

FINANCIAL POST

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Surprise! The world is getting a lot richer

Michael Nairne, Serious Money



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You wouldn't know it from the endless torrent of gloomy news but the world is getting a lot richer.

You wouldn't know it from the endless torrent of gloomy news but the world is getting a lot richer. In fact, according to the Credit Suisse 2011 Global Wealth Report, total household wealth in the world has reached an all-time high of US\$231-trillion. This enormous sum, which encompasses real assets including homes as well as financial assets, and is net of debts, is equivalent to \$51,000 of wealth for every adult in the world.

It turns out the financial crisis was only a temporary setback in the march of wealth accumulation across the globe. Although total wealth in Europe and North America remains slightly below the 2007 peak, rapid growth in the wealth of emerging markets in Asia, Latin America and Africa helped lift total wealth by 18% over the past year. Unlike the U.S., wealth in Canada has fully recovered from the crisis.

Wealth composition varies across the globe. Although financial assets including bank accounts, stocks and bonds constitute slightly more than one-half of the world's wealth, developed nations such as Canada tend to have a higher proportion in financial assets. Americans, in particular, hold a large chunk of their wealth in stocks. In contrast, in emerging markets such as India or Indonesia as much as 80% of total assets are non-financial including housing, farms and small business assets.

For all the chatter about a world awash with debt, household liabilities on average globally are only 15% of total assets. Although household liabilities grew rapidly from 2000 to 2007, they have since fallen back and are now below their 2007 level. Debt levels are particularly low in the developing countries, but even in the advanced nations household debt tends to average only 15%-20% of assets. It is governments, not their citizens, which have been profligate.

Although global wealth has more than doubled since 2000, there is a cadre of countries that have zoomed ahead with growth rates of more than 10% annually. These include Brazil, Chile, China, Columbia, India, Indonesia, Malaysia and South Africa. For the most part, it has been the rise of a middle class in these populous nations that is propelling world wealth to new heights.

Globally, there are an astounding number of wealthy individuals. Nearly 30 million adults enjoy wealth of \$1-million or more while over a 1 million adults have net assets in excess of \$10-million. The U.S. is still home to the greatest number of millionaires – just over 10 million. Japan comes in second while France is a surprising third. Just over 3% of the world's millionaires live in Canada. For the first time, China has more millionaires than Canada.

Canadians will have to get used to sliding down the wealth rankings in coming years. Although total household wealth globally is expected to rise 50% over the next five years, many developing nations such as Brazil and India will see their wealth more than double.

The pace of expected wealth accumulation in these countries is astounding. India today has aggregate wealth that is comparable to that of the U.S.'s in 1916. Over the next five years, India is forecast to gain as much wealth as the U.S. did in the 30 years after 1916.

Credit Suisse isn't alone in seeing the world becoming much wealthier as the emerging markets leapfrog ahead. Citigroup Global Markets recently forecast global economic growth over the next 20 years that will rival the worldwide boom that occurred in the 1950's after the Second World War.

This spells opportunity to the far-sighted global investor who can see beyond today's turmoil. A world that is getting richer is a much better place in which to invest.

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