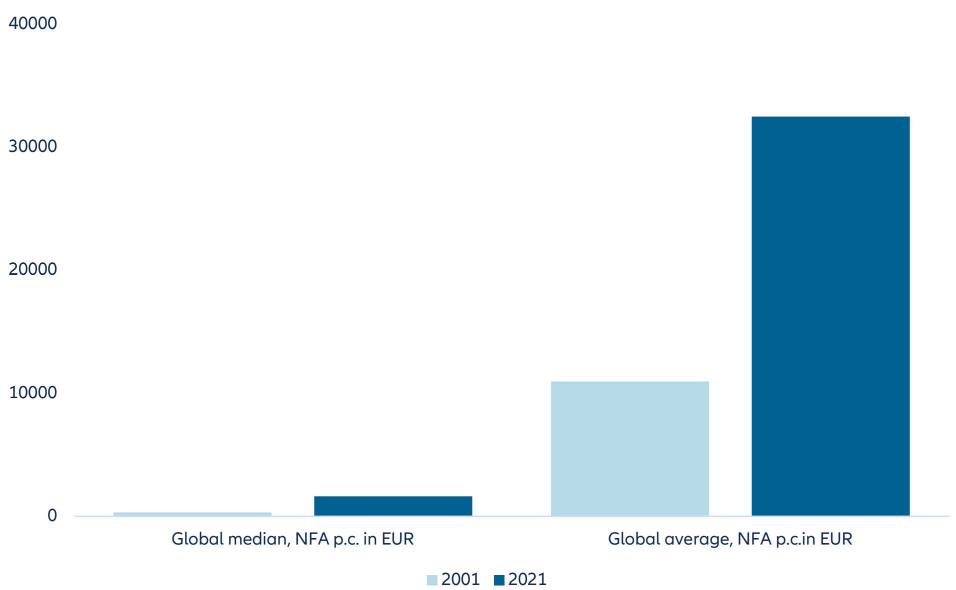
Despite the rise of the emerging economies and the remarkable shifts in the distribution of global wealth since the start of the century, the concentration of financial assets on a global scale remains extremely high. This becomes clear when the total population of the countries we analyze is broken down by population decile on the basis of net financial assets.
This shows that the richest 10% of the world's population – around 560mn people in the countries under consideration, with average net financial assets of EUR275,000 – together own more than 86% of total net financial assets in 2021. As unequal as the distribution of wealth is on a global scale, this share has fallen over time: At the turn of the millennium, the corresponding figure was still 92%.

At the other end of the spectrum, among the bottom half of the population, i.e. some 2.8bn people, less than 1% remains. The latter figure should be interpreted with caution, however, as the people with the lowest wealth include many indebted people from the richest countries; the „poorest" decile of the world's population has negative net financial assets, but high debt does not necessarily equate to poverty. The Scandinavian countries are a good example of this: Households in Denmark and Sweden are among the most indebted in the world. However, this high debt is generally offset by tangible assets, especially real estate. A happy homeowner in Denmark should not be confused with a penniless day laborer in India.

As a result of this high global wealth concentration, there is also a large gap between the global median and the global average of net financial assets. While the median of net financial assets in 2021 was EUR1,610 per capita, the average was more than twenty times higher (EUR32,470). However, the two indicators have developed very differently over the last two decades: While the average value increased by +5.6% per year, the median value reached an annual growth of +8.6%. This implies faster wealth growth in the lower half of the population (see Figure 40).

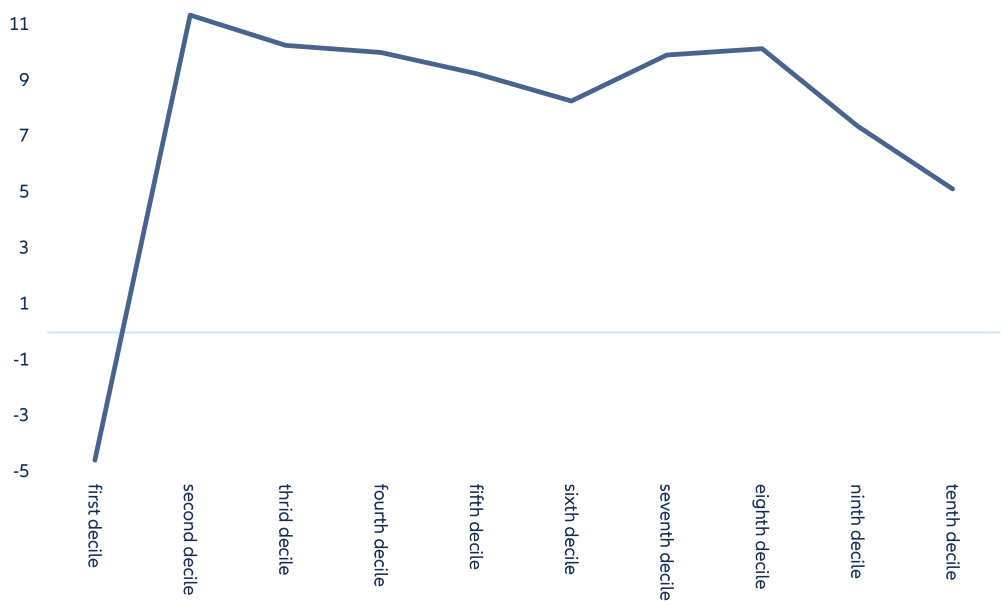
This different speed is also reflected in the respective growth rates of the deciles. Average net wealth per capita shows the lowest growth rates in the two richest deciles, while it grew much faster in the lower and middle deciles. These different growth rates, too, point towards a more equal distribution of wealth at the global level – though the progress is at snail's pace. And the negative growth rate of the first decile with the lowest net financial assets has a simple reason: On average, people in this decile are overindebted, and the decline in their „net financial assets" means nothing other than rising debt (see Figure 41, following page).

