European Wealth Report

Redesigning Financial Services

Assessing Wealth
Trends Post 2020

Editorial

Wealth is relevant to all Europeans. This is especially true in the context of the COVID pandemic, as governments were forced to shut down large parts of their economies, causing many people to lose their jobs. In this context, people with savings and higher levels of personal wealth were less severely affected than people solely dependent on their monthly incomes. This precarious economic impact of the 2020 pandemic is perhaps best illustrated by the consideration that Europe's -6.4% GDP contraction in 2020 is juxtaposed with an increase of net wealth by 3.9%, as expansive monetary policies pushed asset prices higher to soften the impact on the real economy.

Notably, net wealth is not just about asset prices (both real and financial). Net wealth also considers the liabilities a household carries. So, if the household owns more than it owes, it has a positive net wealth. However, if a household needed to rely on bank loans to get through the pandemic, this household's net wealth could fall or even turn negative. In this way, net wealth offers us a valuable snapshot of a household's financial balance sheet – and health.

The pandemic has had a disruptive effect on many European economies. For this reason, we at Redesigning Financial Services have decided to explore in more detail the impact the pandemic has had on net wealth in Europe – and the growing concentration of European wealth. Moving further into the 21st century, it will be critical that business leaders, policymakers, wealth holders, and entrepreneurs work together to nurture an environment where the active exchange of ideas forms the bedrock of social progress in Europe.

We hope that this report will offer our readers some interesting new perspectives on wealth in Europe.

Faithfully,

Dr. Robert Ruttmann
Chairman, Redesigning Financial Service (RFS)

Zani Sharifi
Managing Director, Redesigning Financial Service (RFS)

Christine Schmid
Head Strategy at additiv and RFS Strategic Board member

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Executive summary

The key findings of this report can be summarized as follow:

- The 2020 pandemic year saw European wealth reach an all-time high of EUR 69 trillion, representing a 3.9% increase on the previous year.
- Core countries make up over 70% of Europe's total net wealth, including Germany (EUR 16.4 trillion), France (EUR 12.6 trillion), the UK (EUR 10 trillion, and Italy (EUR 10 trillion).
- Overall, Europe has witnessed a 45% increase in average wealth over the last decade, with Switzerland leading the way, adding nearly EUR 2 trillion in wealth over the previous ten years, representing a doubling in the net wealth of the period.
- Spain, Switzerland, and Germany had some of the highest percentage increases in average wealth, at 94%, 83%, and 51%, respectively.
- In absolute terms, Switzerland's increase in wealth of 101% over the decade corresponds to EUR 2 trillion, while Germany's 52% increase in private net wealth over the decade represents an enormous EUR 5.6 trillion.
- Wealth is increasingly concentrated. The wealthiest 10% of European households make up no less than 51% of the total net European wealth (Figure 9). The wealthiest 1% of Europeans occupy 19% of total European wealth.
- Wealth concentration is highest in rich countries. The wealthiest 10% in Switzerland, Netherlands, and Austria own 64%, 63%, and 57% of the total private wealth of their respective country.

European Wealth Report
Executive summary

- Germany, the UK, France, and Italy have the most millionaires in absolute terms. In Germany, there are 2.9 million millionaires, 2.5 million in the UK, 2.5 million in France, and in Italy 1.5 million.
- The countries with the highest density of millionaires include Switzerland (14.1%) and the Netherlands (7.1%).
- The average per person net wealth in Europe stood at EUR 199,471 in 2020.

Looking ahead, it seems as though capital returns are set to continue growing faster than economic growth rates, which may suggest that European families owning capital are about to gain a larger slice of Europe's expanding wealth cake. From a policy perspective, this may not per se be an unfavorable development since the report also shows that higher concentrations of wealth are positively correlated with higher levels of average net wealth in a country.

Assessing the growth of private wealth vs GDP

The challenge of concentrating wealth in the face of contracting economic growth

A curious phenomenon has defined the last decade in Europe. The growth of private wealth has accelerated even as the growth of GDP has contracted. The sub-par economic growth can partially be ascribed to several systemic economic shocks like Greece's debt restructuring, Brexit, and the COVID pandemic. At the same time, both financial and real asset prices have soared, driving higher personal net wealth levels across the continent.

For this section, we evaluate wealth and GDP trends in Europe over three periods:

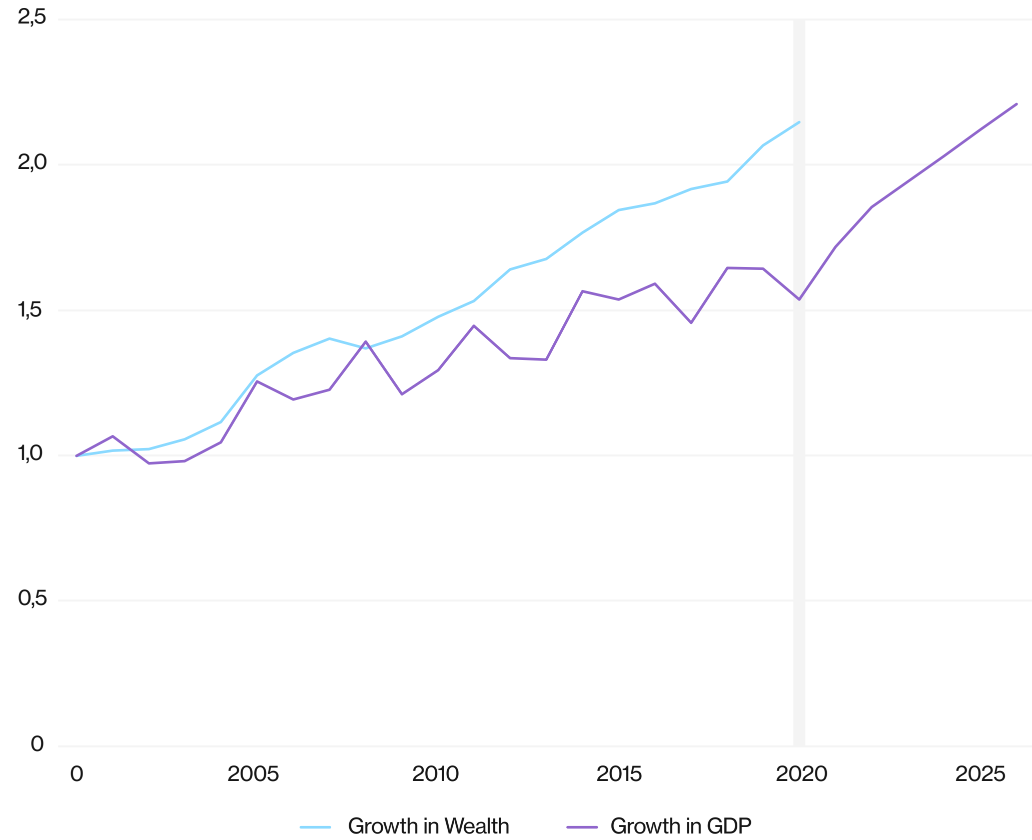
- The period ended 2019
- The impact of the year 2020
- Inferences for the period ahead

Wealth and GDP in the period ending 2019

In average, Europe's GDP grew by 2.4%[1] per year in the decade from 2010–2019. Despite this low growth, the average conceals stark differences across the union. For example, although the size of Greek economic output contracted by 18% (or -1.9% per year), other European economies such as Malta, Luxembourg, and Switzerland expanded at 5%, 4.7%, and 3.8% per year, respectively. Core countries[2] grew at a more muted rate between 1.1% and 3.1%, which is also in line with the average growth for the block of 2.4%. At the same, real and financial asset prices have grown at a much faster

[1] Source: International Monetary Fund, Eurostat, Internal Estimates, for the period 2009-19.
[2] Germany, France, United Kingdom and Italy.

