

1. Financial sector instability/fragility /1

- Reckless and/or excessive lending by banks?
- Possibility of bank runs
- Stability relies on the belief that the sector is stable
- Shadow banking – sector that sidesteps regulations
- Speculation – contributes to magnify outcomes and create bubbles (Ponzi schemes)
- Abuse of leverage?

1. Financial sector instability/fragility /2

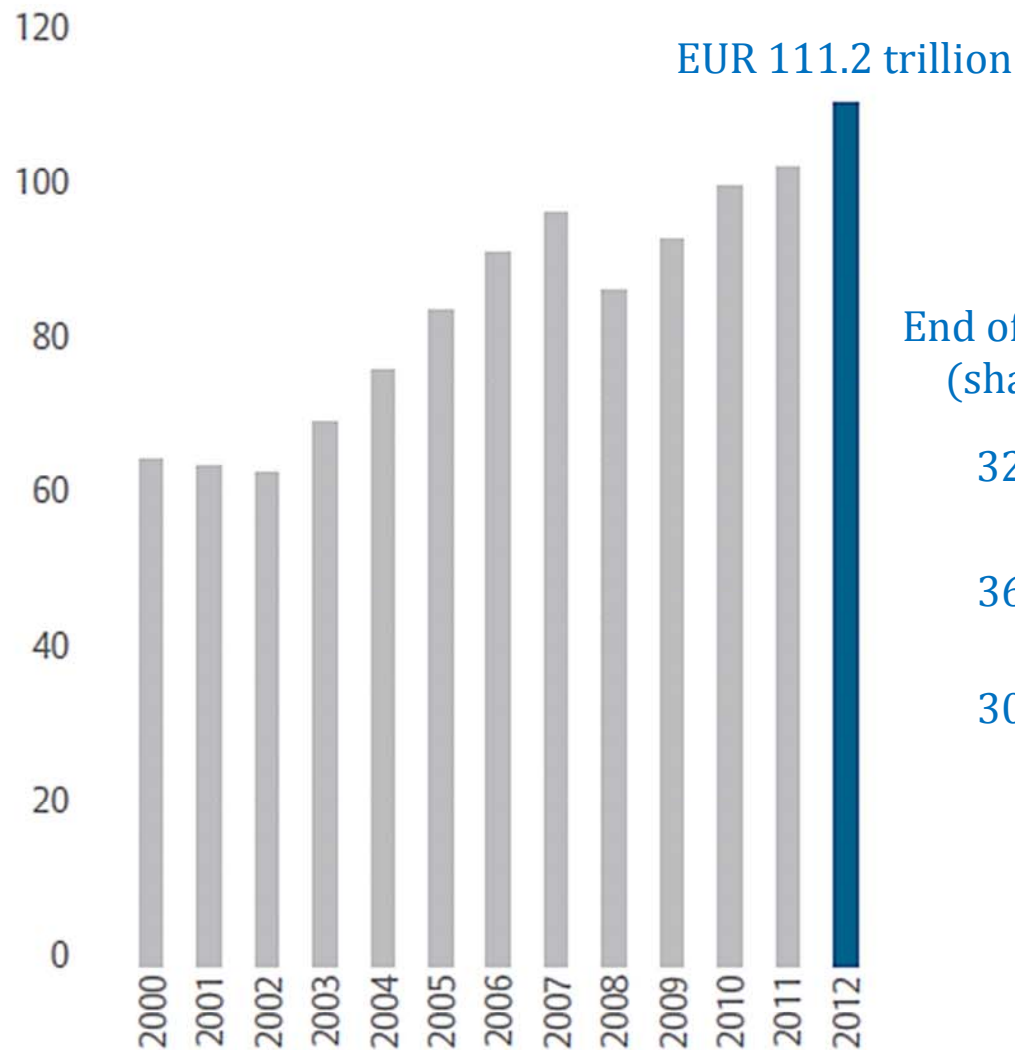
- Financial activities increase interdependence – long chains of connections
- Contagion effects
- Myopic decisions – ignorance of systemic risks (belief that what holds locally, holds globally)
- Emergent properties – larger scale, new banking and/or derivatives risks (banks too big to fail)
- Minsky's instability hypothesis – overoptimism

2. Financial assets

- The need to raise money vertebrates economies
- Financial asset = promise of payment in the future in exchange for receiving money now
- Function: way of saving / getting purchasing power
- Properties: maturity / risk / liquidity / return
- Types: tradable (securities) / non-tradable
- Securitization
- Trade-offs between properties

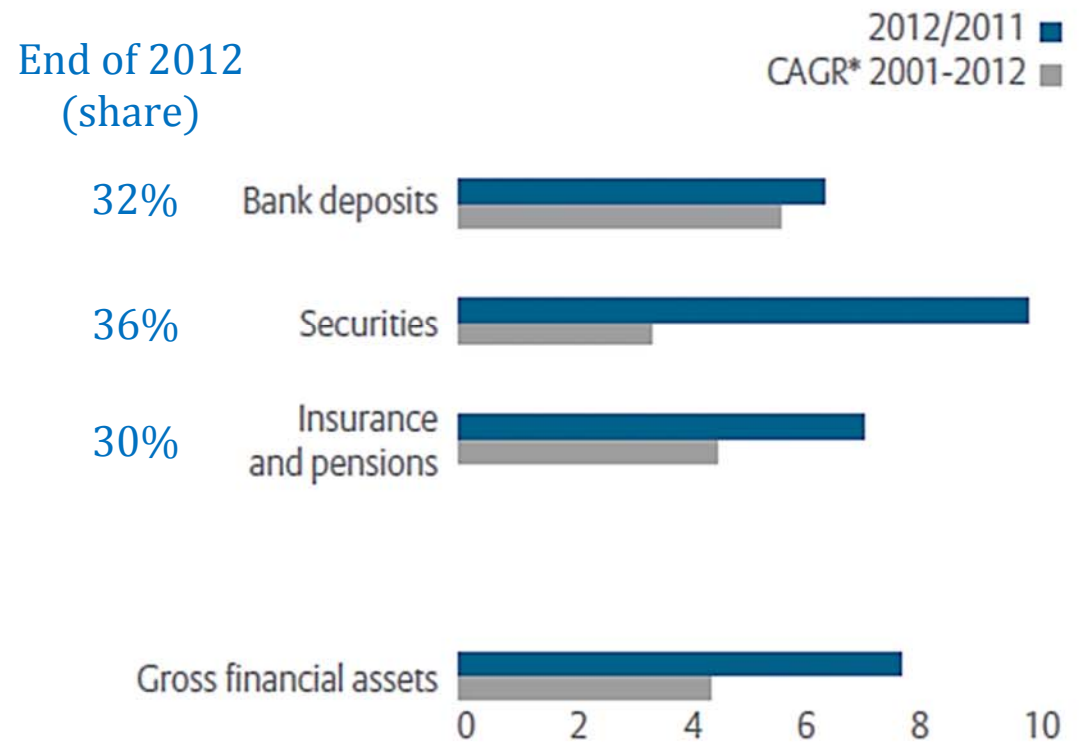
Global financial assets: Strong recovery across all asset classes