Figure 40: Catching up (sort of)
Median and average net financial assets per capita, 2001 and 2021, in EUR



Sources: national statistics offices, central banks, World Inequality Database, UN population division, Allianz Research

Figure 41: Elephant without a trunk
Growth of average net financial assets per capita, CAGR 2021/2001, per decile in %



Sources: national statistics offices, central banks, World Inequality Database, UN population division, Allianz Research

The national perspective: Does the middle hold?

The period since the Great Financial Crisis is generally regarded as a decade in which the combination of weak growth on the one hand, and flourishing markets for stocks and real estate as well as dramatic technological upheavals (keyword: digitalization) on the other, led to rising inequality at the national level, not least in wealth. Recent crises – from Covid-19 to the "gasmaggedon" – are likely to have further widened the wealth gap.

At first glance, the direct impact of Covid-19 has increased inequality in many countries. Lockdowns and sanitation measures to contain the pandemic have primarily affected jobs with direct social contact, such as those in hospitality and other services. Earnings in these jobs are often below average, while above-average numbers of women and young people work in them. The home office, on the other hand, is primarily a privilege of well-educated and high-earning employees. Over the long-term, another channel of impact is causing concern: Covid-19 led to a significant impairment in education. The consequences – ranging from major gaps in knowledge to dropping out from school – will affect above all the lower-educated classes, where there is a lack of education and (financial) resources to compensate for the shortfalls in instruction. [14] Covid-19 is thus likely to further entrench social immobility.

It goes without saying that cost-of-living crisis hits first and foremost poorer households that spend a bigger chunk of their income on essentials like food and energy; the fall in real incomes curtails – or even foils – their savings efforts. Although the decline in prices of assets from equities to houses might cause a narrowing of the wealth gap in the short-term (as mostly better-off households hold these assets), the long-term consequences of high inflation are clearly detrimental to wealth equality.

There is, however, a powerful counter-force: re-distribution. Covid-19 as well as today's energy crisis have sparked a flurry of support measures to cushion the impact on households; most of these measures are targeted at poorer ones. [15] Against the backdrop of prolonged threats to social stability as the triad of geopolitics, climate change and new technologies force many economies to overhaul their "business models", these episodes of state activity outbursts

14 See for example Fuchs-Schündeln, N., Krueger, D., Ludwig, A. and I. Popova (2020), The Long-Term Distributional and Welfare Effects of Covid-19 School Closures, National Bureau of Economic Research, Working Paper No 27773.

15 For example, some studies come to the conclusion that income inequality may even have decreased in 2020 as measure taken not only stabilized incomes, but also led to overcompensation. See for example Clark, A., D'Ambrosio, C. & Lepinteur, A. (2020), The Fall in Income Inequality during COVID-19 in Five European Countries, ECINEQ Working Paper 2020-565, Society for the Study of Economic Inequality, Palma de Mallorca, Spain. Or Grabka, M. (2021), Einkommensungleichheit stagniert langfristig, sinkt aber während der Corona-Pandemie leicht, DIW Wochenbericht 18.

could easily usher in a new era of more robust state interventions, not least in the field of redistribution.

Given this rather unclear situation, what do the data reveal so far?

To examine the wealth development of the national middle class [16], we divide the countries under consideration into three groups: the largest group (36 countries) comprises those in which the population share of the middle class has remained more or less stable over the last decade.

16 We calculate the national wealth classes analogously to the procedure for the global wealth classes, see appendix A. Thus, we use a purely quantitative classification that ignores important sociological criteria such as education, occupation and family status.