Figure 1: Wealth growth vs GDP growth since 2000[3]

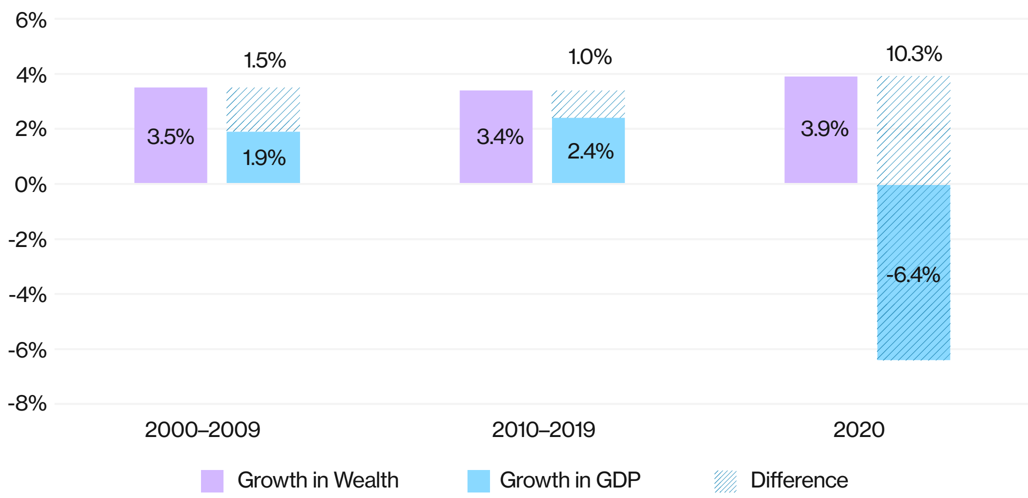


[3] Source: International Monetary Fund, Swiss National Bank, Eurostat, Internal Estimates.

rate than GDP over this period. We estimate that the differential in the yearly growth rate of GDP vs. net wealth for the region has stood at about 1% per year over the decade. In other words, between 2009 and 2019, net wealth grew by 3.4% per year, while GDP in Europe grew by only 2.4% per year.

This suggests that capital owners have become richer at a faster rate than the overall economy has been growing. In short, this leads to a larger concentration of wealth. Interestingly, the 1% differential between the growth in net wealth and GDP was lower than the preceding decade (2000–2009), suggesting that the concentration of wealth in the first decade of the 21st century (2000–2009) was even more pronounced than in the second decade (Figure 2).

Figure 2: Differential in the rate of growth of GDP vs private wealth[4]



[4] Source: International Monetary Fund, Eurostat, Internal Estimates.

The pandemic year of 2020 represents a significant outlier. This year, European GDP contracted by 6.4% as economies were forced into lockdown, while net wealth grew by 3.9%, as central bank monetary backstops drove asset markets to unprecedented heights. In other words, 2020 turned the historical correlation between GDP growth and wealth (although the latter consistently grew faster) on its head. In 2020, the GDP growth corrected sharply, and net wealth surged higher – leading to a 10.3% growth differential (Figure 2).

Looking further ahead to 2026, the IMF estimates that the region's economies are set to grow by 5.1% over the next five years (2021–26). The expectations for asset price growth are more uncertain. Indeed, in an environment characterized by rising inflation and the potential for yields to follow, the outlook for net wealth growth remains particularly uncertain. As such, the growth rates for economic output (GDP) in Europe could outstrip the growth of asset prices in the near term. However, over the medium to long-term – and assuming the trend of wealth growth surpassing economic growth continue to hold – one might expect that the differential in the growth of net wealth vs. economic output again begins to grow.

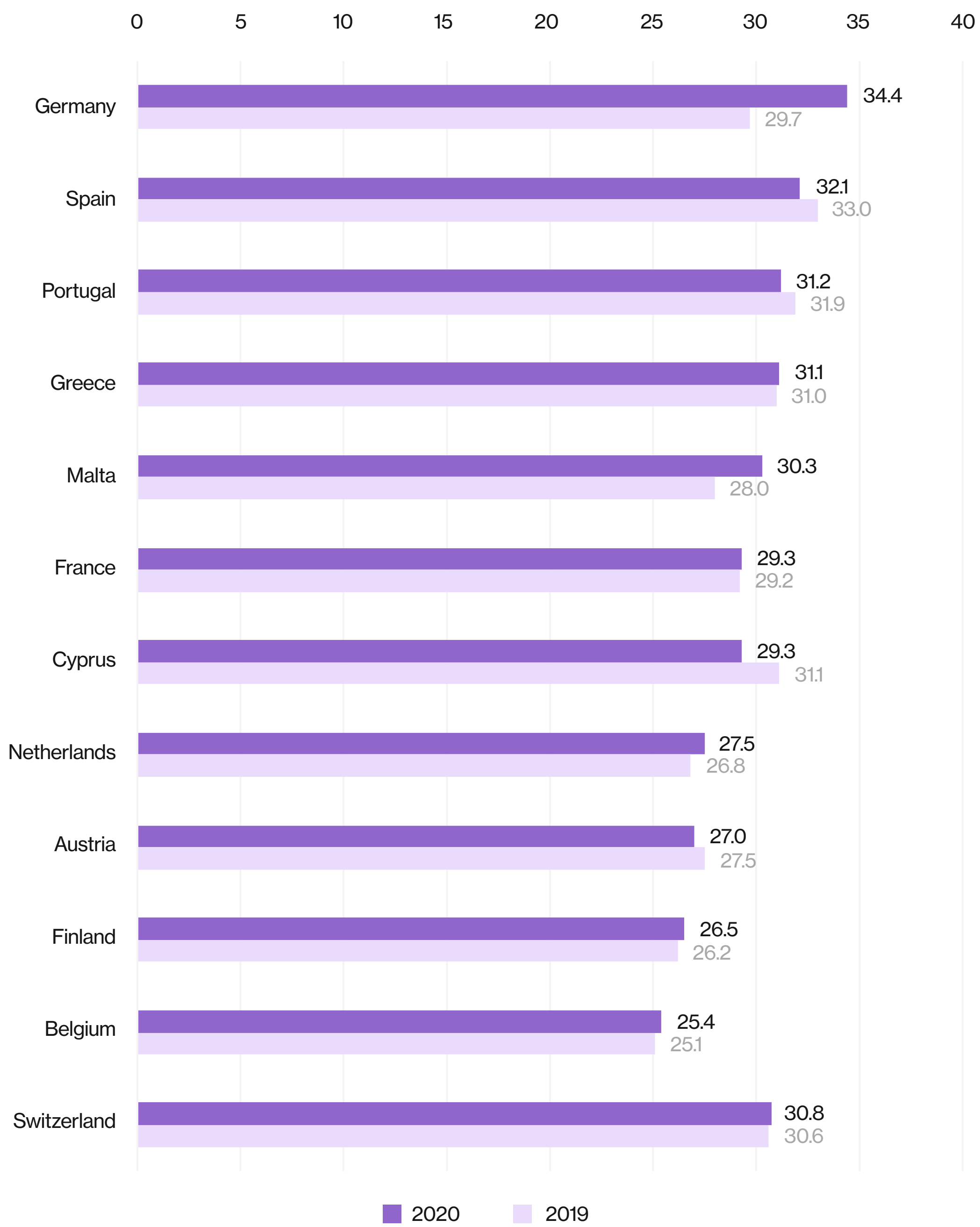
Implications on inequality

Higher inequality in a post-pandemic world

It has been widely debated whether the pandemic has contributed to widening inequality. The data seems to support this hypothesis. The Gini coefficient is a simple measure of inequality, with higher values suggesting a higher concentration of wealth/income and lower values indicating a more equal distribution. According to the Gini Coefficient, some countries have become significantly more unequal in the period between 2014 and 2019. For example, Germany recorded a 16% increase in its Gini coefficient from 29.7 in 2019 to 34.4 in 2020, suggesting a higher concentration of wealth (Figure 3). This data indicates that it is reasonable to conclude that wealthier countries have witnessed increased inequality in 2020.

Further insights on the growth in inequality throughout 2020 may be drawn from an assessment of trends in household savings and investments. Average household savings rates rose significantly in 2020, rising from merely 12% on average between 2010 and 2019 to 19% in 2020.

Figure 3: Gini coefficient data[5]



[5] Source: Eurostat, Internal Estimates, (Gini coefficient of equivalised disposable income - EU-SILC survey [ilc_di12]).

Rich economies increase their savings rates

Household saving rates have increased meaningfully in the Euro Area[6] over 2020 from an average of 12% between 2010–19 to 19% in 2020. However, the increase in household savings over the course of 2020 has not translated to an equivalent increase in investment rates. Investment rates have remained at pre-pandemic levels of 9%.[7] Italy and Portugal notably recorded the highest increases in savings rates in relative terms, from 10% to 17% in Italy and 7% to 13% in Portugal. Savings rates in wealthier nations, such as Germany and Netherlands, were consistently above the Euro Area at over 15% even before 2020. In 2020 the savings rates increased to above 23% for both countries. Thus, wealthy countries with high saving rates even before 2020 have witnessed a further increase in savings rates. In short, wealthy countries have disproportionately increased their savings rates relative to less wealthy European economies.

In summary, it is essential to note that the economic effects of the pandemic in 2020 seem to have driven the growth of private (higher) and economic growth (lower) apart. 2020 saw private wealth in Europe hit an all-time high of EUR 69 trillion while, at the same time, GDP contracted by over 6%. This further led to increased levels of inequality, with wealthier countries benefitting disproportionately from this dispersion.