Global gross financial assets, in EUR tn



Percentage change of asset classes

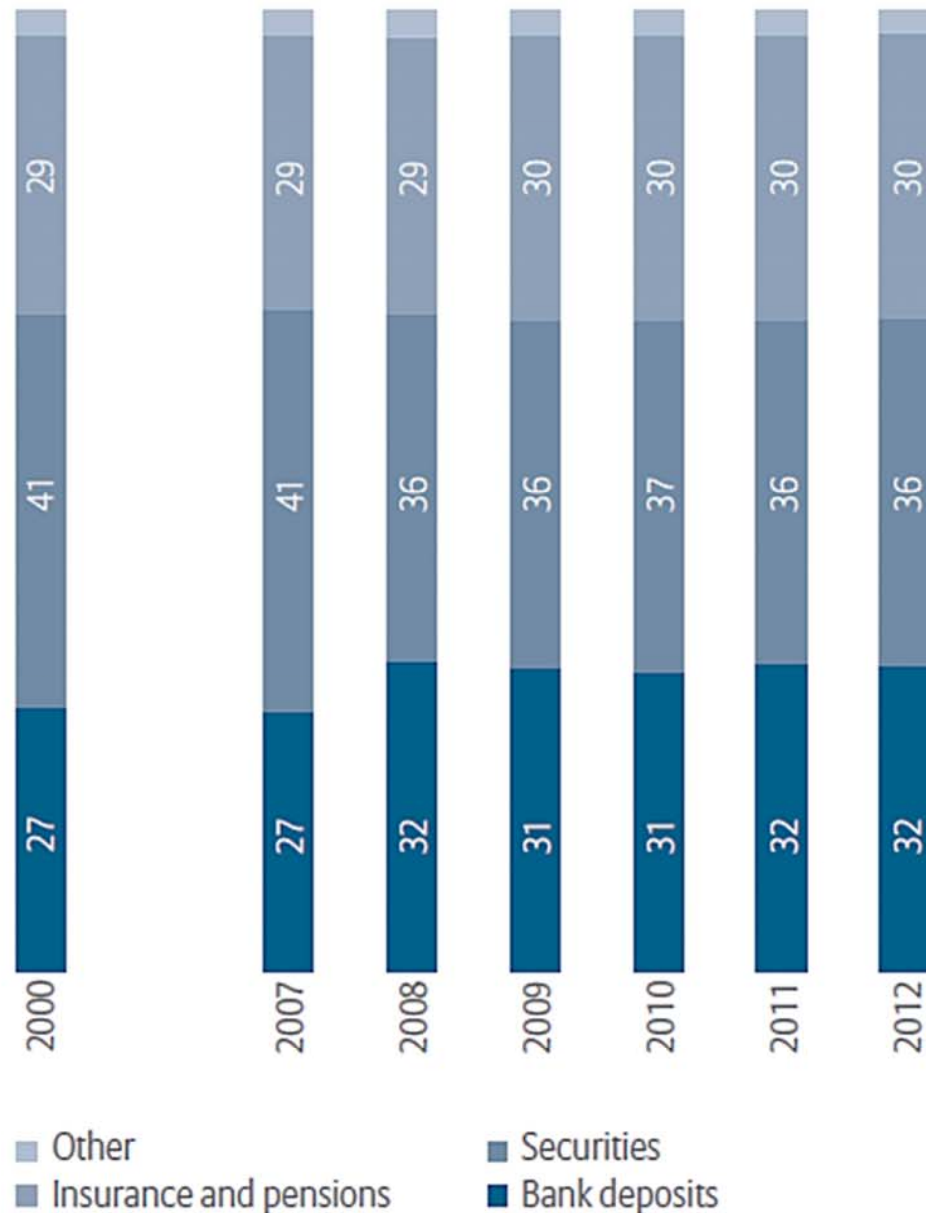
World GDP (2012) \approx USD 72 trillion
 Average rate USD/EUR (2012) = 1.2848
 World GDP (2012) \approx EUR 92.5 trillion



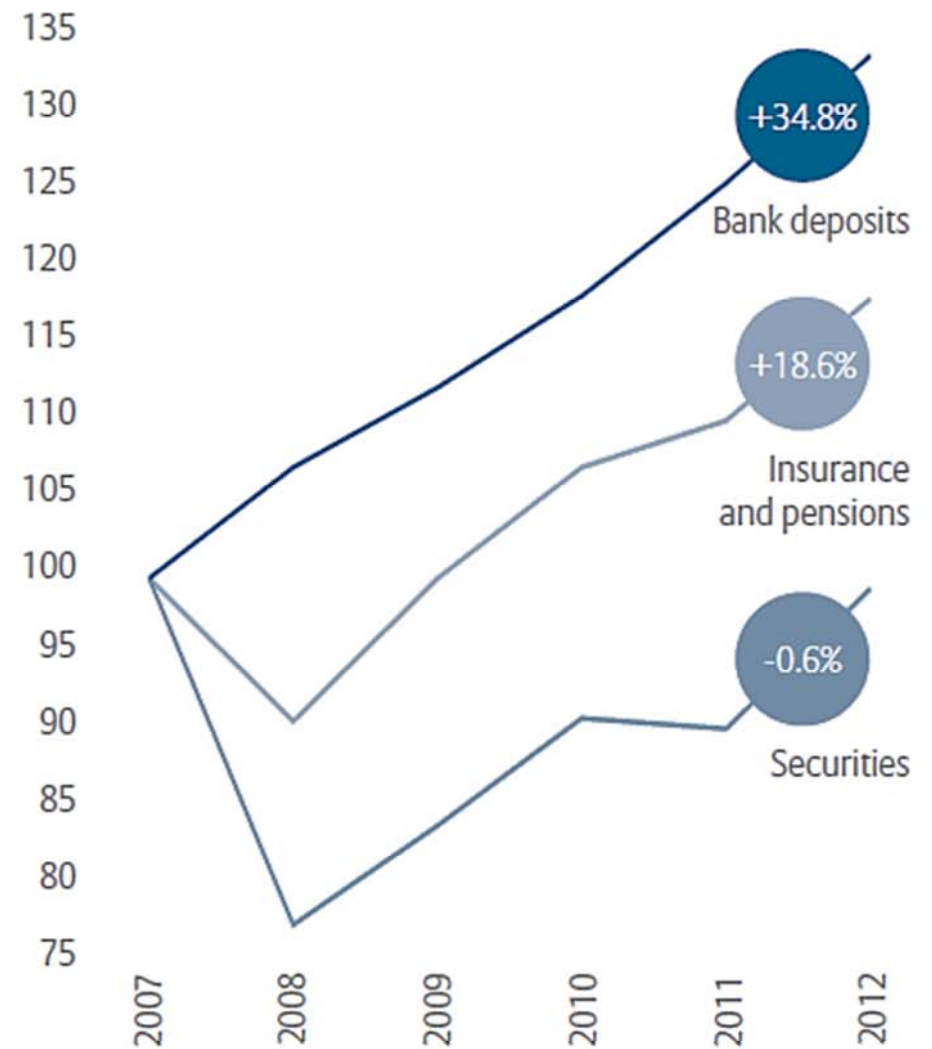
*CAGR = Compound Annual Growth Rate
 Sources: National Central Banks and Statistical Offices, Allianz SE.