This contrasts with 11 countries in which the share has increased and 10 countries in which it has decreased.[17]

17 As in many countries, the data on wealth distribution are still rather unsatisfactory we work with population deciles to approximate the wealth distribution. Furthermore, as a consequence of using thresholds, there may be movements at the edges of the groups, even if the actual wealth situation has only changed by a few hundred euros. Thus, some households are classified in other wealth classes over time, even if the reality of their lives has hardly changed at all.

Real success stories are hard to find

Within the first group, there are only four countries where the share of the middle class in total net financial assets has increased significantly (i.e. by more than +1pp) despite numerical stability: South Africa (+1pp), Italy (+1.7pp), Israel (+3.5pps) and Colombia (+4.5pps) – quite a motley crew. The common denominator – with the exception of Italy – is the low starting point: In 2011, the wealth share of the middle class in Israel (29.4%), Colombia (26.8%) and particularly in South Africa (12.5%) was (very) low, compared to the unweighted average of 34.8% of our country sample. The mirror image is a high share in net financial assets of the richest population decile: In South Africa, for example, it stood at 88.2% in 2011 and still remains absurdly high at 84.6% in 2021. In fact, no other country in our sample has a higher value. Thus, the caching-up of the middle wealth class in these three countries can be seen as a partial correction of an extreme uneven wealth distribution. But this does not apply to Italy: with 39.6%, the share of the MW class was already quite high a decade ago. However, against the backdrop of lackluster wealth growth in general, it is hard to judge Italy as an unqualified success story. Yes, the wealth gap has narrowed but in an overall rather depressing environment that keeps almost everyone unhappy.[18]

However, the far larger group comprises the countries where the wealth situation of the middle class has deteriorated significantly (by more than 1pp). These include on the one hand the US (and Peru) – where a bad situation has become worse as the share of the MW class dropped to 25% in 2021 (20.6% respectively) – and on the other hand Eastern European countries such as Slovenia, Bulgaria and the Czech Republic (and Malta), where a rather equal distribution of wealth has started to crack (shares of the wealth middle class remain at or above 40% of net financial assets). The group is completed by Western European countries (Austria, Switzerland, France) and Australia, which still remain in between, with shares in the mid-30s. The majority of countries, however, show no significant movements. For some of these countries, such as the Netherland, Belgium or Poland (with shares well above 40%), this is not bad news; for others (e.g. China, Thailand, Chile, with shares well below 30%) it is (see figure 42, following page).

18 See also our Allianz Pulse surveys, in which the Italian respondents are generally the most pessimistic when asked about the current and future situation of their economy. 11-07-2022-AllianzPulse.pdf

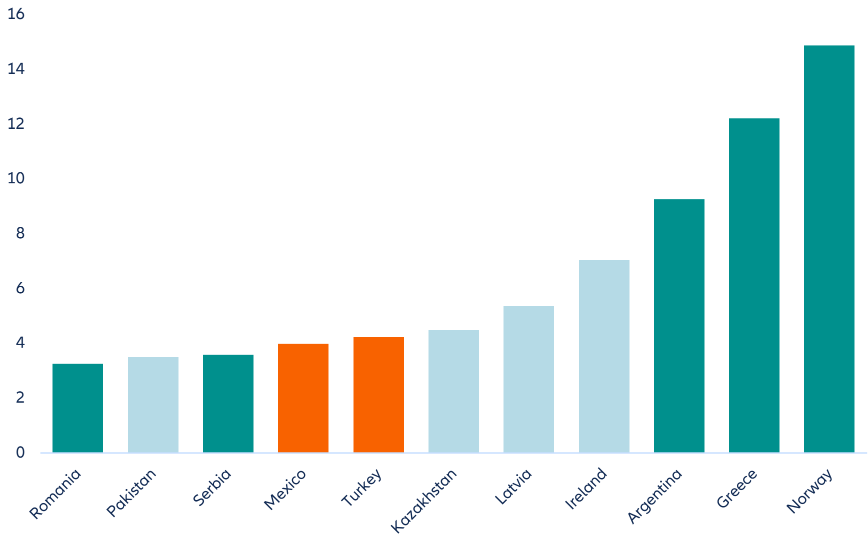
Figure 42: The middle mainly decreases
Share of middle class in total net financial assets, change in pp 2021/2011 (all countries with stable population share)

Color code:
Green: share of the MW in net financial assets above 39% in 2021
Light blue: share of the MW in net financial assets between 31% and 39% or higher in 2021
Orange: share of the MW in net financial assets below 31% in 2021

Sources: national statistics offices, central banks, World Inequality Database, UN population division, Allianz Research

Turning to the second group (rising population share), in which, unsurprisingly, the wealth share of the middle class has also risen, particularly in Greece and Norway: Why is this the case? For the latter two, the growth of the middle class has mainly been fed by "downshifters" from the upper wealth class. Namely, the middle class is being expanded "from above" and the percentage increase in wealth is correspondingly strong. The question is whether this form of strengthening the middle is really a desirable development since it goes hand in hand with the formation of an ever smaller wealth elite that is becoming ever more distant from the rest of society. In the other countries, the middle class has grown only for the "right" reasons: former members from poorer segments of society have moved up, and the percentage increase in wealth is correspondingly lower. Nonetheless, this development is a clear improvement of the national wealth distribution. In most cases (especially in Mexico and Türkiye), however, the starting point was extremely low, with shares of the MW class below 30%. Only in Romania and Serbia did the (smaller) improvement take place against the background of an already relatively equal distribution (see Figure 43).

