

## Global Wealth Report indicates nearly 40% rise in next five years

The fourth annual Global Wealth Report 2013, from Credit Suisse indicates that wealth is to rise by nearly 40% in the next five years, reaching US\$ 334 trillion by 2018 and emerging markets are to increase their share of global wealth to 23% by 2018, with China alone expected to represent over 10% of global wealth.



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It also found that from mid-2012 to mid-2013, aggregate global household wealth increased by 4.9% in current dollar terms to US\$ 241 trillion or US\$ 51,600 per adult in the world, an all-time high for average net worth, despite the continuing challenges posed by the economic environment.

Africa has seen a 1.2% change in increased household wealth and is expected to increase its number of millionaires from 90 in 2013 to 163 in 2018, an 81% increase.

The report defines net worth or wealth as the value of financial assets plus real assets (mainly real estate), minus household debt.

### US leads

North America gained US\$ 8.4 trillion, an increase of 11.9%, fuelled by a recovery in house prices and a buoyant equity market in the US. It became the lead region in terms of total net wealth for the first time since 2005, overtaking European holdings, which added US\$ 5.5 trillion, an increase of 7.7%.

Because of a 22% depreciation of the Japanese yen against the US dollar during the period, household wealth in Japan dropped 20.5% to US\$ 22.6 trillion, dragging down total wealth in Asia Pacific by 3.7% to US\$ 73.9 trillion. However, Asia Pacific ex-Japan continued to register stable wealth growth by 6.2% to US\$ 51.3 trillion in mid-2013. Key findings:

- US is to remain the undisputed leader in terms of aggregate wealth, with total net worth approaching US\$ 100 trillion by 2018
- Eurozone wealth per adult in 2013 has recovered more than half of the large loss experienced 12 months earlier, mainly due to rising equity prices
- Switzerland ranks highest in average wealth, breaking the 500,000 US\$ level to hit a new high of US\$ 513,000 per adult
- Number of millionaires worldwide is to increase by about 16 million reaching 47 million in 2018

Giles Keating, global head of research for private banking & wealth management, Credit Suisse, said, "The

report shows a US\$ 11 trillion rise in wealth to over US\$ 241 trillion, with the US as the clear winner overtaking Europe and APAC falling back due to the sharp depreciation of the yen. We look at wealth mobility for the first time and it appears surprisingly high. For instance, less than two-thirds of the 2000-01 Forbes billionaires remained on the list by 2005 and barely half were on it by the end of the decade."

Credit Suisse Research Institute's Michael O'Sullivan said, "Our research shows that global wealth has doubled since 2000, quite compelling, given some of the economic challenges of the last decade. We expect this trend to continue in the foreseeable future, driven largely by emerging markets' strong economic growth and rising population levels."

The analysis comprises the wealth holdings of 4.7 billion adults across 200 countries - from billionaires in the top echelon to the middle and bottom sections of the wealth pyramid, which other studies often overlook.

## **South Africa - emerging problems**

Household wealth per adult in South Africa grew vigorously prior to the global financial crisis, tripling from US\$ 8,400 in the year 2000 to US\$ 25,800 in 2007. Exchange rate movements had little overall effect during this period. Since 2007, progress has been slower. In constant exchange rate terms, wealth declined a little in 2008, but growth soon recovered and gathered pace in 2012-13.

Depreciation of the Rand greatly amplified the wealth drop in 2008. This was reversed the following year, but more recent declines in the exchange rate have caused wealth per adult in US\$ terms to trend downwards since 2010. Unusually for a developing country, household wealth in South Africa is largely comprised of financial assets, which contribute 71% to the average household portfolio. This reflects a vigorous stock market and sophisticated life insurance and pension industries, which are key aspects of the strong model sector of the economy. Due in part to relatively low real estate prices, average real assets of US\$ 7,100 are not worth much more than the average level of debt (US\$ 5,000). South Africa is also unusual among developing countries in having an official household sector balance sheet, which provides a more reliable basis for the wealth composition numbers.

South Africa resembles Indonesia in having a distribution of wealth, which is similar to the distribution for the world as a whole, although fewer individuals have wealth above US\$ 100,000. Nevertheless, we estimate that 62,000 South Africans are members of the top 1% of global wealth holders and that 43,000 are US\$ millionaires. While indicative of considerable wealth at the top end, these numbers are down a little from last year, reflecting the fall in the exchange rate.