Flight into 'safe haven' bank deposits

Asset classes as % of gross financial assets



Growth of the three big asset classes since 2007
Index (2007=100)



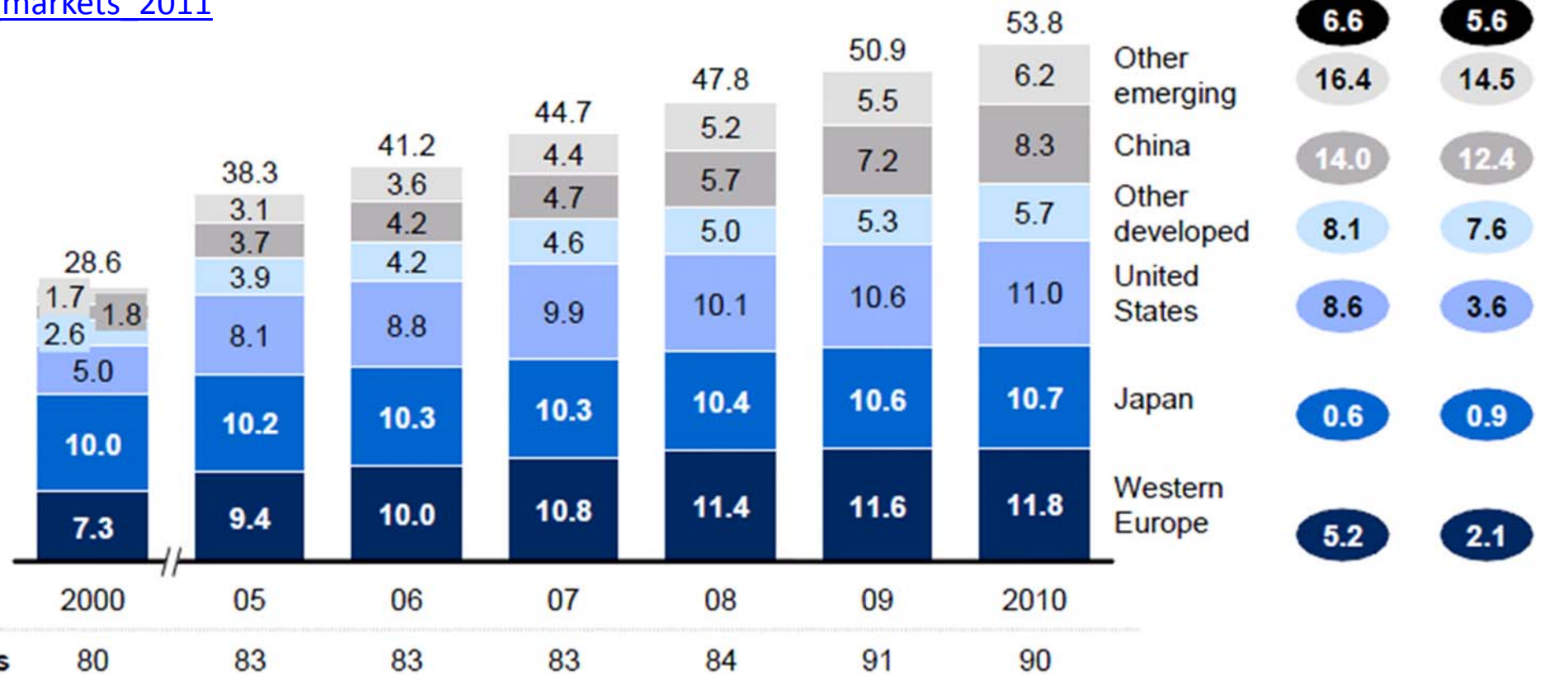
Sources: National Central Banks and Statistical Offices, Allianz SE.

Bank deposits grew by 5.6 percent to total \$54 trillion globally by the end of 2010

Global bank deposits¹

\$ trillion, end of period, constant 2010 exchange rates

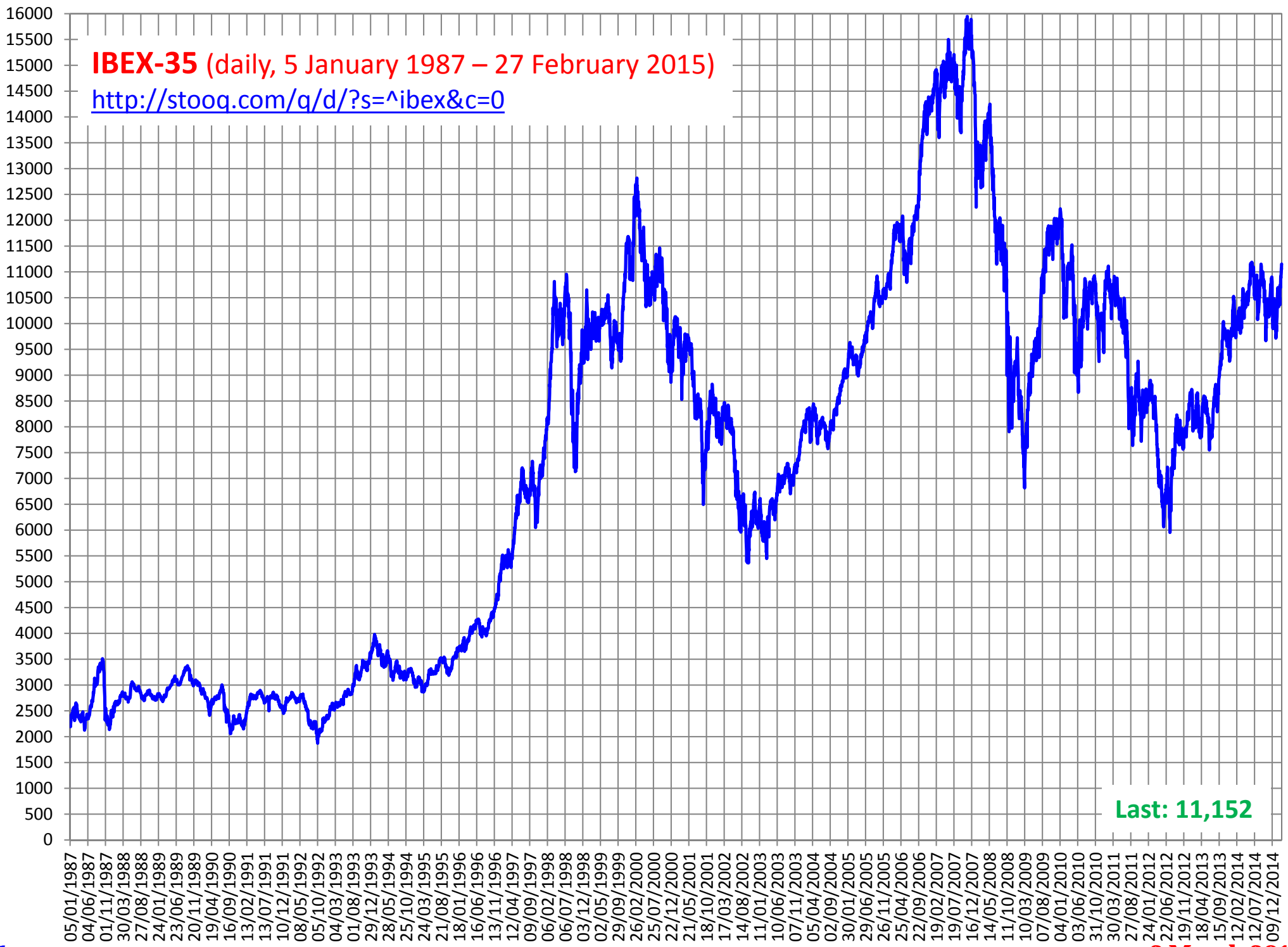
http://www.mckinsey.com/insights/global_capital_markets/mapping_global_capital_markets_2011