Figure 43: The middle increases
Share of middle class in total net financial assets, change in pp 2021/2011 (all countries with rising population share)

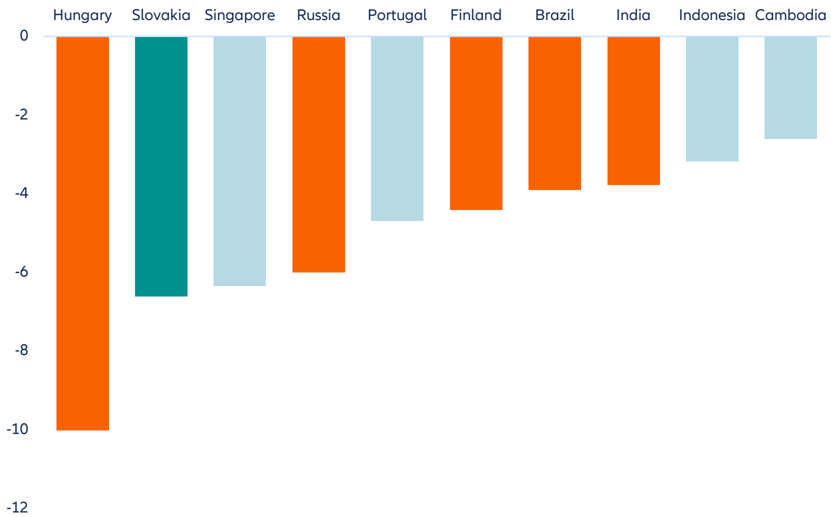


Color code:
Green: share of the MW in net financial assets above 39% in 2021
Light blue: share of the MW in net financial assets between 31% and 39% or higher in 2021
Orange: share of the MW in net financial assets below 31% in 2021

Sources: national statistics offices, central banks, World Inequality Database, UN population division, Allianz Research

As for the third group with a falling population share, here the share of the MW class in net financial assets has also declined, unsurprisingly. Although this development is clearly negative from the perspective of an equal distribution – part of the middle class descended into the LW class – not all countries in this group should be lumped together. For some countries, it means that an already bad situation turned even worse – this applies in particular to Russia and Brazil, where the share of the wealth middle class dropped below the 20% threshold, a level where the very idea of a "middle class" becomes questionable. The other countries in this group are Mexico, Chile and South Africa. On the other hand, Slovakia stands out: With a share of more than 50%, it still remains the country with the highest share of the MW class in our sample; thus the development might present more of a "normalization". The other countries still have a sizeable middle class, with wealth shares remaining in the 30s. The negative dynamic, however, is worrying, especially in Singapore (see Figure 44).

Figure 44: The middle decreases
Share of middle class in total net financial assets, change in pp 2021/2011 (all countries with falling population share)



Color code:
Green: share of the MW in net financial assets above 39% in 2021
Light blue: share of the MW in net financial assets between 31% and 39% or higher in 2021
Orange: share of the MW in net financial assets below 31% in 2021

Sources: national statistics offices, central banks, World Inequality Database, UN population division, Allianz Research

What can be concluded from this investigation into the state of the national middle class around the globe? The grand, uniform narrative of the disappearance of the middle class should be met with suspicion. The data, at least with a view to net financial assets, suggest a more heterogeneous picture. But it is noticeable that genuine success stories are rather rare; in most countries, the situation of the middle class has deteriorated, especially with regard to its share of the total wealth pie. Moreover, this share is at a very low level in some countries, which raises the question of whether a middle class – in the proper sense of the term – still exists at all.

A more nuanced picture

Although the strength – or weakness – of the wealth middle class is an important indicator for the overall distribution of wealth, there are naturally many other indicators that can be used to measure the extent of equality or inequality. These include the Gini coefficient, for example, which serves as a comprehensive indicator. However, as the Gini coefficient is an overall indicator that measures changes in all wealth deciles simultaneously, the shifts from one year to the next are only slight.[19] That is why we introduced a new indicator, the Allianz Wealth Equity Indicator (AWEI) (see box), which takes into account various other parameters relating to wealth distribution and its development over time (see Figure 45, following page).

19 The current Gini coefficients for wealth distribution in all countries included in our analysis can be found in the annex.