## **South Africa country summary 2013**

- Population 51 million
- Adult population 31 million
- GDP 13,776 US\$ per adult
- Mean wealth 19,613 US\$ per adult
- Median wealth 3,051 US\$ per adult
- Total wealth 0.6 trillion US\$
- Dollar millionaires 43 thousand
- Top 10% of global wealth holders 1,250 thousand
- Top 1% of global wealth holders 62 thousand
- Quality of wealth data - fair

## Global changes in wealth from 2012-13

In recent years, exchange rate movements versus the US dollar have significantly influenced the relative wealth rankings of individual countries. During the year to mid-2013, exchange rates were confined to a narrower range than in the past, therefore, had less impact. Exceptions include Japan, whose currency depreciated by 22%, and Egypt, Argentina and South Africa, which were devalued by more than 15%.

In most other parts of the world, the economic environment has been generally favourable towards wealth acquisition. While Japan's currency issues led to a net loss for the Asia-Pacific region, gains were recorded in all other regions. Total wealth in North America (up 11.9%) overtook European holdings (up 7.7%) to become the lead region for the first time since 2005 (see Table 1).

**Table 1: changes in household wealth 2012-13 by region**

Region	Total Wealth 2013 US\$ billion	Change in Total Wealth 2012-13 US\$ billion	% Change 2012-13
Africa	2,711	32	1.2%
Asia-Pacific (including China and India)	73,879	-2,859	-3.7%
Europe	76,254	5,475	7.7%
Latin America	9,139	317	3.6%
North America	78,898	8,362	11.9%
World	240,881	11,328	4.9%

### Focus on the Eurozone

The report details the resurgence of wealth in the Eurozone, with rising equity prices and the slightly favourable euro-dollar movement to recover more than half of the very large wealth loss experienced 12 months earlier.

Wealth per adult was 154,900 euros in mid-2013 for the Eurozone as a whole, but there are significant differences between countries. The report estimates indicate that household wealth in Austria, Germany, Ireland and the Netherlands is similar to the Eurozone level, but wealth is about 20% higher in Italy and Belgium, and about 50% higher in France and Luxembourg. Countries lower down the ranking include Spain and Cyprus with about 60% of the Eurozone average, Greece with half of the Eurozone average, and Estonia and Slovakia with less than 20% of the Eurozone level.

### Wealth in the future

Wealth is expected to rise by nearly 40% in the next five years, reaching US\$ 334 trillion by 2018. The bar expects that the pace of wealth generation in emerging markets will continue to be greater than that of developed markets. The share of wealth of emerging markets will likely reach 23% by 2018 at US\$ 76.9 trillion, an increase of 0.5% on average each year. The annual rate of increase is projected to be 9.1% for emerging markets against 6.1% for developed markets.

Among major economies, China will likely be the largest gainer in relative terms with wealth to grow at a rate of 10.1% over the next five years to US\$ 35.9 trillion. China accounts for 9.2% of global wealth, and this will rise to 10.7%. The US will lose some share, but will still account for 29% of global wealth in 2018 with US\$ 98 trillion. Wealth in India will also grow very rapidly, at an annual pace of 9.3% to US\$ 5.6 trillion in 2018. On a per adult basis, China will increase its wealth by US\$ 12,100 to US\$ 34,400 and India by US\$

1,900 to US\$ 6,600.

Estimates suggest that the number of global millionaires could exceed 47 million in 2018, a rise of nearly 1 million. While the number of millionaires in emerging economies is still far below the levels in the US (18.6 million) or Europe (15.0 million), it is expected to increase substantially in the next few years. China could see its number almost doubling by 2018, raising the total to 2.1 million. Pushed by Brazil (an extra 186,000) and Mexico (an extra 87,000), it also expects a substantial increase in the number of millionaires in Latin America, which will reach almost one million in five years' time (see Table 2).