[6] Source: EU 27, Source: Eurostat, Gross Household Saving Rate (online data code: TEC00131).
[7] Source: Eurostat (dataset including non-seasonally adjusted data: nasq_10_k).

Portrait of the wealth in a post-pandemic Europe

In 2020, total wealth in Europe reached an all-time high of EUR 69 trillion, suggesting that Europe remains one of the richest regions in the world. More broadly, the average European wealth per person stood at EUR 199,471. However, inequality remains high, as the top 10% own over half the total assets and wealth remains disproportionately concentrated in four countries in the region.

Net wealth matters in a post-pandemic world

The topic of wealth is attracting increasing attention in a post-pandemic world. This has primarily to do with the paradoxical situation in which net wealth continued as many economies experienced deep recessions. To better understand the nature, evolution, and impact of this important topic, a detailed exploration of the relevant European data on a net wealth level is essential. In addition, it is crucial not merely to consider financial assets as a proxy of wealth but also to include estimates for debt and privately owned real assets like real estate. We include these variables to get a more comprehensive picture of a household's net wealth, i.e. adjusting for the value of the debts it owes and the real assets it owns.

Including debt, estimates are particularly relevant for Europe

Relying on a more holistic view of net wealth is particularly important in Europe. European household debt levels make up a non-negligible one-third of gross financial assets on average. In addition, the fact that almost 70% of people in Europe own their homes[8] also suggests that real values should be taken into account when estimating the total value of private net wealth on the continent. To this end, we define net wealth as the value of gross financial assets minus debt plus real assets.

Figure 4: Definition of net private wealth[9]

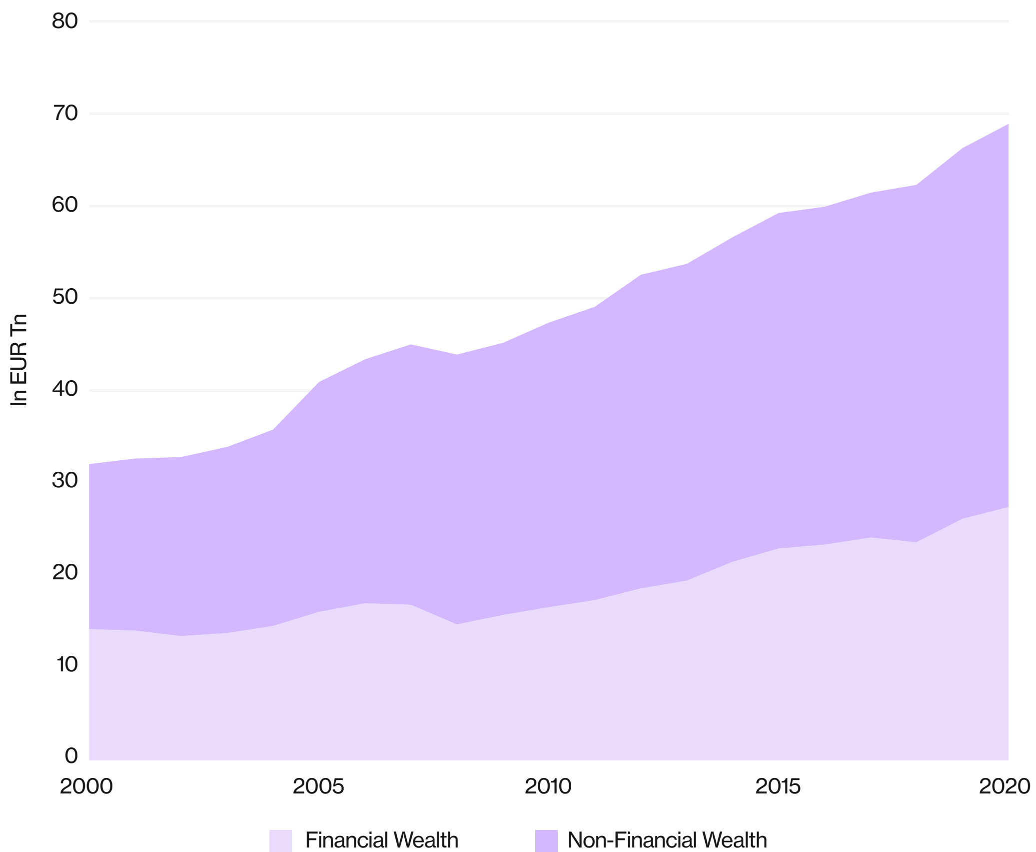
Household Financial Assets
- Household Financial Liabilities
+Net Household Non-Financial Assets
=Net Assets

[8] Source: EU 27, Source: Eurostat.
[9] Source: Internal.

Wealth in Europe surges in 2020

Aggregate European household net wealth reached a total of EUR 69 trillion in 2020 (Figure 5). This level of private net wealth represents an all-time high for the continent.

Figure 5: Wealth in Europe at record highs[10]

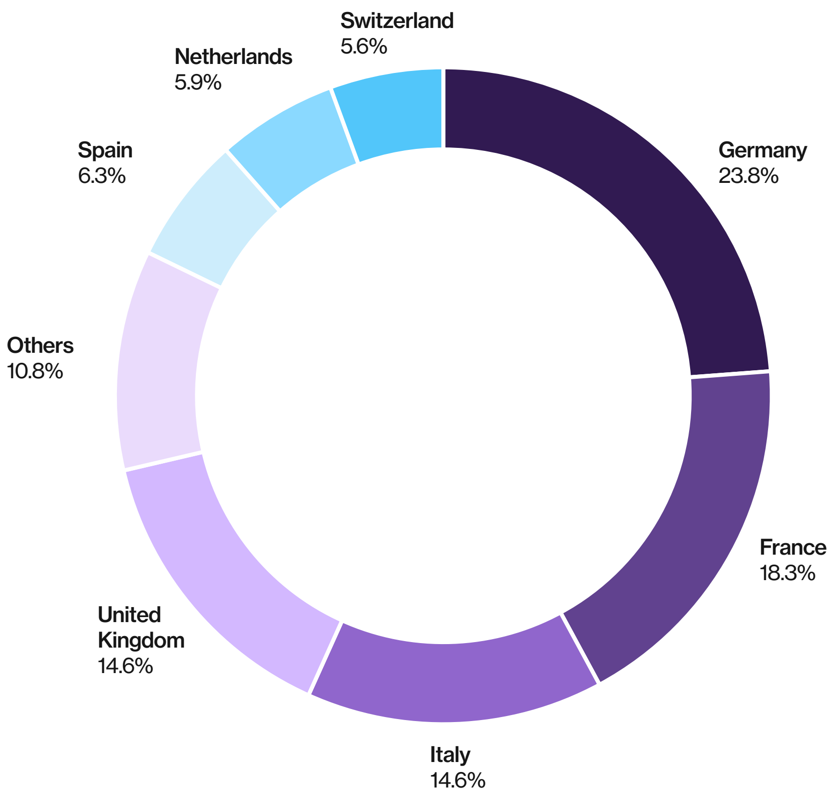


[10] Source: Eurostat, National Accounts Indicator, Swiss National Bank, Internal Estimates.

Wealth concentrated in core countries

Unsurprisingly, average levels mask significant differences across European countries. For instance, the countries making up the most important proportions of total European private net wealth include Germany with EUR 16.4 trillion, France with EUR 12.6 trillion, the UK and Italy, and EUR 10.1 trillion each (Figure 6). Together these four countries have a fortune of over EUR 49 trillion, more than two-thirds of the total net private wealth in Europe of EUR 69 trillion.