The Allianz Wealth Equity Indicator (AWEI)

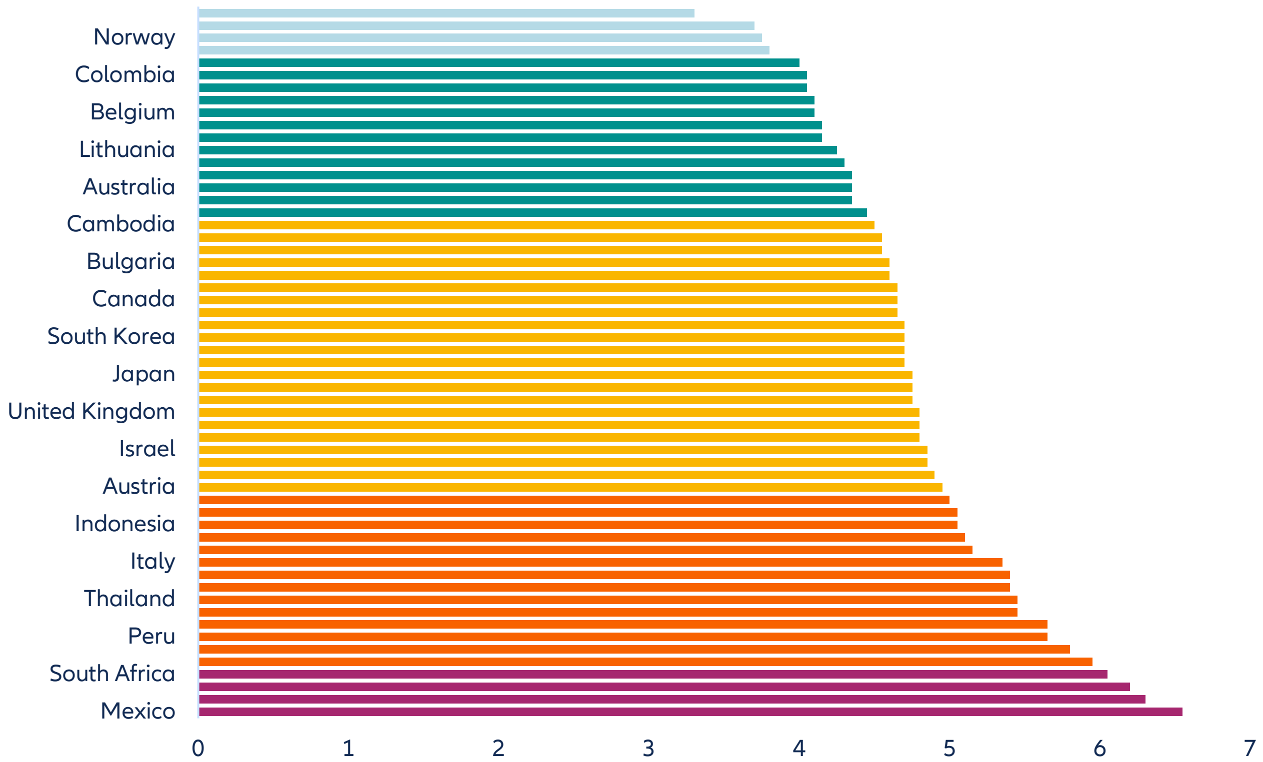
The AWEI is based on five different parameters for wealth distribution:

- The share of the national MW class in total net financial assets – a measure of the middle's participation in national prosperity; weighting: 20%
- The share of the richest decile of the population in total net financial assets and the change since 2000 – a measure of the concentration of wealth at the top; weighting: 15% (share) and 5% (change)
- The share of the lower half of the population in total net financial assets and the change since 2000 – a measure of the so-called „trickle-down" effect; weighting: 15% (share) and 5% (change)
- Median net financial assets as a percentage of average assets and the change since 2000 – a measure of the degree of distortion in wealth distribution; weighting: 20% (share) and 10% (change)
- Growth in net per capita financial assets since 2000 – a measure of the general increase in prosperity; weighting: 10%

The AWEI thus takes into account both structural features of wealth distribution and their changes, with a lower weighting being given to the latter. The primary aim of the new indicator is to obtain as comprehensive a picture as possible of the current situation. However, changes play a part insofar as they influence perceptions: for example, wealth concentration of 60% will be interpreted differently depending on whether the figure was previously 70% or 50%.

The original values for the parameters are transferred to a scale of 1 to 7, in which 1 represents the best figure. The distribution of individual figures is based on a normal distribution, i.e. the parameter values are assessed not on the basis of normative guidelines – e.g. a wealth concentration of only 40% is very good – but instead based on the relative distribution of degrees of wealth. Since it is difficult to establish standardized normative criteria for culturally different societies, the adoption of such a relative perspective seems to make sense. However, that also means that the country with the best indicator value may not necessarily be a country in which wealth is perfectly distributed. It is simply the country in which distribution is least distorted among the countries analyzed here – no more and no less. The overall indicator AWEI is the weighted sum of the individual parameter values and can range from 1 (very good) to 7 (very poor).