**Table 2: number of millionaires in 2013 and 2018 by regions, selected countries and world**

Country	Number (thousand) - 2013	Number (thousand) - 2018	Change (%)
US	13,216	18,618	41%
France	2,211	3,224	46%
UK	1,529	2,377	55%
Germany	1,735	2,537	46%
Brazil	221	407	84%
Korea	251	449	79%
Mexico	186	273	47%
Singapore	174	235	35%
Indonesia	123	194	58%
Russia	84	133	58%
Hong Kong	103	168	63%
Turkey	102	158	55%
Poland	45	85	89%
Malaysia	38	67	76%
Chile	54	86	59%
Region	Number (thousand) - 2013	Number (thousand) - 2018	Change (%)
Africa	90	163	81%
Asia-Pacific (incl China & India)	6,571	11,488	75%
Europe	10,236	15,027	47%
Latin America	569	936	64%
North America	14,213	20,001	41%
World	Number (thousand) - 2013	Number (thousand) - 2018	Change (%)
World	31,680	47,614	50%

### Top of the wealth pyramid

Credit Suisse estimates suggest that worldwide there are 98,700 UHNW individuals, those with net assets exceeding US\$ 50 million. Of these, 33,900 are worth at least US\$ 100 million and 3,100 have assets above US\$ 500 million. North America dominates the regional ranking, with 48,000 UHNW residents (49%), while Europe has 24,800 individuals (25%), and 21,790 (22%) reside in Asia-Pacific, including China and India.

**Table 3: UHNWIs 2013: selected countries**

Country	UHNWIs (> US\$ 50 Million)	% of Global Total
US	45,650	46.3%
China	5,831	5.9%
Germany	4,501	4.6%
Switzerland	3,457	3.5%
UK	3,187	3.2%
Japan	2,885	2.9%
France	2,877	2.9%
Italy	2,338	2.4%
Canada	2,321	2.4%

Australia	2,059	2.1%
Russia	1,986	2.0%
India	1,759	1.8%
Brazil	1,704	1.7%
Taiwan	1,373	1.4%
Spain	1,299	1.3%
Turkey	1,209	1.2%
Korea	1,206	1.2%
Hong Kong	1,145	1.2%
Sweden	1,144	1.2%
World	98,663	100%

## Wealth of Nations

The richest nations, with wealth per adult over US\$ 100,000, are found in North America, Western Europe and among the rich Asia-Pacific and Middle East countries. They are headed by Switzerland, which in 2011 became the first country in which average wealth exceeded US\$ 500,000. It dropped below this mark in 2012, but this year equity price rises resulted in a new peak value of US\$ 513,000 per adult (see table 4).

**Table 4: top 10 countries with the highest average wealth per adult in mid-2013 (US\$)**

Ranking	Country	Average wealth per adult	Change since mid-2012 (%)
1	Switzerland	513,000	6.1%
2	Australia	403,000	1.3%
3	Norway	380,000	9.0%
4	Luxembourg	315,000	5.4%
5	US	301,000	11.4%
6	Sweden	299,000	14.6%
7	France	296,000	8.2%
8	Singapore	282,000	6.8%
9	Belgium	256,000	8.7%
10	Denmark	255,000	10.1%

## Wealth Mobility

While the wealth pyramid provides a "snapshot" of wealth at a given point of time, individuals are constantly moving between the various strata. The report looks at wealth mobility to supplement what is known about changes in individual wealth positions.

The percentage of billionaire "stayers" is broadly similar across countries, although there are some notable outliers and some interesting wealth mobility differences between countries:

- France, Italy and Japan might be expected to have a lower percentage of "stayers" because their billionaire ranks shrank considerably over the decade.
- Canada, Germany and the UK also have fairly low retention rates.
- The US has by far the highest fraction of stayers, with 78% of the 2000-01 billionaires surviving to 2010 and 65% remaining in 2010. This may reflect that US billionaires have higher mean wealth, so they have to fall further on average to exit the group. Also, they face little or no exchange rate risk; whereas in other countries, entry and exit from the billionaire list may be due simply to fluctuations in the US\$ exchange rate.
- Of the BRIC countries, a notable feature for China is the sharp increase in the number of billionaires after 2005, reflecting the rapidly lengthening upper tail of the Chinese wealth distribution, resulting in high upward structural mobility.

- Of the BRIC countries, billionaires have the highest chance of surviving in Russia. The number of Russian billionaires more than doubled from 2005 to 2010, so the high survival rate likely reflects low downward structural mobility in the upper wealth tail, as well as higher than average wealth among world billionaires and - quite possibly - state protection of billionaire interests leading to lower exchange mobility at the top end than seen in other countries.

To obtain a copy of the Report, go to [www.credit-suisse.com/researchinstitute](http://www.credit-suisse.com/researchinstitute).

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