Figure 6: Assets concentrated in core countries[11]

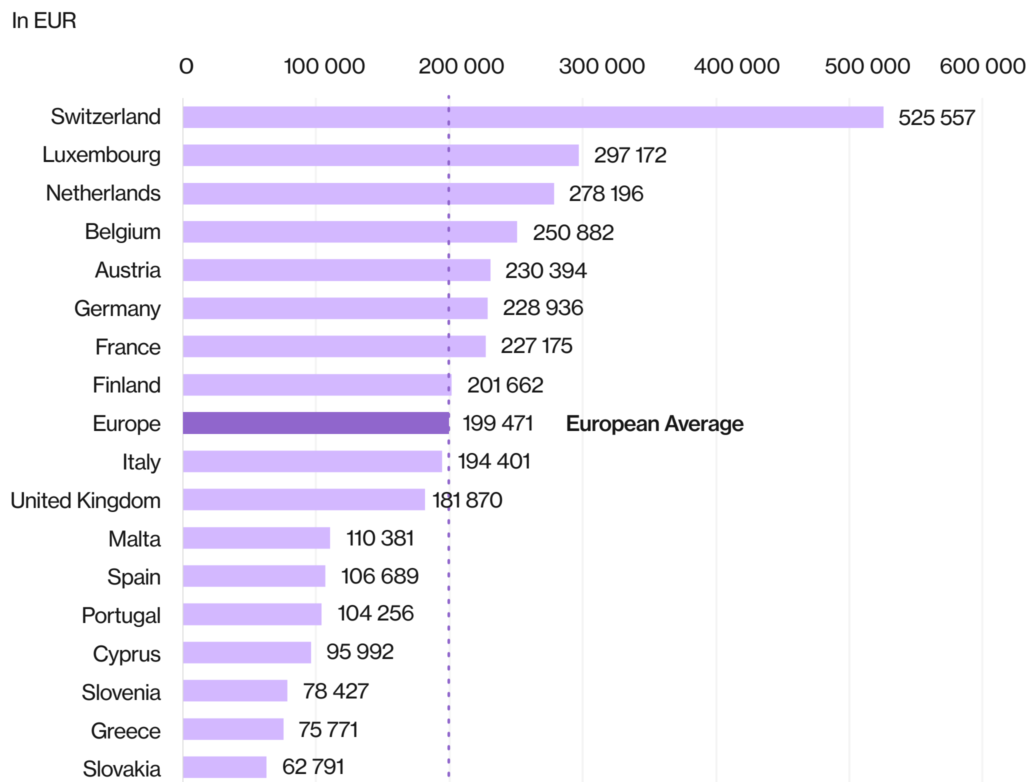


[11] Source: Eurostat, National Accounts Indicator, Swiss National Bank, Internal Estimates.

Europe's average adult owns EUR 199,471 in wealth

Breaking this country wealth data down to a per-adult level, we see that the average European adult owns a net wealth of EUR 199,471. This average conceals significant differences between countries. For example, Switzerland leads at an average wealth of EUR 525,557, followed by, Luxembourg (EUR 297,172), Netherlands (EUR 278,196), and Belgium (EUR 250,882), while countries such as Slovenia (EUR 78,427), Greece (EUR 75,771), and Slovakia (EUR 62,791) are well below this (Figure 7).

Figure 7: Higher average wealth in core countries[12]



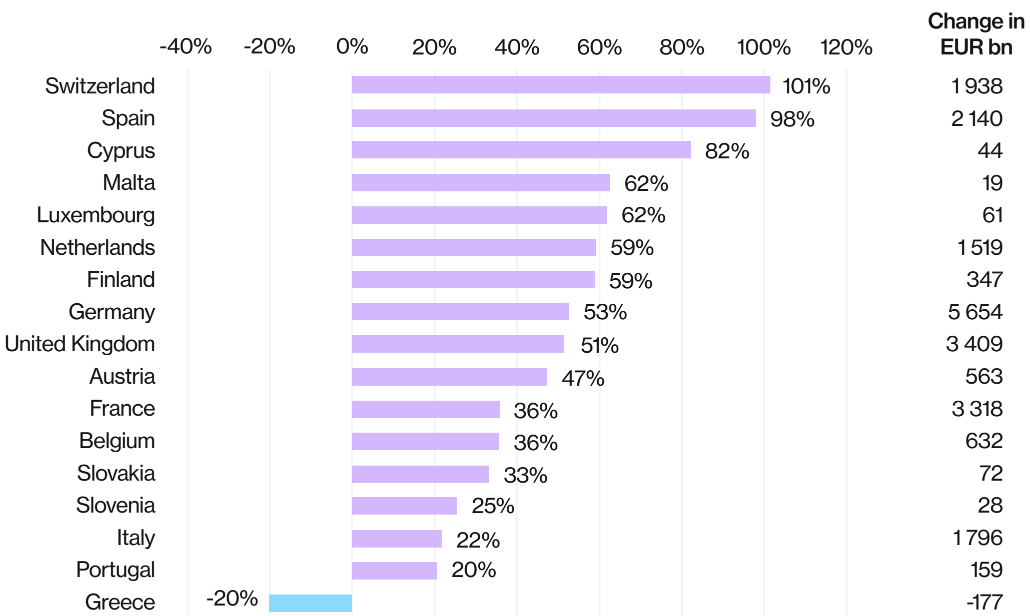
[12] Source: Eurostat, National Accounts Indicator, Swiss National Bank, World Bank, Internal Estimates.

Changes in wealth over the last decade

The past decade has been an eventful one for Europe, featuring both the Eurozone crisis and Brexit. While most countries have increased average wealth over the past decade, Greece remained an exception. Indeed, since 2010, Greece has suffered a 20% decline in average wealth per person. In absolute terms, we estimate the destruction in asset values to be around EUR 177 billion over this time.

Overall, the region has witnessed about a 45% increase in average wealth over the last decade, with Switzerland leading the way, adding nearly EUR 2 trillion in wealth over the previous ten years, representing a doubling in the net wealth of the period. Figure 8 outlines changes in wealth over the last decade.

Figure 8: Change in wealth over the last decade[13]



[13] Source: Eurostat, World Bank, Swiss National Bank, Internal Estimates.

In an era of unprecedented monetary activism, it is unsurprising that the proportion of financial assets in Europe as a portion of net wealth has increased over the last decade. This is because central banks typically first intervene in financial markets by buying debt to lower credit costs. On average, financial assets make up about a third of household net wealth in Europe, with the UK (59%) and the Netherlands (54%) having the highest proportions of net wealth. These countries also saw the highest increases in this concentration of financial assets over the last decade, with a 19% increase in the Netherlands. Switzerland and Luxembourg have remained relatively consistent in the percentage of net financial assets in between 40%–50% of net assets.

> The average proportion of debt in net household wealth has fallen over the last decade.

In addition to the growing role of financial assets in a family's household wealth, the data also shows that the average proportion of debt in net household wealth has fallen over the last decade. Most notable of these examples are Spain and Cyprus, two countries hard hit by the Eurozone crisis have witnessed a decrease in financial liabilities as a proportion of household wealth from over 40% to about 20%.

There also seems to exist a negative correlation between wealth and homeownership. 70% of home ownership in the region[14] hides wide disparities. In other words, countries with higher than average levels of wealth tend to have lower levels of homeownership. For example, wealthy core countries like Austria, Germany, and Switzerland tend to have relatively low homeownership rates of 55%, 51%, and 42%, respectively.[15] Slovakia has the highest level of homeownership at 91%, with an average wealth of EUR 62,791 per person.

[14] EU 27.
[15] Source: Eurostat.

Highest levels of wealth growth in the core

Spain, Switzerland, and Germany have the highest percentage increases in average wealth, at 94%, 83%, and 51%, respectively. Apart from Greece, where average wealth declined by 18%, Italy has grown the slowest, at 22%.In absolute terms, Switzerland's increase in wealth over the decade corresponds to EUR 1.9 trillion, while Germany's increase in private net wealth over the decade represents an enormous EUR 5.6 trillion.

This strong growth in wealth in the core countries has been the driving factor behind the expansion of total European wealth over the last decade. This is also the case since many peripheral European countries still find themselves at the early stages of rebuilding the wealth destroyed during the financial crisis in 2008.

Concentration of wealth higher in core countries

To help determine the degree to which European wealth is concentrated within countries, we combine our estimates on the level of private household net wealth across countries with data on the distribution of wealth within countries, which we obtain from the European Central Bank (ECB), national statistical agencies, the OECD and Eurostat. Our estimates suggest that the wealthiest 10% of European households make up no less than 51% of the total net wealth (Figure 9).