1 Excludes cash in circulation, money market instruments, and deposits made by nonbank financial institutions with other parts of the banking system.

NOTE: Numbers may not sum due to rounding.

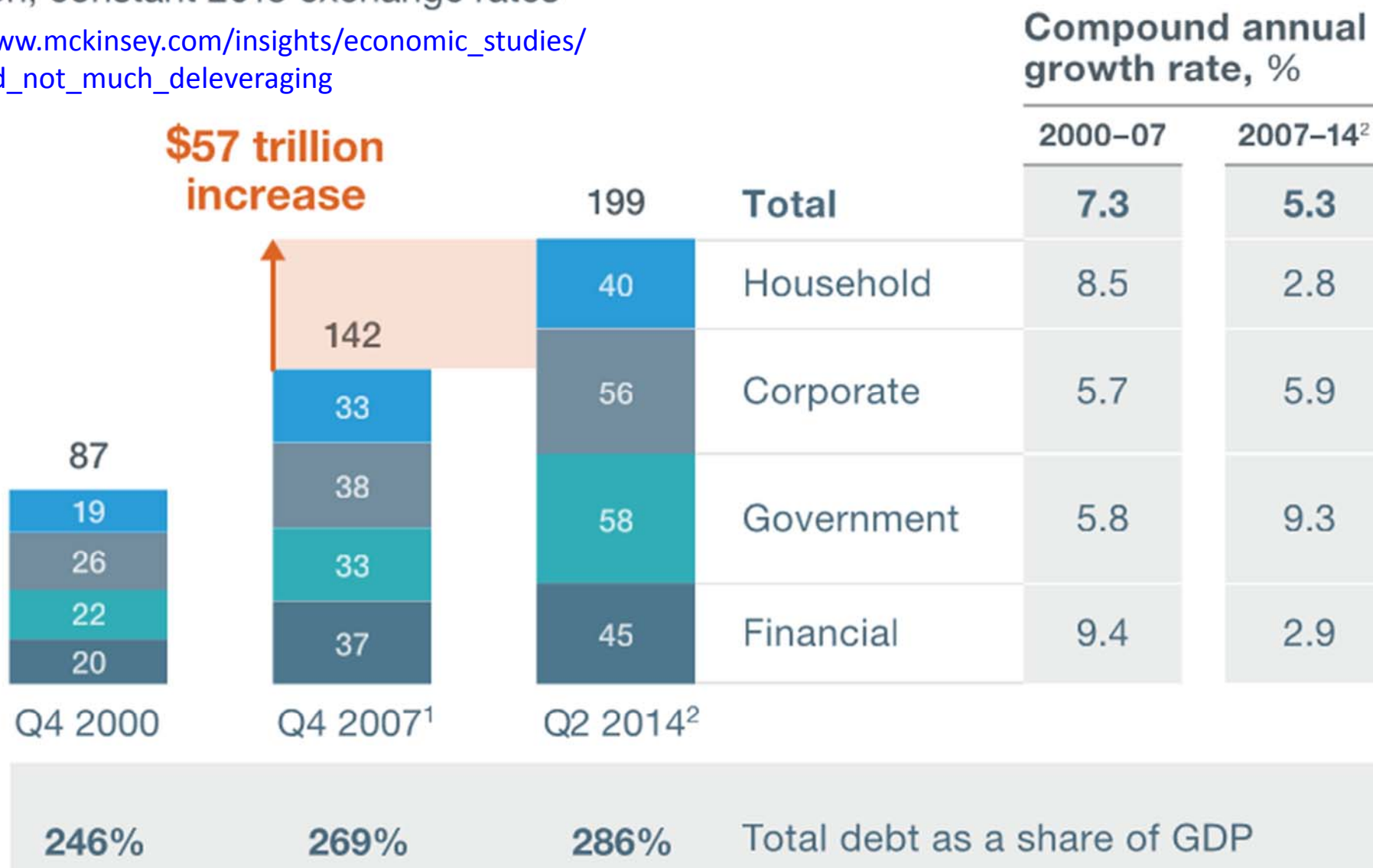
SOURCE: National central banks; McKinsey Global Banking Pools; McKinsey Global Institute analysis



