Context:

The Credit Suisse Group, a Switzerland-based multinational investment bank, has released the 10th edition of its annual Global Wealth Report.

How is wealth defined and calculated?

Wealth is defined in terms of “net worth” of an individual. This, in turn, is calculated by adding up the value of financial assets (such as money) and real assets (such as houses) and then subtracting any debts an individual may have.

Key points:

China has overtaken the United States this year to become “the country with most people in the top 10% of global wealth distribution”.

44% of total wealth with 0.9%: 47 million people – accounting for merely 0.9% of the world’s adult population – owned $158.3 trillion.

Bottom half of wealth holders collectively accounted for less than 1% of total global wealth in mid-2019, while the richest 10% own 82% of global wealth and the top 1% alone own 45%.

Global financial crisis of 2008-09 has hurt those at the bottom of the pyramid more than the wealthiest as inequalities within countries grew in the wake of the GFC. As a result, the top 1% of wealth holders increased their share of world wealth.

India specific points:

India remains one of the fastest wealth creators in the world, with household wealth in dollar terms growing faster than any other region.

Wealth per Indian adult is at $14,569 (₹10.31 lakh as on 21 October). However, the average number is skewed heavily by a few wealthy individuals.

India accounts for 2% of the world’s millionaires.

What are the drivers of the wealth of nations?

Overall size of the population: A country with a huge population, in terms of final calculation, this factor reduces the wealth per adult. Also, a big population provides a huge domestic market and this creates more opportunities for economic growth and wealth creation.

Country’s saving behaviour: A higher savings rate translates into higher wealth. Overall, a percentage point rise in the savings rate raises the growth rate of wealth per adult by 0.13% each year on average.

General level of economic activity as represented by aggregate income, aggregate consumption or GDP: The expansion of economic activity increases savings and investment by households and businesses, and raises the value of household-owned assets, both financial and non-financial.