On a country level, the data suggest that the concentration of wealth varies significantly between countries. The wealthiest 10% in Switzerland, Netherlands, and Austria own 64%, 63%, and 57% of the total private wealth of their respective country. (Figure 9). It's interesting to note that Switzerland, Netherlands, Austria, and Germany, have relatively high levels of average wealth per person. Thus, there seems to be a correlation between the concentration of wealth with the top 10% and the levels of average

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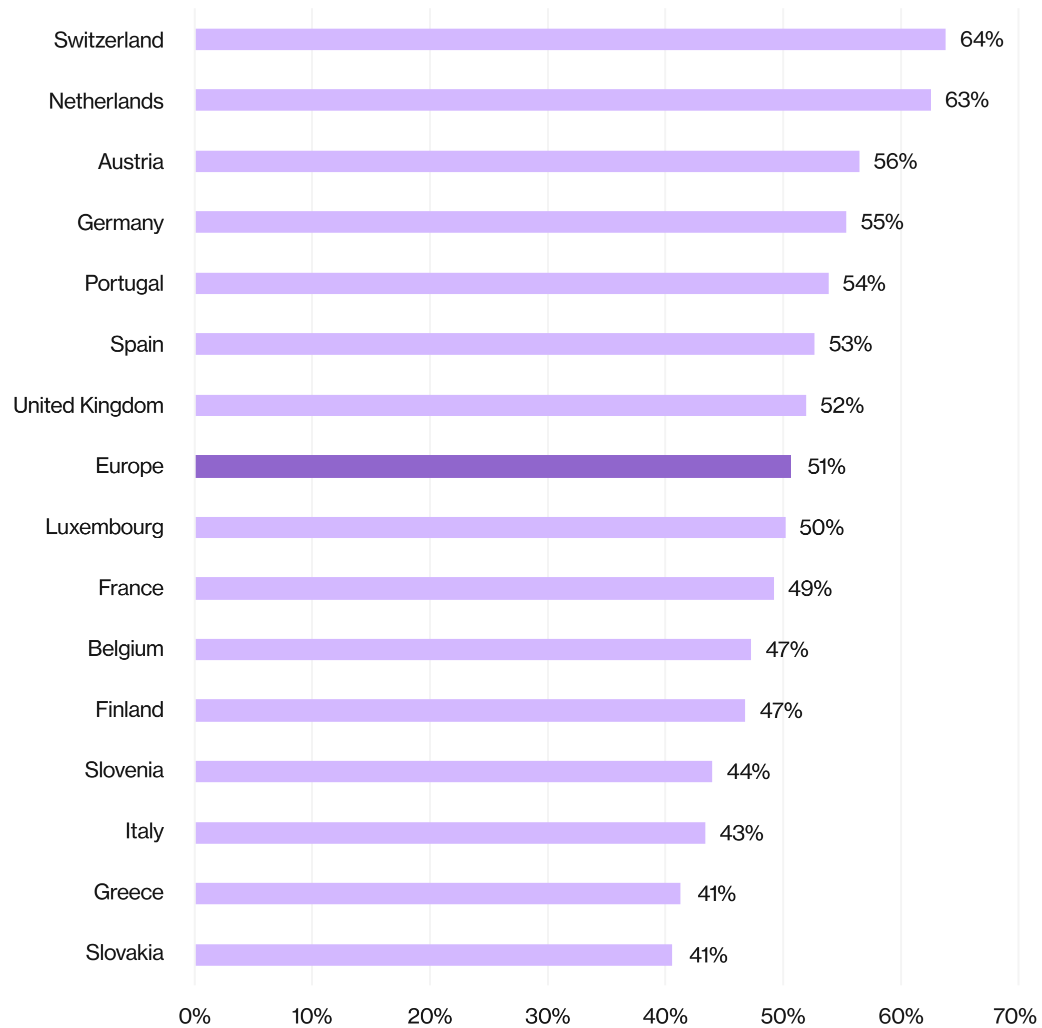
Portrait of the wealth in a post-pandemic Europe

wealth per person. In other words, it seems as though countries with high concentrations of wealth may also be richer countries in general. On the other end of the spectrum, we see a significantly lower concentration of wealth in countries like Slovakia and Greece, where the wealthiest 10% own about 40% of total assets. Here, lower concentrations of wealth are also correlated with lower wealth in general.

Figure 9: Top 10% own a large part of total assets[16]

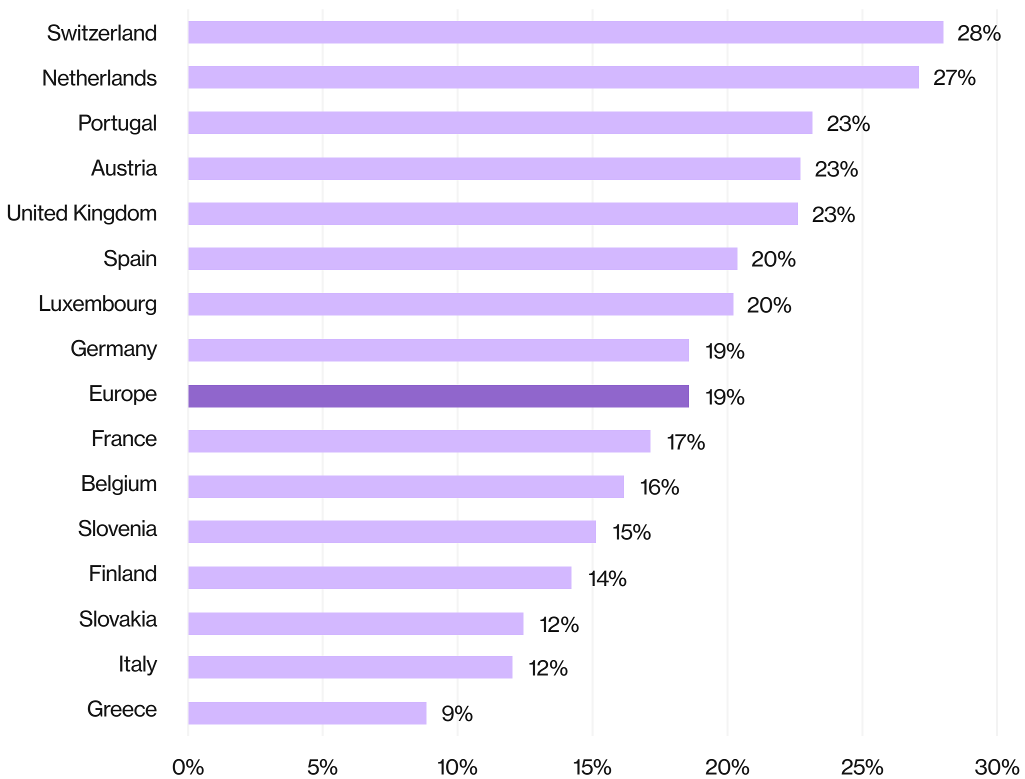


[16] Source: OECD, Wealth Distribution Database.

The top 1% wealth bracket owns a big part of the total

A similar analysis can be made for the wealthiest 1% of households in Europe. To this end, we see that the wealthiest 1% of Europeans have an average net wealth of EUR 3.8 million and thus occupy a share of 19% of total European wealth (Figure 10). Here, too, the concentration of wealth varies between the European countries, with the wealthiest 1% of households in Switzerland and the Netherlands owning 28% and 27% of the total private wealth of their respective country. By contrast, Greece and Italy have the lowest wealth concentrations, with the top 1% owning just 9% and 12% of total assets (Figure 10).

Figure 10: The top 1% own a large part of assets[17]



[17] Source: OECD, Wealth Distribution Database.

Number of millionaires concentrated in the core

Another interesting dimension to the degree of wealth concentration in Europe relates to the number of millionaire households in each European country. To be classified as a millionaire household, we consider the private wealth of each household, i.e. each household's financial assets plus real assets owned (mainly housing), minus debts. This net sum should add up to at least EUR 1 million to be included in our estimate for millionaire households for each country.

14%

of the Swiss population are millionaires.

Figure 11 shows that Germany, the UK, France, and Italy have the most millionaires in absolute terms. In Germany, there are 2.9 million millionaires, 2.4 million in the UK, 2.4 million in France, and 1.5 million in Italy. This result is not surprising, given that these countries are usually also the most populous. However, the situation is different if one considers the density of millionaire households (i.e., the number of millionaires divided by the total population[18]). The countries with the highest density include Switzerland (14.1%) and the Netherlands (7.1%). Poland and Hungary are at the other end of the scale, with the lowest density of millionairess at about 0.5% and 0.3%. Hungary also has the lowest number in absolute terms.

[18] Between the ages of 15-64.

Figure 11: More millionaires in core countries[19]

Country	Number of millionaires	% Population millionaires
Germany	2 952 710	4.1%
United Kingdom	2 490 952	4.5%
France	2 468 939	4.4%
Italy	1 479 830	2.9%
Spain	1 146 911	2.8%
Netherlands	1 039 239	7.1%
Switzerland	1 034 918	14.1%
Belgium	514 859	5.4%
Austria	346 172	4.5%
Poland	149 120	0.5%
Portugal	136 430	1.5%
Finland	85 114	1.8%
Greece	72 367	0.8%
Hungary	22 381	0.3%

[19] Source: CS, World Bank.