3. Financial depth – financial sector size

Global stock of debt outstanding,
\$ trillion, constant 2013 exchange rates

http://www.mckinsey.com/insights/economic_studies/debt_and_not_much_deleveraging

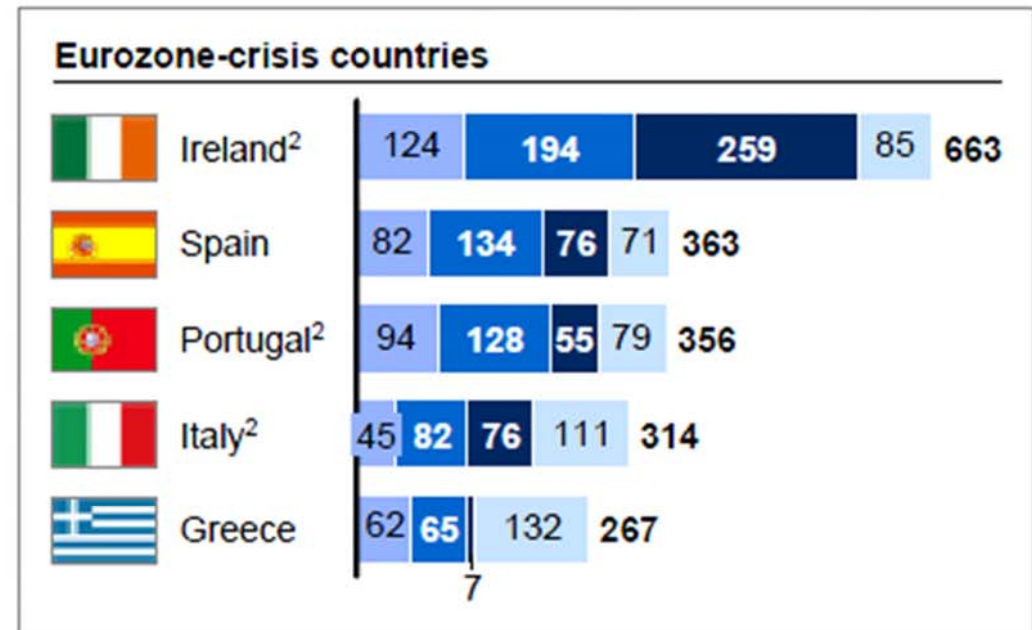
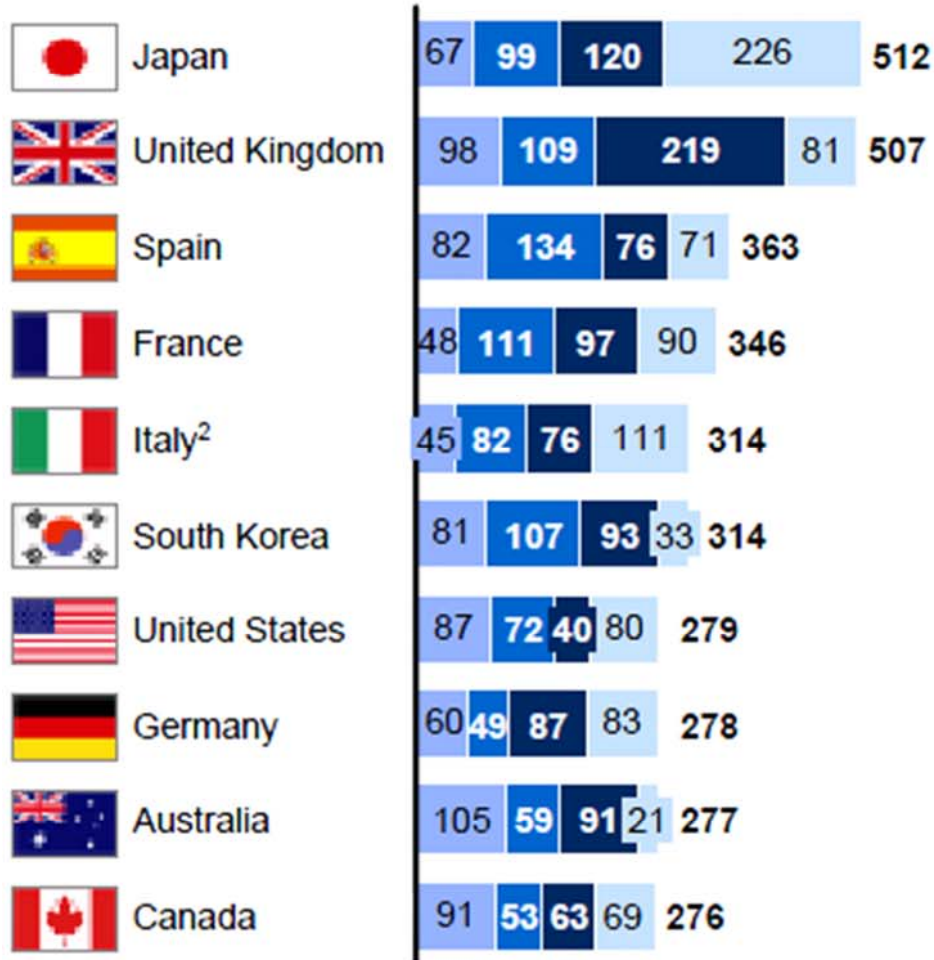


The composition of debt varies widely across countries

Total debt,¹ Q2 2011
% of GDP



10 largest mature economies



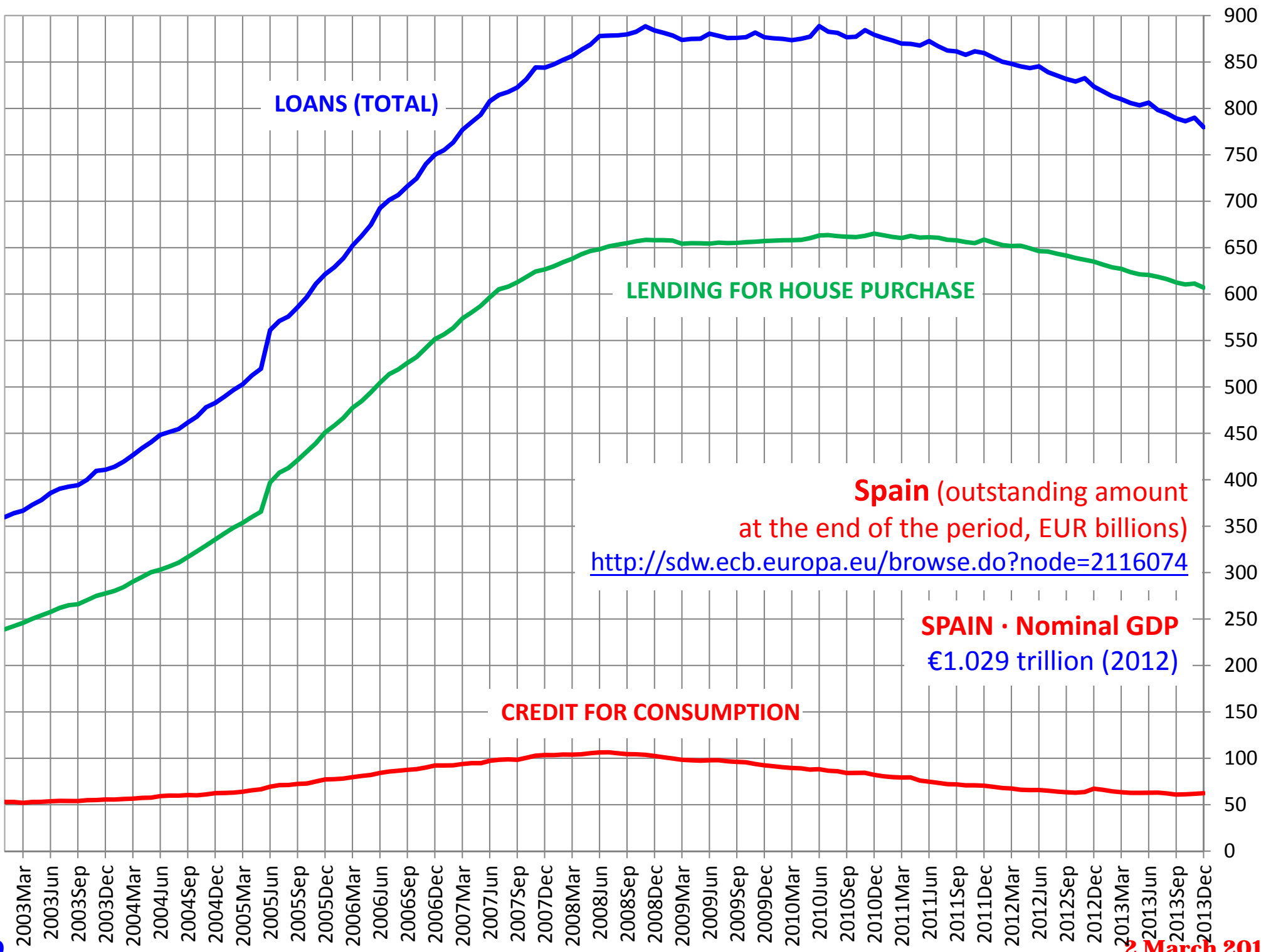
http://www.mckinsey.com/insights/global_capital_markets/uneven_progress_on_the_path_to_growth