Figure 45: A more nuanced picture
The Allianz Wealth Equity Indicator (AWEI)



Sources: national statistics offices, central banks, World Inequality Database, UN population division, Allianz Research

As with any indicator, the results of the AWEI have to be taken with a pinch of salt. Nonetheless, they are quite revealing. At the bottom are many Latin American countries as well as the usual suspects (South Africa, Russia and the US). On top sits the Netherlands, a country with arguably one of the best pension systems worldwide, which stimulates private savings via its strong capital-funded occupational pillar.

Re-calculating the AWEI scores with data for 2011 shows the changes over the last decade. A pattern is discernible. Most of the countries that lost 10 or more ranks hail from Eastern Europe (e.g. Bulgaria, the Czech Republic, Hungary and Slovenia) but most of them still show relatively strong scores. This can be seen as a process of normalization: After the fall of the Berlin Wall, private wealth accumulation started literally from scratch in these countries. But wealth as well as wealth inequality generally take time to grow. Other countries whose rankings deteriorated significantly over the last ten years include France and Portugal, as well as Singapore and Switzerland. For the latter, this coincides with a clear worsening of the score as well, a worrying development. For the others, however, it is more the consequence of a crowded field in the middle where small moves in scores can lead to big jumps in rankings. On the other hand, the list of countries that made the biggest improvements in rankings is rather more surprising; it includes, for example Argentina and Türkiye: Are these two countries real success stories – or is the measuring of wealth and wealth distribution heavily distorted by rampant inflation? Others like Denmark, Norway, Latvia or Israel seem to be a better match for a more equitable society; although the score (and ranking) of Israel remains average at best.

Appendix A: Methodological comments

General assumptions
The Allianz Global Wealth Report analyses gross financial assets held by households, i.e., cash and bank deposits, receivables from insurance companies and pension institutions, securities (shares, bonds and investment funds) and other receivables, and liabilities incurred by households. It is based on data from 57 countries. This group of countries covers 91% of global GDP and 68% 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, Colombia 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 2021. The closing date for data to be included in the report is September 30th.

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 EU - 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)[20] , 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 middle wealth 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 wealth middle 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 EUR9,700 and EUR58,400 for the global middle wealth class in 2021.
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.