The road ahead for European wealth

Given the precarious economic context of rising inflation and the prospect of tighter monetary policy in Europe, the longer-term trends in net wealth are difficult to predict. Nonetheless, we expect net wealth in Europe to grow going forward, driven mainly by the larger economies recovering from the pandemic. Still, an increasing contribution may also come from peripheral European economies rebuilding some of the wealth they lost during the 2020 pandemic.

Distribution of wealth in Europe

The distribution of wealth in Europe is heterogeneous. The figure below gives an illustrative overview of the differences between countries in terms of average wealth per adult. The European core countries with the lowest populations clearly show this tends to have the highest average wealth per adult.

Figure 12: Distribution of wealth in Europe[20]

Country	Wealth per person (EUR)	Adult population (Million)	Total assets (Trillion EUR)	Proportion of the top 1% in total wealth
Switzerland	525 557	7.3	3.8	28.0%
Netherlands	278 196	14.7	4.1	27.1%
Luxembourg	297 172	0.5	0.2	20.2%
Belgium	250 882	9.6	2.4	16.2%
Germany	228 936	71.6	16.4	18.6%
France	227 175	55.5	12.6	17.1%
Austria	230 394	7.6	1.8	22.7%
Finland	201 662	4.7	0.9	14.2%
Italy	194 401	51.8	10.1	12.0%
United Kingdom	181 870	55.3	10.1	22.6%
Portugal	104 256	9.0	0.9	23.2%
Spain	106 689	40.5	4.3	20.4%
Slovenia	78 427	1.8	0.1	15.1%
Greece	75 771	9.3	0.7	8.8%
Slovakia	62 791	4.6	0.3	12.4%

[20] Source: Eurostat, World Bank, Swiss National Bank, OECD, Wealth Distribution Database, Internal Estimates
Adult population refers to people above the age of 15.

Shifts in the distribution of wealth in Europe over time

Our data suggest that Europe is approaching levels of wealth concentration similar to the early 20th century.

Inequality as a defining theme of a post-pandemic Europe

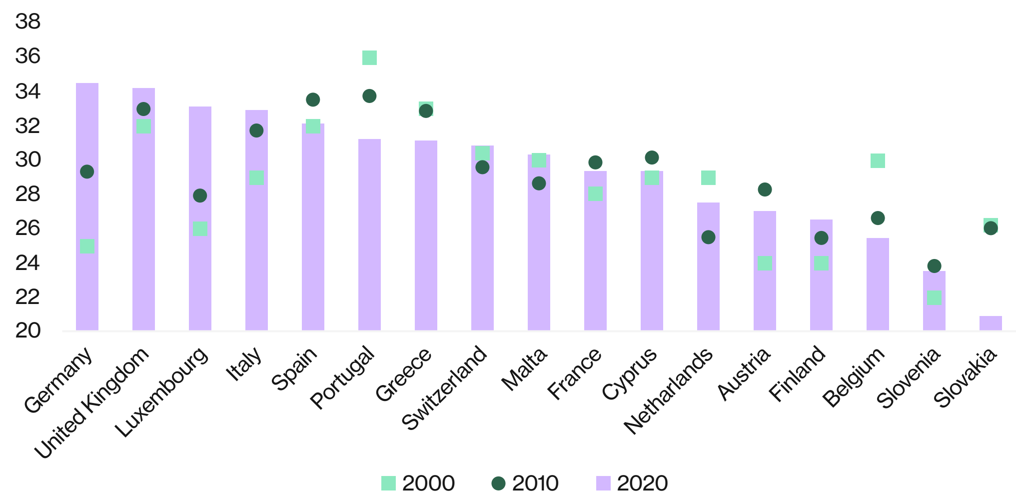
The distribution of personal wealth has become one of today's most widely discussed and controversial issues. Most economists suggest that rising aggregate wealth inevitably reduces inequality in a country, as Simon Kuznets, a Nobel prize-winning economist, argued in the 1950s.

The Gini coefficient as a proxy for the measurement of inequality

In the absence of reliable data on the evolution of wealth distribution, many economists rely on income dispersions as a proxy for wealth distribution, like the Gini coefficient. The Gini coefficient measures the income distribution within a country and runs from 0 (where all have the same income) to 100 (where one person has all the income).

For Europe, Figure 13 suggests that inequality is highest in Germany, the United Kingdom, and Luxembourg, and the lowest in Belgium, Slovenia, and Slovakia. But the Gini coefficient is just a snapshot of outcomes. It does not inform why those gaps have opened up or how changes in the concentration of wealth or income have changed over long periods. Still, it is interesting to note that Germany and Luxembourg have witnessed significant spikes in their Gini coefficients, while Portugal, Greece, and Belgium have reduced income inequality. Still, this data does not consider the effects of net wealth as described above. This data shortage has also led to so much uncertainty around the nature and evolution of private wealth in Europe.

Figure 13: Gini coefficient estimates income inequality[21]



[21] Source: Eurostat, Internal Estimates.

New data on wealth distribution

In efforts to help bridge this data shortage, in 2013, French economist Thomas Piketty published the most complete and consistent dataset on historical income and wealth data on record, particularly for Europe and the USA. The datasets are based on tax statistics to document the changes in the concentration of income and wealth over 300 years. This makes it possible to measure all of a country's assets and liabilities, not just the flows usually available from national accounting statistics of income, economic output, and consumption (as with the Gini coefficient). In this respect, the new data series offers insight into the private wealth available in a country over long periods, including real estate, financial and industrial capital.

Wealth to income ratio

This new data approach to measure a country's private wealth is fascinating when considering its evolution relative to its annual output (or income). The resulting wealth-to-income ratio offers insight into the relationship between wealth development relative to what a country produces/earns as income. For example, a high or rising ratio suggests that capital holders benefit disproportionately compared to income earners, thus increasing the concentration of wealth among existing owners of capital. In short: if wealth grows fast than output in the economy, ownership of wealth is likely to become increasingly concentrated.

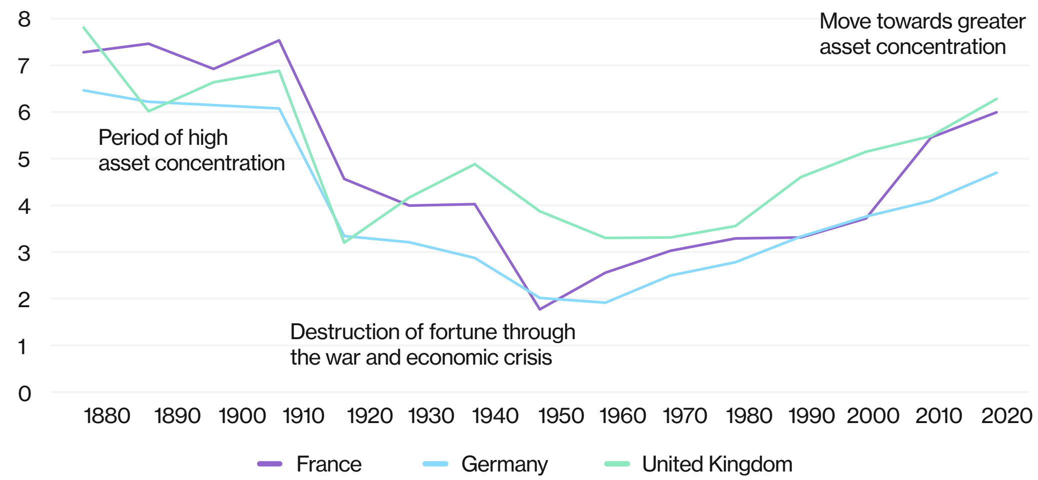
62%

of total European wealth belonged to the wealthiest 1% Europeans in 1910

To illustrate this relationship, it is particularly interesting to consider the long-term development of private national wealth relative to national income in Germany, France, and Great Britain since the beginning of the industrial revolution in the 18th century. This is a period in European history that was marked by severe inequality. Indeed, between 1880 and 1910, private national wealth in all three countries was about six times as large as national economic output (income) because it remained concentrated in the hands of a few wealthy families at the top of a seemingly impenetrable class structure (Figure 14). The data shows that in 1910 the wealthiest 10% of European households controlled nearly 88% of total wealth (with the top 1% owning 62% of total wealth), as rental and dividend income resulted in a considerable income gap between workers and capital owners (Figure 15). Economic historians consider this time an era during which there was very little meritocratic distribution of wealth and opportunities for social mobility.

