

A Big Picture Look at Global Market Statistics

In a relatively short space of time, debt levels across the world have ballooned. At the same time, the world economy and total asset base has grown. There is now a very real concern that global trade will slow, which naturally hampers economic growth, but also starts to put into sharper focus the quantum of debt outstanding.

This article gives a quick helicopter view of a number of global economic statistics.

World GDP

According to World Bank data, the size of the global economy is approximately \$86 tn when measured using gross domestic product (GDP). In 2000 they measured it at \$33.5 tn. Of the total, the US comes in at almost a quarter of the global economy at \$20.5 tn, while China is measured at \$13.6 tn.

The size of South Africa comes in at \$0.37 tn (or 0.43%) of total world GDP. In 2000 it was approximately \$0.13 tn.

Market Capitalisation of Top 100 Companies

A PWC report estimates that the market capitalisation of the top 100 global companies as at March 2019 was \$21 tn. At the bottom of the last crash in March 2009, this value was \$8.4 tn. Of these 100, 54 are domiciled in the US, accounting for 63% of the value.

Microsoft, Apple and Amazon currently vie for top spot with market valuations around \$1 tn each. In 2009 Exxon Mobil was the largest, valued at \$337 bn, hence a near tripling in the value of the largest company. The smallest of the top 100 in 1999 was \$40 bn, which has now more than doubled at \$99 bn for Rio Tinto

Naspers is on the list at 94 with a market capitalisation \$102 bn as at March 2019.

Market Capitalisation of Listed Companies

The total market capitalisation of all listed companies as at the end of 2018 was \$68.8 tn, up from \$31 tn at the end of 2000. By far, the dominant market is the US, which hosts companies with a market capitalisation of \$30.4 tn. Then comes China, with a market cap of \$6.3 tn, and the Japanese market with a market cap of \$5.3 tn. The degree of concentration in the top 100 is, therefore, high at approximately 31%.

Market capitalisation to GDP peaked in 1999 at 116%, falling to 56% in the financial crash of 2008, but subsequently rising to 93%. Interestingly, on this metric South Africa has one of the highest ratios at over 250%, with the value of listed companies at around \$1 tn and the annual GDP at some \$366 bn.

Value of Total Gold Holdings

We discussed gold in a recent article ([Gold by Ian de Lange](#)). The World Gold Council estimates the total quantum of mined gold is in the region of 190,000 tonnes. At the current price of approximately \$1500/oz, the total estimated value of all gold ever mined is \$9.3 tn. This remains a relatively low number when measured against many other metrics.

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Estimated Value of Global Property

An HSBC report on global real estate estimated the value of global real estate at the end of 2016 at \$228 tn. By far the biggest component of global real estate is residential property, which comprises some 75% of this value. The balance can then be more or less equally divided between commercial property and agricultural land / forestry.

Prices of global residential across the world fell sharply during the 2007/2008 global financial crisis. In the subsequent years these have climbed again, especially in the major global cities such as Hong Kong, London, Vancouver, New York, San Francisco, etc - aided in no small part by ultra-low interest rates.

A key valuation metric for residential property is house prices to income. Over the years, the level of affordability has declined as prices have appreciated ahead of average wage growth. Other factors aiding this trend include rapid urbanisation, housing becoming an investment commodity and supply constraints.

World Debt

At the same time that asset values when measured in USD have grown dramatically, it is no surprise that the quantum of total debt outstanding has also escalated sharply over the last 10 years. Debt is defined as the sum of money that is owed or due.

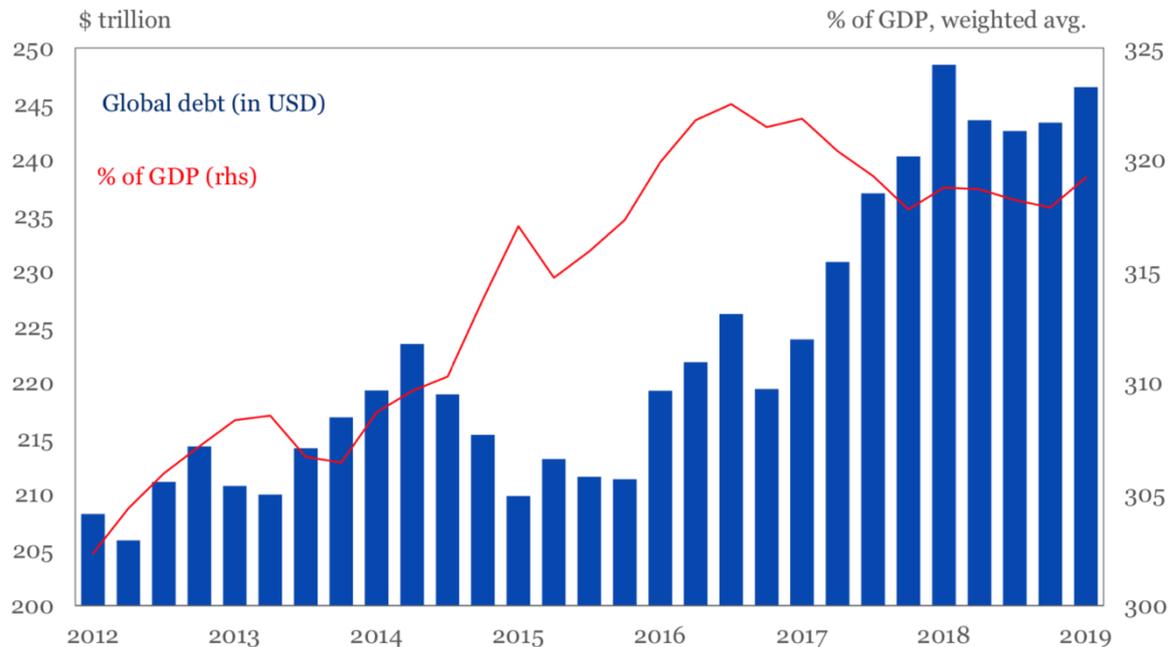
It is estimated that the total value of all outstanding debt in the world approximates some \$250 tn. This debt is owed by a number of parties. There are numerous ways to slice and dice the data, but one way is to define the four main parties that are indebted as governments, non-financial corporates, financials and households.

Debt in absolute terms should be measured both in absolute and relative terms, typically against a country's GDP. **Chart 1** (below) depicts this growth in total debt since 2012. Below are a few points from their recent report :

- Non-financial corporates and governments have seen the biggest rise in debt levels since 2007 (rising from \$21 tn in 1997 to \$73 tn in 2019)
- China's total debt now surpasses 300% of GDP (from 150% in 2000)
- Total outstanding debt in the US is around 300% of GDP (nearly \$70 tn)
- There has been a deterioration in emerging market credit outlook in recent quarters

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Chart 1 : Global Outstanding Debt



Conclusion

There is no doubt that the availability of global credit, combined with ultra-low interest rates, have been a major boost to asset prices over the last 10 years. It has been discussed as the “*everything bubble*”. Central banks will continue to ease interest rates in order to inflate away the real value of the outstanding debt. When combined with a willingness to run fiscal deficits, it means that asset prices can often become stretched beyond their historical norms. As investors we need to remain as vigilant as possible for extremes, where investors can permanently lose capital.

Kind regards,



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Director & CIO

Sources : The Worldbank, PWC, World Gold Council, HSBC, Institute of International Finance (17 September 2019)

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