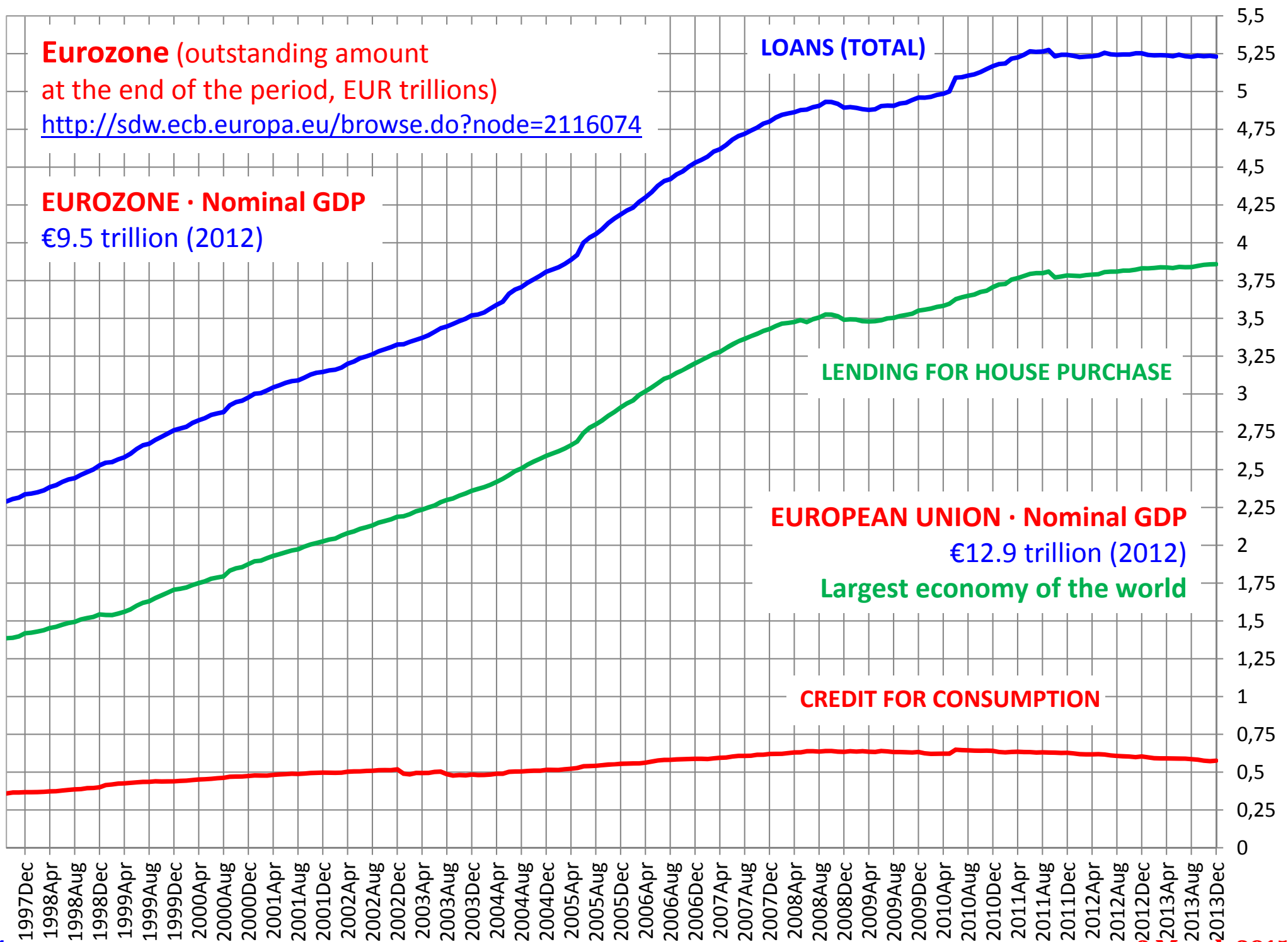
1 Includes all loans and fixed-income securities of households, corporations, financial institutions, and government.

2 Q1 2011 data.

NOTE: Numbers may not sum due to rounding.

SOURCE: Haver Analytics; Bank for International Settlements; national central banks; McKinsey Global Institute





Eurozone (outstanding amount at the end of the period, EUR trillions)
<http://sdw.ecb.europa.eu/browse.do?node=2116074>