20 Davies, James B. et al. (2009), The level and distribution of global household wealth, NBER working paper 15508.

Appendix B1: Gross financial assets and liabilities by country, 2021

	Gross financial assets				Liabilities			
	in EUR bn	yoy in %	EUR per capita	as % of GDP	in EUR bn	yoy in %	EUR per capita	as % of GDP
Argentina	78	54.9	1,710	19.5	20	38.7	450	5.1
Australia	4,319	10.3	166,630	311.0	1,743	7.4	67,220	125.5
Austria	822	5.7	92,130	203.8	216	4.8	24,200	53.5
Belgium	1,534	5.4	132,100	302.6	330	4.7	28,450	65.2
Brazil	2,567	9.4	11,980	187.3	651	21.0	3,040	47.5
Bulgaria	100	6.1	14,460	146.7	21	10.8	3,050	31.0
Cambodia	25	17.6	1,490	105.1	10	20.7	610	43.1
Canada	6,690	11.0	175,350	385.0	1,910	7.6	50,060	109.9
Chile	438	6.3	22,450	176.3	117	11.2	6,010	47.2
China	31,768	12.2	22,280	204.5	9,811	13.9	6,880	63.2
Colombia	284	10.4	5,510	111.7	96	11.5	1,870	37.9
Croatia	79	10.9	19,530	138.2	21	4.0	5,130	36.3
Czech Republic	357	5.4	33,940	144.7	101	8.8	9,560	40.8
Denmark	1,442	17.7	246,300	431.1	367	-1.2	62,690	109.7
Estonia	43	8.5	32,660	141.5	13	7.4	10,100	43.8
Finland	417	8.7	75,330	165.1	205	3.8	36,970	81.0
France	6,597	6.5	102,240	265.9	1,930	4.2	29,910	77.8
Germany	7,841	8.5	94,000	219.6	2,061	5.1	24,710	57.7
Greece	299	7.5	28,590	163.3	112	3.0	10,690	61.1
Hungary	212	11.9	21,860	142.1	37	14.0	3,790	24.7
India	2,791	11.6	1,980	99.8	971	10.9	690	34.7
Indonesia	414	8.6	1,510	39.5	174	8.4	640	16.6
Ireland	529	9.1	106,040	125.4	142	-1.2	28,430	33.6
Israel	1,184	14.1	133,080	269.5	239	13.3	26,860	54.4
Italy	5,256	6.5	88,720	296.0	1,002	3.7	16,910	56.4
Japan	15,850	4.2	127,190	383.0	3,050	2.1	24,480	73.7
Kazakhstan	35	22.9	1,840	21.5	25	39.7	1,330	15.5
Latvia	36	14.5	19,050	108.4	7	7.3	3,940	22.4
Lithuania	61	10.9	21,930	110.5	14	13.4	5,200	26.2
Malaysia	627	2.4	18,680	192.4	290	4.1	8,640	89.0
Malta	36	6.9	67,580	244.9	9	9.4	17,250	62.5
Mexico	1,097	11.7	8,660	97.3	184	6.0	1,450	16.3
Netherlands	3,105	-0.1	177,410	360.7	908	4.0	51,900	105.5
New Zealand	842	12.2	164,170	399.6	164	9.1	32,000	77.9
Norway	629	10.0	116,430	152.2	436	5.5	80,710	105.5
Pakistan	151	8.2	650	54.7	14	28.9	60	5.1
Peru	94	-8.6	2,790	49.0	30	5.8	890	15.6
Philippines	241	10.4	2,120	72.1	34	-0.6	300	10.2
Poland	621	9.3	16,200	109.3	190	5.1	4,950	33.4
Portugal	472	3.8	45,890	223.5	175	2.2	17,030	83.0
Romania	180	2.8	9,310	75.5	53	6.6	2,720	22.1
Russia	1,381	11.6	9,520	90.1	346	20.3	2,380	22.6
Serbia	22	11.9	3,040	41.6	12	10.6	1,600	21.9
Singapore	1,031	7.3	173,610	296.5	234	7.2	39,470	67.4
Slovakia	96	10.0	17,630	98.9	50	8.2	9,170	51.4
Slovenia	70	10.2	32,810	133.7	16	6.1	7,400	30.2
South Africa	690	15.4	11,620	202.8	143	6.3	2,410	42.0
South Korea	3,643	8.6	70,280	239.3	1,661	9.5	32,050	109.1
Spain	2,683	6.7	56,500	222.7	761	1.4	16,020	63.1
Sri Lanka	59	23.0	2,690	82.5	11	10.9	500	15.3
Sweden	2,042	16.4	195,130	390.8	509	6.7	48,620	97.4
Switzerland	3,007	6.9	345,980	419.6	946	3.2	108,870	132.0
Taiwan	3,927	9.5	164,610	558.5	629	8.5	26,380	89.5
Thailand	702	9.4	9,810	164.9	383	3.8	5,350	90.0
Türkiye	282	51.9	3,320	59.5	78	22.0	920	16.5
United Kingdom	9,427	4.5	140,120	341.6	2,509	2.1	37,290	90.9
United States	103,694	12.6	307,700	512.8	16,148	7.3	47,920	79.9

Appendix B2: Net financial assets by country, 2021

	Net financial assets			Gini coefficient of wealth distribution	GDP
	in EUR bn	yoy in %	EUR per capita	in %	EUR per capita
Argentina	57	61.5	1,270	0.71	8,790
Australia	2,577	12.4	99,400	0.70	53,580
Austria	606	6.0	67,930	0.74	45,210
Belgium	1,203	5.6	103,650	0.65	43,660
Brazil	1,916	6.0	8,940	0.85	6,390
Bulgaria	79	4.9	11,410	0.71	9,860
Cambodia	15	15.5	880	0.71	1,420
Canada	4,780	12.5	125,290	0.71	45,540
Chile	321	4.7	16,440	0.85	12,730
China	21,957	11.4	15,400	0.72	10,890
Colombia	188	9.9	3,640	0.74	4,930
Croatia	58	13.7	14,400	0.69	14,140
Czech Republic	256	4.1	24,380	0.71	23,460
Denmark	1,075	26.0	183,610	0.68	57,140
Estonia	30	9.0	22,560	0.78	23,080
Finland	212	14.0	38,360	0.73	45,610
France	4,667	7.5	72,320	0.70	38,460
Germany	5,779	9.8	69,290	0.72	42,810
Greece	187	10.3	17,900	0.82	17,500
Hungary	175	11.4	18,060	0.75	15,380
India	1,820	11.9	1,290	0.71	1,990
Indonesia	239	8.7	870	0.72	3,820
Ireland	387	13.3	77,610	0.84	84,530
Israel	945	14.3	106,220	0.73	49,380
Italy	4,254	7.2	71,820	0.72	29,970
Japan	12,800	4.7	102,720	0.71	33,210
Kazakhstan	10	-6.2	520	0.72	8,560
Latvia	28	16.5	15,110	0.70	17,570
Lithuania	47	10.2	16,740	0.70	19,850
Malaysia	337	1.0	10,040	0.72	9,710
Malta	27	6.0	50,330	0.63	27,590
Mexico	913	12.9	7,210	0.84	8,900
Netherlands	2,197	-1.6	125,510	0.62	49,180
New Zealand	678	13.0	132,170	0.70	41,090
Norway	193	21.7	35,720	0.70	76,490
Pakistan	137	6.4	590	0.71	1,190
Peru	64	-14.1	1,900	0.83	5,700
Philippines	207	12.4	1,820	0.73	2,940
Poland	431	11.2	11,250	0.81	14,830
Portugal	297	4.8	28,860	0.73	20,530
Romania	127	1.4	6,590	0.70	12,330
Russia	1,035	9.0	7,130	0.78	10,570
Serbia	11	13.4	1,440	0.70	7,310
Singapore	797	7.4	134,150	0.73	58,560
Slovakia	46	12.0	8,460	0.66	17,830
Slovenia	54	11.5	25,400	0.70	24,540
South Africa	547	18.1	9,220	0.87	5,730
South Korea	1,982	7.9	38,230	0.71	29,360
Spain	1,922	9.0	40,480	0.68	25,380
Sri Lanka	48	26.1	2,190	0.74	3,260
Sweden	1,533	20.1	146,510	0.71	49,930
Switzerland	2,061	8.6	237,110	0.73	82,450
Taiwan	3,298	9.7	138,220	0.70	29,470
Thailand	319	17.0	4,450	0.80	5,950
Türkiye	203	67.7	2,400	0.76	5,590
United Kingdom	6,918	5.4	102,830	0.70	41,020
United States	87,546	13.6	259,780	0.77	60,010