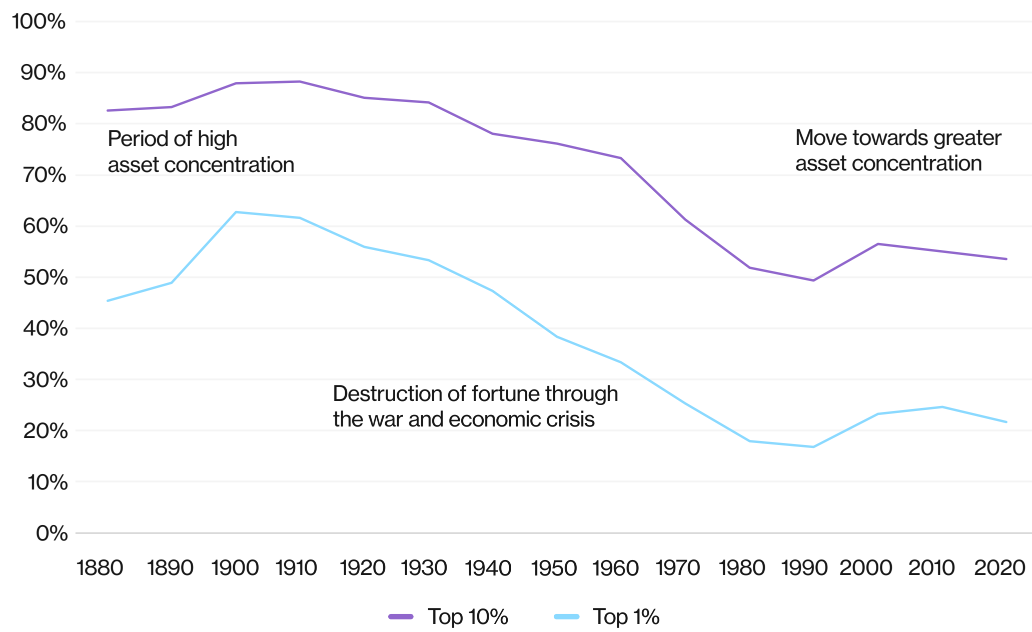
The extraordinarily high wealth-to-income ratio persisted until the outbreak of the First World War in 1914 when the chaos of war led to the vast destruction of physical capital and the forced nationalization of previously privately-owned property. The Great Depression of 1929 continued the destruction of fortunes, this time via capital loss and bankruptcy, causing wealth-to-income ratios to fall further, reaching their nadir around the end of the Second World War in 1945, with Germany reaching a wealth-to-income ratio of just 2.6 (Figure 14).

Figure 14: Wealth concentration is increasing again[22]



[22] Source: World Inequality Database, Internal Estimates.

Figure 15: Growing share of the richest population in total wealth[23]



[23] Source: World Inequality Database, Internal Estimates.

Concentration of wealth rises again in the 20th century

Wealth generally grows faster than the economy.

The post-war period from 1945 to 1975 saw a rapid rebuilding of the capital, causing wealth-to-income ratios to rise again. Referred to in France as the „Trente Glorieuses" and in Germany as the „Wirtschaftswunder", this period is defined by rapid and broad-based wealth creation, as entrepreneurs worked together with governments to rebuild Europe, creating enormous wealth and wellbeing in the process. In the 1980s, wealth-to-income ratios accelerated even further as owners of capital benefited from widespread financial deregulation, falling interest rates, and rising asset prices. The data suggests that today the wealth-to-income ratios are again approaching their pre-war levels of 1910 (Figure 14), meaning that the shocks of the 20th century have now faded, signaling a renewed concentration of wealth in Europe. This report suggests that this increasing concentration of wealth is already underway. For example, the growth of Germany and the UK's wealth-to-income ratios peaked at 1.4% per year for the last decade, which is significantly higher than the annual growth recorded in the previous decade (i.e., 0.9% and 0.6%, respectively). Similar increases in inequality have also been observed with wealthy European countries such as Italy, Netherlands, Luxembourg, and Switzerland.

The data suggest that wealth generally grows faster than the economy. In essence, it comes down to a simple mathematical equation. Suppose the wealth-to-income ratio (wealth) numerator grows faster than the denominator (income). In that case, the wealth-to-income ratio will rise, suggesting that wealth holders grow their wealth faster than income earners. This increases the concentration of wealth in society, which appears to be confirmed by data (Figure 15).

What's next for European wealth

Pandemic has contributed to an increase in the levels of inequality.

Given the still lingering effects of the pandemic along with the profound structural challenges European economies face, the outlook for European economic growth remains uninspiring. Indeed, 2020[24] even led to a 6.4% contraction in European GDP. And while the economic recovery is expected to be strong in 2021 and 2022 at 4.8% and 4.5%, respectively, the pandemic has contributed to an increase in the levels of inequality in most countries, and this gap is unlikely to narrow. At the same time, if one assumes the rate of capital returns to remain close to its 200-year average of 4%–5% per year, it stands to reason that the concentration of European wealth is likely to increase persistently in the years to come. In other words, the wealthy are likely to get an even larger slice of a gradually expanding private wealth cake.

[24] Source: European Commission.

Europe's wealthiest

Contrary to the wealthiest in USA, the wealthiest Europeans do not derive their wealth from technology companies. Instead, most derive their wealth from luxury goods and retail businesses.

Europe's wealthiest men: The top 10

Below are the 10 wealthiest men in Europe. They are concentrated in 4 countries – France, Germany, Italy and Spain. The median age among the top 10 is 82 years.

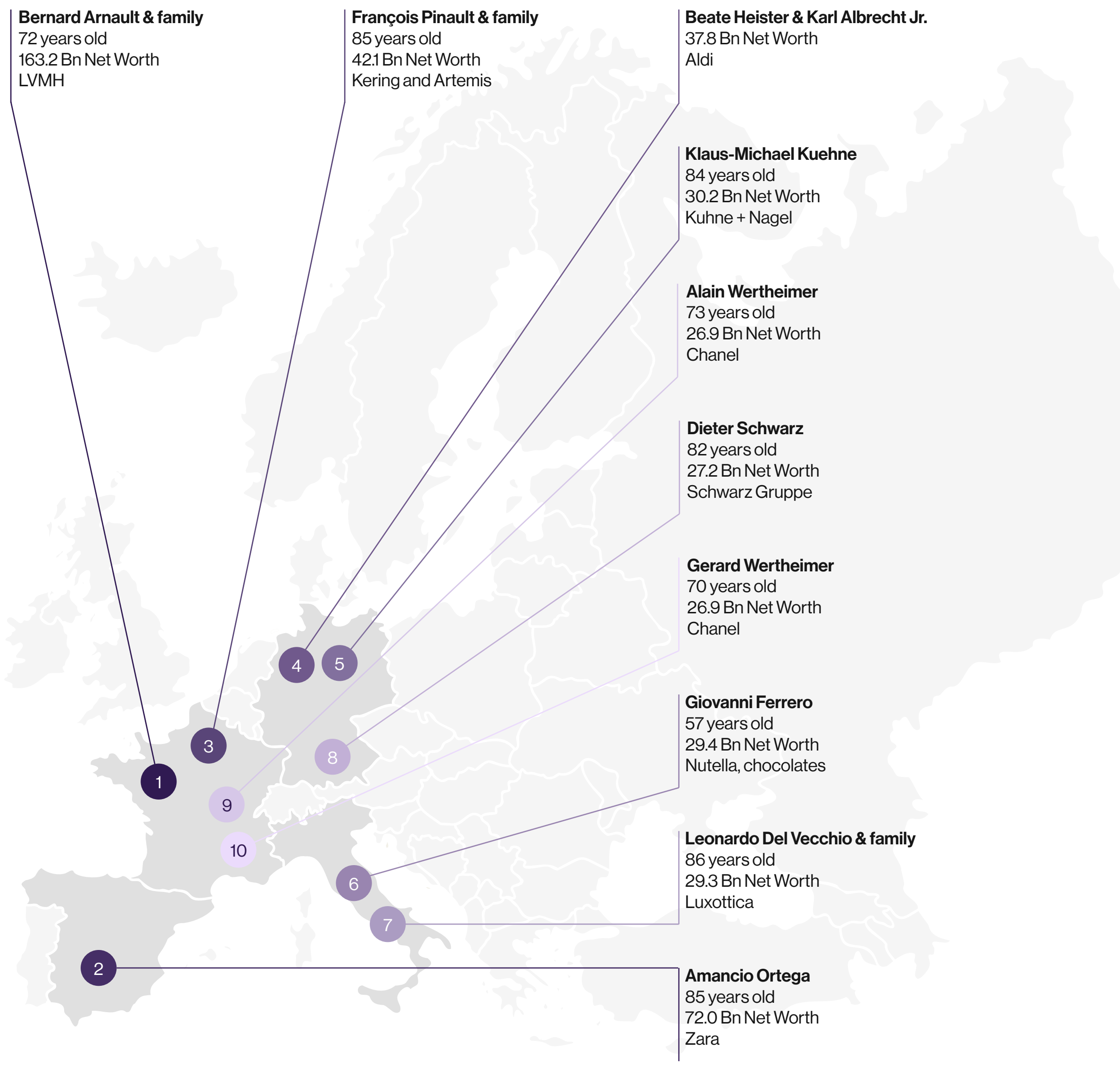


Figure 16: The top 10 wealthiest men in Europe[25]

