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# Asset growth set to slow after 2010

The total value of global financial assets is set to reach $200,000bn by the end of 2010, after which the rate of growth may slow as baby boomers start retiring and draw down their holdings of equities and bonds.

In its annual "mapping the global capital market" survey, McKinsey Global Institute said the value of cash based securities that are bought and sold across financial markets - such as equities, bonds and loans - had risen to $140,000bn by the end of 2005, a record level.

This is more than three times the value of global gross domestic product and a rise from $118,000bn at the end of 2003.

Growth is expected to continue, said Diana Farrell, director of MGI. She expects the total will rise above $200,000bn at the end of 2010, implying an annual growth rate of around 8 per cent.

"After 2010, the growth in assets is expected to slow as people start paying for their retirement and healthcare obligations," said Ms Farrell.

Equities were the leading source of growth in financial assets in 2005, rising by $7,100bn from 2004.

The survey excludes derivatives and privately held assets that are not bought and sold across markets. Still, the rapid growth in derivatives had played an important part in boosting the amount of cash assets being traded, said Ms Farrell.

"Derivatives enable broader participation in cash markets, as risks are hedged," she said. Global capital flows registered an all-time high of $6,000bn by the end of 2005, more than double its level in 2002. Capital flows between the US, UK and the eurozone comprised 80 per cent of the total.

While emerging markets accounted for 10 per cent global capital flows, that sector was expected to increase its overall share in the future, said Ms Farrell.

The eurozone region added $3,300bn of assets in 2005, a growth rate that was nearly twice as fast as the US and the UK.

"One could argue it is a case of the eurozone playing catch-up, but the greater development of the region has been associated with the introduction of the euro currency," said Ms Farrell.

The survey also said Asia lacked "a regional financial hub" and, while "Japan has the region's largest financial market, its cross-border capital flows are smaller than even China."

This reflects Japan's cultural and regulatory environment. Although that was changing, the process would be slow, said Ms Farrell.