Appendix C: Global ranking 2021

… by net financial assets per capita, in EUR			… by gross financial assets per capita, in EUR		
1	United States	259,780	1	Switzerland	345,980
2	Switzerland	237,110	2	United States	307,700
3	Denmark	183,610	3	Denmark	246,300
4	Sweden	146,510	4	Sweden	195,130
5	Taiwan	138,220	5	Netherlands	177,410
6	Singapore	134,150	6	Canada	175,350
7	New Zealand	132,170	7	Singapore	173,610
8	Netherlands	125,510	8	Australia	166,630
9	Canada	125,290	9	Taiwan	164,610
10	Israel	106,220	10	New Zealand	164,170
11	Belgium	103,650	11	United Kingdom	140,120
12	United Kingdom	102,830	12	Israel	133,080
13	Japan	102,720	13	Belgium	132,100
14	Australia	99,400	14	Japan	127,190
15	Ireland	77,610	15	Norway	116,430
16	France	72,320	16	Ireland	106,040
17	Italy	71,820	17	France	102,240
18	Germany	69,290	18	Germany	94,000
19	Austria	67,930	19	Austria	92,130
20	Malta	50,330	20	Italy	88,720
21	Spain	40,480	21	Finland	75,330
22	Finland	38,360	22	South Korea	70,280
23	South Korea	38,230	23	Malta	67,580
24	Norway	35,720	24	Spain	56,500
25	Portugal	28,860	25	Portugal	45,890
26	Slovenia	25,400	26	Czech Republic	33,940
27	Czech Republic	24,380	27	Slovenia	32,810
28	Estonia	22,560	28	Estonia	32,660
29	Hungary	18,060	29	Greece	28,590
30	Greece	17,900	30	Chile	22,450
31	Lithuania	16,740	31	China	22,280
32	Chile	16,440	32	Lithuania	21,930
33	China	15,400	33	Hungary	21,860
34	Latvia	15,110	34	Croatia	19,530
35	Croatia	14,400	35	Latvia	19,050
36	Bulgaria	11,410	36	Malaysia	18,680
37	Poland	11,250	37	Slovakia	17,630
38	Malaysia	10,040	38	Poland	16,200
39	South Africa	9,220	39	Bulgaria	14,460
40	Brazil	8,940	40	Brazil	11,980
41	Slovakia	8,460	41	South Africa	11,620
42	Mexico	7,210	42	Thailand	9,810
43	Russia	7,130	43	Russia	9,520
44	Romania	6,590	44	Romania	9,310
45	Thailand	4,450	45	Mexico	8,660
46	Colombia	3,640	46	Colombia	5,510
47	Türkiye	2,400	47	Turkey	3,320
48	Sri Lanka	2,190	48	Serbia	3,040
49	Peru	1,900	49	Peru	2,790
50	Philippines	1,820	50	Sri Lanka	2,690
51	Serbia	1,440	51	Philippines	2,120
52	India	1,290	52	India	1,980
53	Argentina	1,270	53	Kazakhstan	1,840
54	Cambodia	880	54	Argentina	1,710
55	Indonesia	870	55	Indonesia	1,510
56	Pakistan	590	56	Cambodia	1,490
57	Kazakhstan	520	57	Pakistan	650

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