	Name	Net worth (EUR Bn)	Age	Source of wealth	Country	Foundation / endowment
1	Bernard Arnault & family	163.2	72	LVMH	France	Louis Vuitton Foundation
2	Amancio Ortega	72.0	85	Zara	Spain	The Ortega Foundation
3	François Pinault & family	42.1	85	Kering and Artemis	France	The Pinault Foundation
4	Beate Heister & Karl Albrecht Jr.	37.8	-	Aldi	Germany	Albrecht Family Foundation
5	Klaus-Michael Kuehne	30.2	84	Kuhne + Nagel	Germany	Kuehne Foundation
6	Giovanni Ferrero	29.4	57	Nutella, chocolates	Italy	Fondazione Ferrero
7	Leonardo Del Vecchio & family	29.3	86	Luxottica	Italy	Dr Frank Vecchio and Helen Williams Vecchio Foundation
8	Dieter Schwarz	27.2	82	Schwarz Gruppe	Germany	Schwarz Foundation
9	Alain Wertheimer	26.9	73	Chanel	France	The Wertheimer Foundation
10	Gerard Wertheimer	26.9	70	Chanel	France	The Wertheimer Foundation

[25] Source: Forbes.

Europe’s wealthiest women: The top 10

The 10 wealthiest women in Europe are more widely dispersed by geography than the men. The median age is significantly lower than that of men, at 58 years.

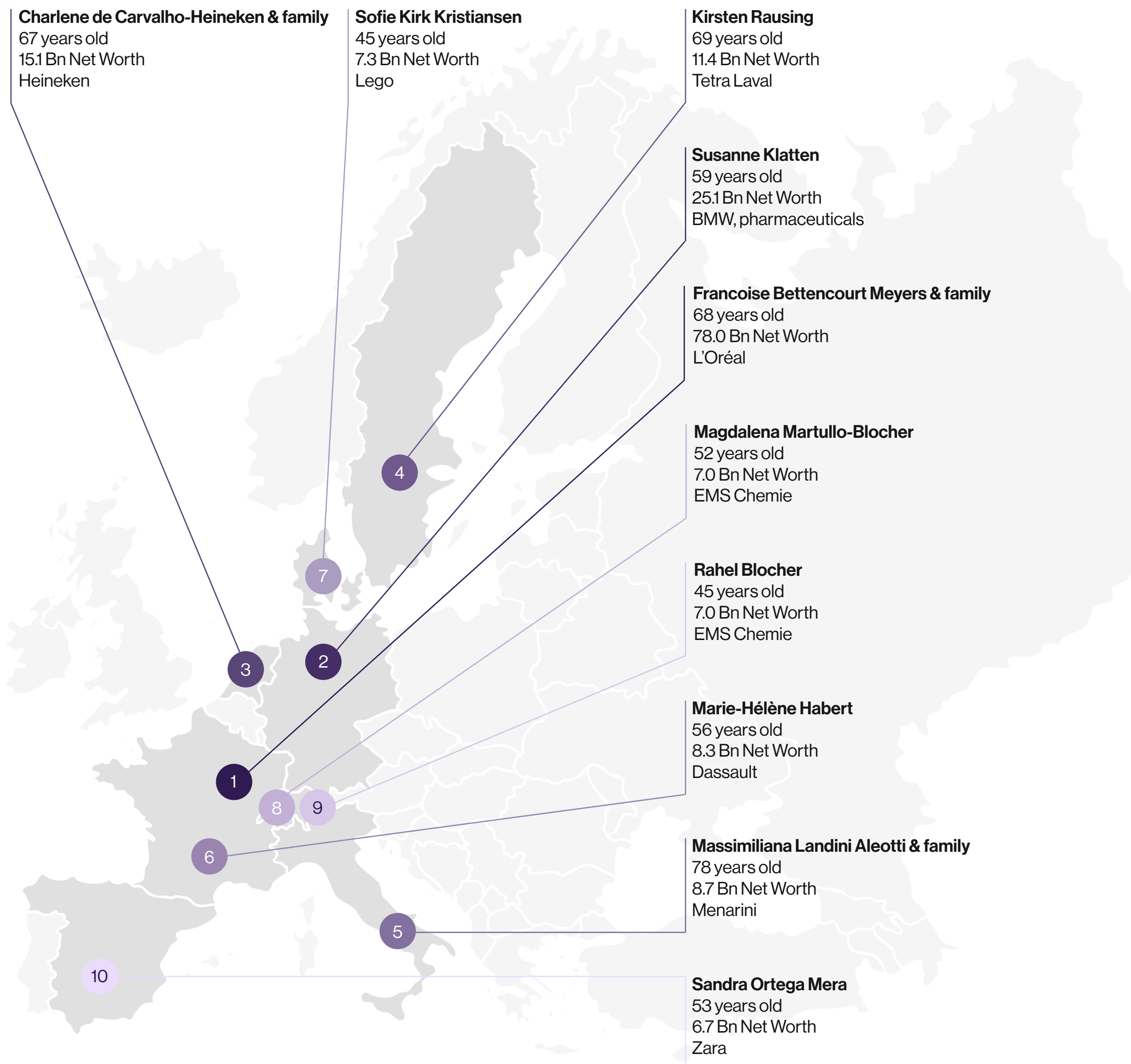


Figure 17: The top 10 wealthiest women in Europe[26]

	Name	Net worth (EUR Bn)	Age	Source of wealth	Country	Foundation / endowment
1	Francoise Bettencourt Meyers & family	78.0	68	L’Oréal	France	The Bettencourt Schueller Foundation
2	Susanne Klatten	25.1	59	BMW, pharmaceuticals	Germany	Herbert Quandt Foundation
3	Charlene de Carvalho-Heineken & family	15.1	67	Heineken	Netherlands	Heineken Collection Foundation
4	Kirsten Rausing	11.4	69	Tetra Laval	Sweden	Alborada Trust
5	Massimiliana Landini Aleotti & family	8.7	78	Menarini	Italy	Menarini International Foundation
6	Marie-Hélène Habert	8.3	56	Dassault	France	La Fondation Dassault Systèmes
7	Sofie Kirk Kristiansen	7.3	45	Lego	Denmark	The Lego Foundation
8	Magdalena Martullo-Blocher	7.0	52	EMS Chemie	Switzerland	
9	Rahel Blocher	7.0	45	EMS Chemie	Switzerland	Schweizer Musikinsel Rheinau Foundation
10	Sandra Ortega Mera	6.7	53	Zara	Spain	The Ortega Foundation

[26] Source: Forbes.

Assumptions and methodology

Computation of net private wealth:	• ***Household financial wealth*** = *Household financial assets - household financial liabilities* • ***Household non-financial wealth*** = *Net dwellings + net fixed assets + net buildings and structures* • ***Total private wealth*** = *Total household financial wealth +total household non - financial wealth* • For instances where 2020 data was unavailable, estimates have been computed using a 5-year CAGR.
Computation of average wealth per person:	• ***Average wealth***= $\frac{\textit{(Total private wealth)}}{\textit{Population}}$ • The population for people between the ages of 15 and 64 has been considered throughout the document as the metric for the number of people.
Change in wealth since 2010:	• ***Change in wealth since 2010 (%)***= $\frac{\textit{(Average wealth in 2020)}}{\textit{(Average wealth in 2010)}}$ • ***Change in wealth since 2010 (EUR Bn)***= *Total private wealth in 2020 -total private wealth in 2010*

Gini coefficient estimates:	• For instances where 2020 data was unavailable, estimates have been computed using a 5-year CAGR.
Wealth to income Ratio:	• The most recent data for the decade has been used. For instance, in the event that data for 1950 is unavailable, the data for 1948 may have been used for a particular country.
Growing share of the richest population in total wealth:	• The most recent data for the decade has been used. For instance, in the event that data for 1950 is unavailable, the data for 1948 may have been used for a particular country.

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Contacts:
For all property and research
enquiries please contact
Zani Sharifi
zani@redesigning-fs.com
redesigning-fs.com/media-center-reports/

Redesigning Financial Services
Pfingstweidstrasse 16
8005 Zurich
www.redesigning-fs.com

www.redesigning-fs.com
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