

Credit Suisse: Global wealth grew by 2.6%, led by the US and China

Credit Suisse Research Institute publishes its tenth edition of the Global Wealth Report, the most comprehensive and up-to-date source of information on global household wealth.

Tokyo, October 25, **Global wealth grew during the past year by 2.6% to USD 360 trillion and wealth per adult reached a new record high of USD 70,850, 1.2% above the level of mid-2018. US, China and Europe contributed the most towards global wealth growth with USD 3.8 trillion, USD 1.9 trillion and USD 1.1 trillion respectively.**

Japan

- In the 12 months to mid-2019, wealth in Japan grew 4% to reach USD 25 trillion, third in the world after US and China.
- Japanese average wealth per adult rose 4.0% over the 12 months to reach USD 238,104 in mid-2019. This is only 24% higher than USD 191,990 in 2000. The slow growth is due to the mixed performance of the stock market and real estate, low interest rates, and a lower saving rate than in earlier years.
- Millionaire numbers rose by around 7% over the last 12 months to reach 3 million, representing around 6.6% of the number of millionaires globally, and third highest in the world.
- At 3,350, Japan has the eighth highest number of ultra-high net worth individuals globally.
- Neither financial asset prices nor house prices have risen steadily in Japan. As a consequence, the relative importance of financial assets in household portfolios has changed little, and remains at the relatively high level of 61% of gross assets. Debts have been declining, and are modest by international standards at 11% of total assets.
- Japan has a more equal wealth distribution than any other major country, as reflected in a Gini coefficient of 63%. Together with its still-high average wealth, this relative equality means that few adults – just 4.6% – have assets below USD 10,000. The proportion of the population with wealth above USD 100,000 is 5 times the global average. Reflecting its population size and wealth, Japan has 7% of the world's top 1% of wealth holders.

Asia Pacific region highest contributor of wealth

Total household wealth in Asia Pacific (including China and India) reached USD 141,219 billion in mid-2019, compared to the global total wealth of USD 360,603 billion, making Asia Pacific the highest contributor out of all regions. During the year, China and India reported increases of 3.1% and 5.2% of total household wealth, respectively. Total wealth rose in the other regions as well. North America added USD 4.1 trillion to its stock of household wealth, of which USD 3.9 trillion came from the United States.

While financial assets contributed 39% of the increase in gross wealth worldwide, non-financial assets grew faster than financial assets and accounted for the bulk of new wealth in China, Europe and Latin America, and almost all new wealth in Africa and India.

Table 1: Change in total household wealth mid-2018 – mid-2019 by region

	Total wealth	Change in total wealth	
	Mid-2019 (USD bn)	Change since mid-2018 (USD bn)	Change since mid-2018 (%)
Africa	4,119	130	+3.3
Asia Pacific (incl China and India)	141,219	3,339	+2.4
Europe	90,752	1,093	+1.2
Latin America	9,906	463	+4.9
North America	114,607	4,061	+3.7
World	360,603	9,087	+2.6

Note: In current US dollar terms

Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2019

Switzerland and Hong Kong SAR (China) highest average wealth globally

Globally, Switzerland remains at the top in terms of wealth per adult with USD 564,650 in mid-2019, followed by Hong Kong SAR (China) (USD 489,260). Australia (USD 386,060) and Singapore (USD 297,870) follow on the positions four and six, respectively, among major economies globally. In terms of median wealth, locations with lower levels of wealth inequality continue to have higher median wealth per adult, with Switzerland (USD 227,890) ranking highest, and Australia (USD 181,360) overtaking Hong Kong SAR (China) (USD 146,890) to gain second place. Other Asia Pacific locations in the top ten globally are New Zealand, ranked fifth with USD 116,440 and Japan, ranked sixth highest with USD 110,410.

Table 2: Top ten major economies with the highest average wealth per adult in mid-2019

Ranking	Location	Average wealth per adult (in USD)	Change since mid-2018 (%)
1	Switzerland	564,650	3.3
2	Hong Kong SAR (China)	489,260	-0.6
3	United States	432,370	2.8
4	Australia	386,060	-6.9
5	New Zealand	304,120	3.0
6	Singapore	297,870	2.4
7	Canada	294,260	1.5
8	Denmark	284,000	-1.1
9	United Kingdom	280,000	-0.9
10	Netherlands	279,000	3.4

Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2019

John Woods, Credit Suisse's Chief Investment Officer Asia Pacific, said: "Total wealth across all regions rose last year. In the 12 months to mid-2019, household wealth in Asia Pacific, including China and India, grew at a steady rate of 2.4% to reach USD 141,219 billion, almost 40% of the total global wealth, making it the biggest wealth region."

"While the United States continues to top the world league table, with China in second place, the relative positions are likely to be eroded as we project a 23% rise in the number of millionaires in the United States, compared to a 55% increase to 6.9 million for China. Millionaires in India could number 1.2 million in 2024, representing an increase of 56% over the next five years. In terms of ultra-high net worth individuals (UHNWIs), by 2024 the Asia Pacific region will host another 21,300 UHNWIs, reaching a total of nearly 66,000, of whom 42% will be from China."

10 years of the Global Wealth Report

This year the report also assesses the performance of countries in real rather than nominal values taking into consideration the effect of inflation.