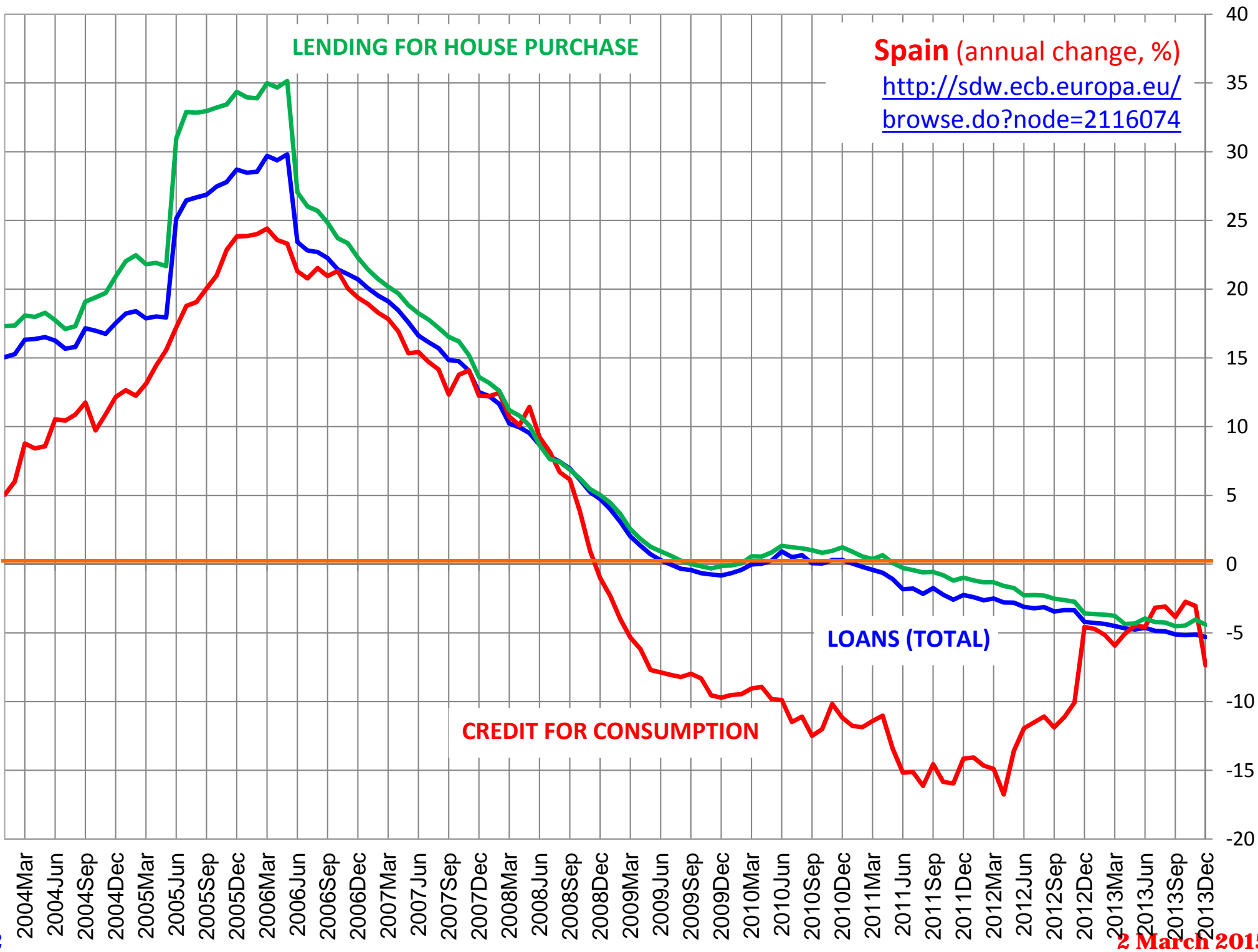
EUROZONE · Nominal GDP
€9.5 trillion (2012)

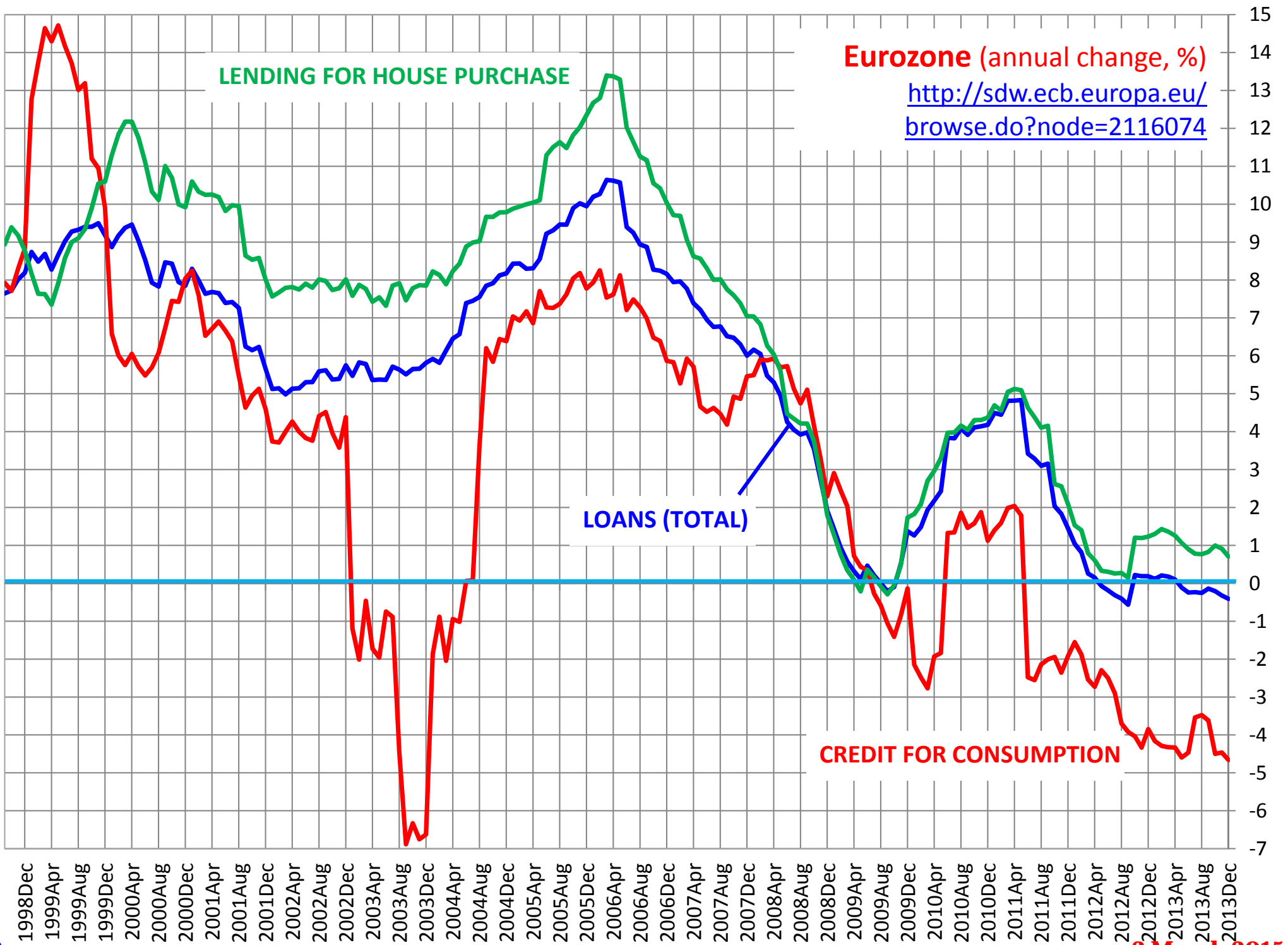
LOANS (TOTAL)