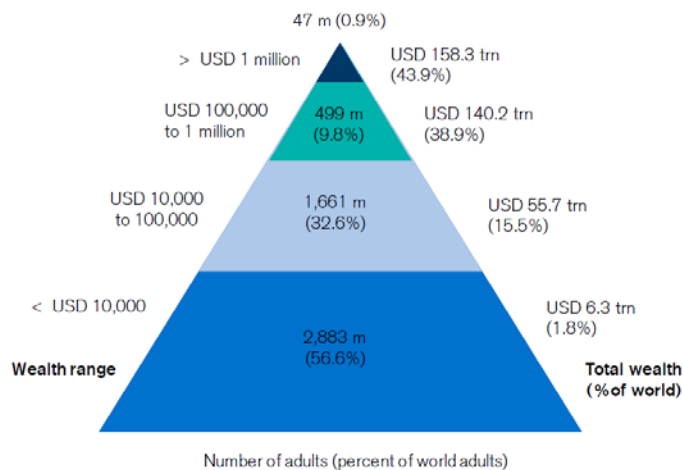
- Emerging markets¹ including China have become increasingly important to the world economy, accounting for two thirds of real wealth gain since 2008, or double the contribution of North America.
- China performs extremely well under real USD, current USD and Local Currency Unit (LCU) measures.
- Since 2008, average real USD wealth growth in Europe has been negative, in part due to retrenchment of the Euro.
- High-income Asia-Pacific countries have only a small role in this changing scenario and the rest of the world (including most of Africa and Latin America) simply offset the negative impact of Europe.

The report examines the ratio of wealth in relation to Gross Domestic Product (GDP) finding in the longer term, that the most successful countries are those that succeed in raising wealth as a multiple of GDP by addressing institutional and financial-sector deficiencies. This can result in a virtuous cycle in which higher wealth stimulates GDP growth, which in turn further raises wealth. China, India and Vietnam provide examples of this virtuous cycle in action.

The global wealth pyramid 2019

To determine how global wealth is distributed across individual adults, the report combines estimates of the level of household wealth across countries with information on the pattern of wealth distribution within countries. The wealth pyramid in Figure 5 from the report (below) captures the wealth difference between adults. The large base of low-wealth holders underpins higher tiers occupied by progressively fewer adults. An estimated 2.9 billion individuals – 57% of all adults in the world – have wealth below USD 10,000 in 2019. The next segment, covering those with wealth in the range USD 10,000–100,000, has seen the biggest rise in numbers this century, trebling in size from 514 million in 2000 to 1.7 billion in mid-2019. This reflects the growing prosperity of emerging economies, especially China, and the expansion of the middle class in the developing world. The average wealth of this group is USD 33,530, a little less than half the level of average wealth worldwide, but considerably above the average wealth of the countries in which most of the members reside.

Figure 5: The global wealth pyramid 2019



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2019

¹ Emerging Markets refer to China plus Argentina, Brazil, Chile, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, Taiwan (Chinese Taipei), Thailand, Turkey and United Arab Emirates. To avoid double counting, countries in this list are excluded from the "Europe" and "High-Income Asia-Pacific" categories.

Wealth of women has risen due to their increasing labor force participation

Women's wealth has grown relative to that of men in most countries due to rising female labor force participation, more equal division of wealth between spouses and other factors.

Traditionally, inheritance has been a more important source of wealth for women than for men - partly because lower incomes restricted accumulation on their own account, partly due to widowhood, and partly because females hold on to bequests longer than male heirs because they tend to live longer. The reduced flow of inherited wealth over the first half of the 20th century tended to lower the relative wealth of women due to their greater dependence on inheritance.

Parental financial assistance and inheritance may help millennials accumulate wealth

Millennials have not been a lucky cohort, according to the report. Not only were they hit at a young age by the global financial crisis, its associated recession and the poor job prospects that followed, but they have also been disadvantaged in many countries by high house prices, low interest rates and low incomes, making it difficult for them to buy property or accumulate wealth. While millennials may appear to suffer from many disadvantages, parental financial help and inheritance may come to their aid. The expected surge in inherited wealth has consequences for wealth distribution and wealth inequality for developed countries and emerging economies alike. Inheritances are expected to have more significant wealth distribution consequences in the future, probably adding to the inequality pressures from other sources.

Nearly 1% of adults worldwide are millionaires

In mid-2019, 46.8 million millionaires, or 0.92% of the world's adults, collectively owned USD 158.3 trillion (44% of the global total). The United States contributed more than half of the 1.1 million newly minted millionaires during the year up to mid-2019, as Japan and China added 187,000 and 158,000 new millionaires, respectively. Since 2000, when millionaires made up just 0.37% of the adult population, China and other emerging markets have seen the fastest growth in millionaires ever since. The increase is largely attributed to rising average wealth (78%), followed by population growth (16%) and increasing wealth inequality (6%).

Looking forward

Wealth in Asia Pacific is expected to grow by 33% to reach USD 188,000 billion in 2024, compared to the global total of USD 458,577 billion.

The number of millionaires in the region is expected to increase by 50% from 12.7 million in mid-2019 to reach 19.1 million in 2024. Meanwhile, the number of millionaires is expected to rise by 34%, in the world, from 2019 to 2024, by 35% in Europe and 24% in North America.

By 2024, the number of Ultra High Net Worth individuals in the Asia Pacific region is expected to grow by around 21,300, or at 8% annually, to reach a total of nearly 66,000, of whom 42% will be from China. Meanwhile, the UHNW segment is expected to grow by around 6.5% annually in the world, 6.6% annually in North America and 6% annually in Europe.

Nannette Hechler-Fayd'herbe, Chief Investment Officer International Wealth Management and Global Head of Economics & Research at Credit Suisse, said: "Despite the trade tension between US and China over the past 12 months, both countries have fared strongly in wealth creation contributing USD 3.8 trillion and USD 1.9 trillion respectively. The number of millionaires has also risen globally by 1.1 million to 46.8 million in 2019, collectively owning USD 158.3 trillion or 44% of the global total. China and other emerging markets have contributed significantly to this growing contingent and show signs of progress and opportunity for investors."

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The Global Wealth Report 2019 is available at:

<https://www.credit-suisse.com/ch/en/about-us/research/research-institute.html>

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