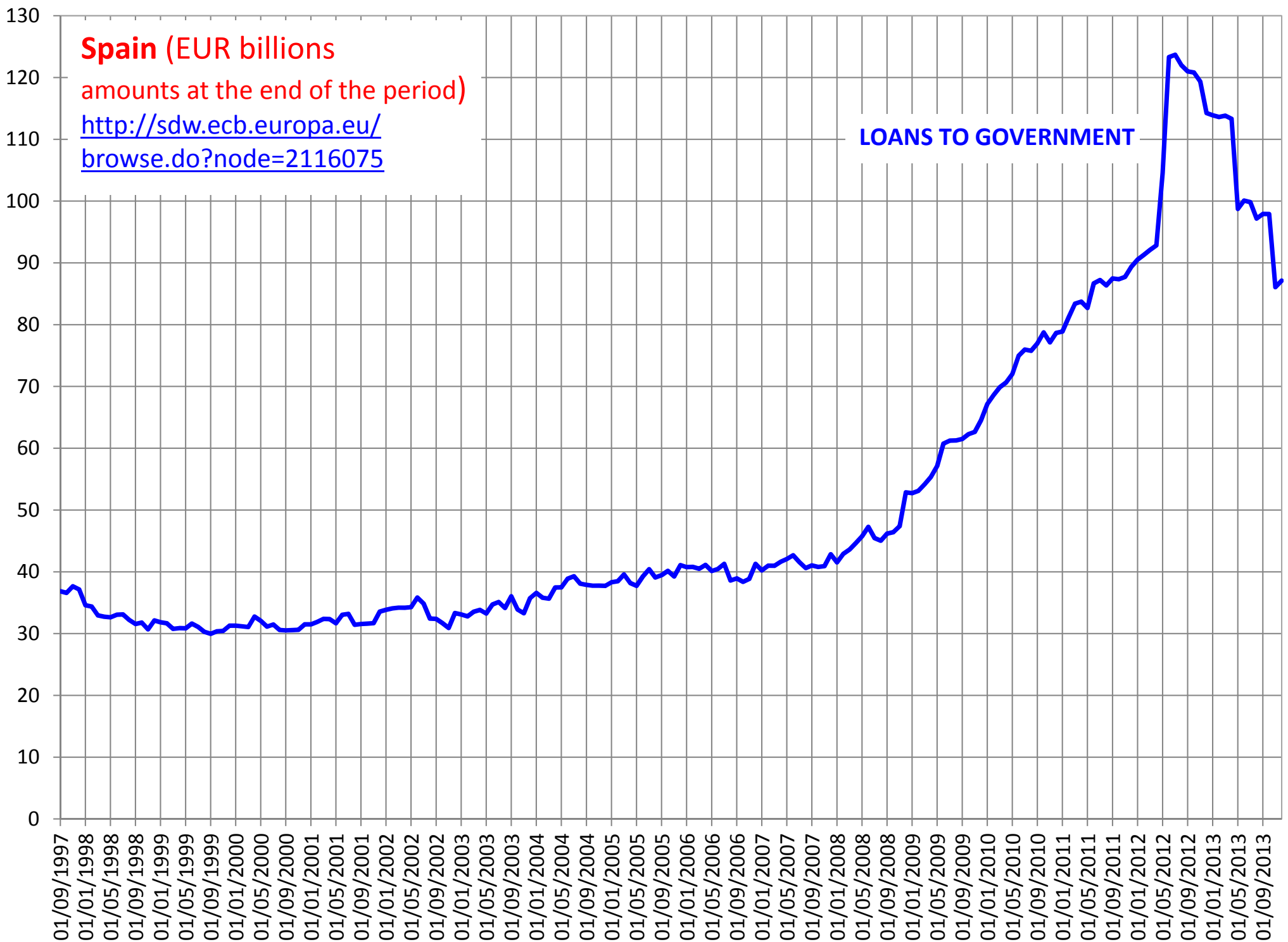
LENDING FOR HOUSE PURCHASE

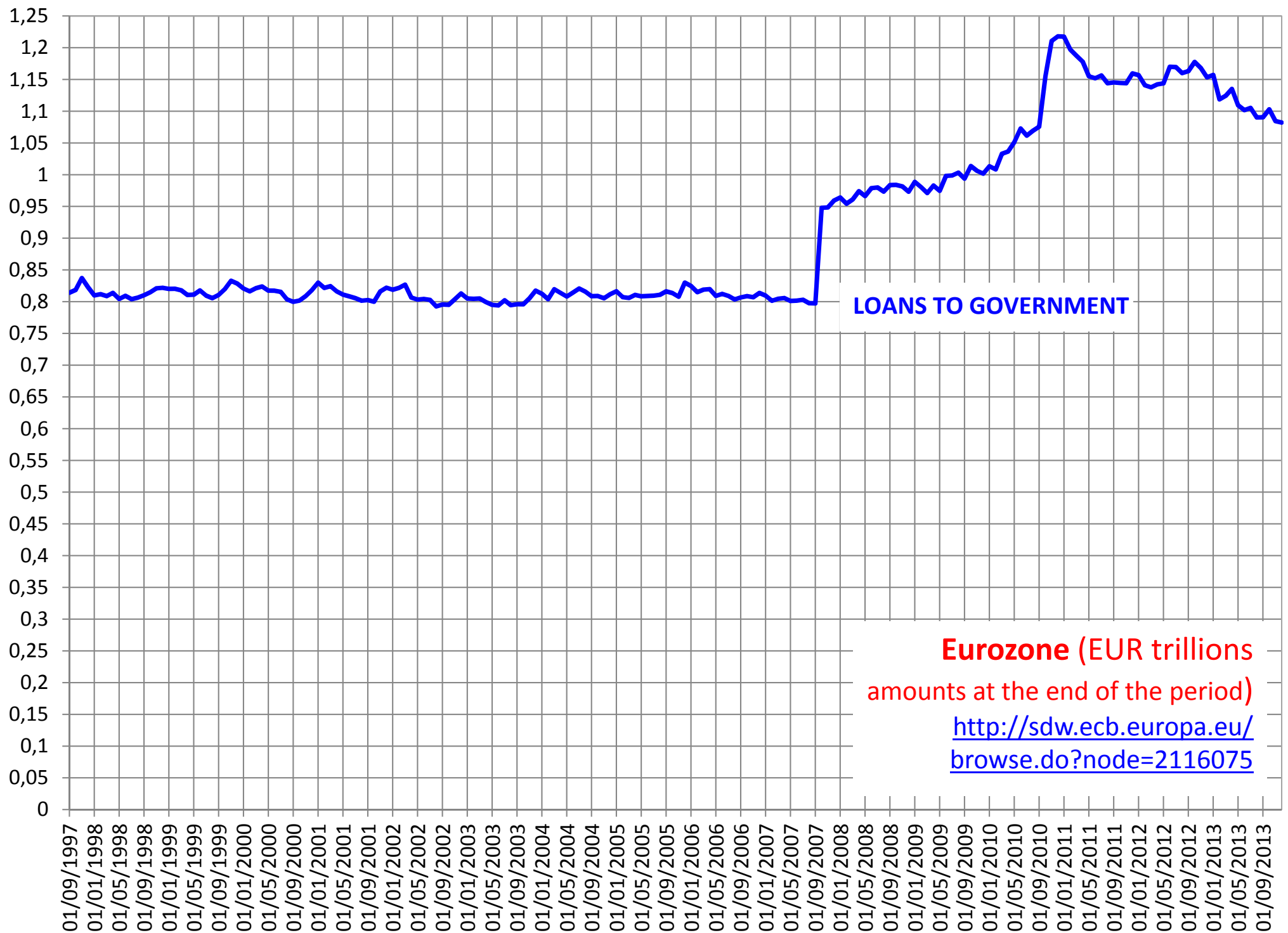
EUROPEAN UNION · Nominal GDP
€12.9 trillion (2012)
Largest economy of the world

CREDIT FOR CONSUMPTION



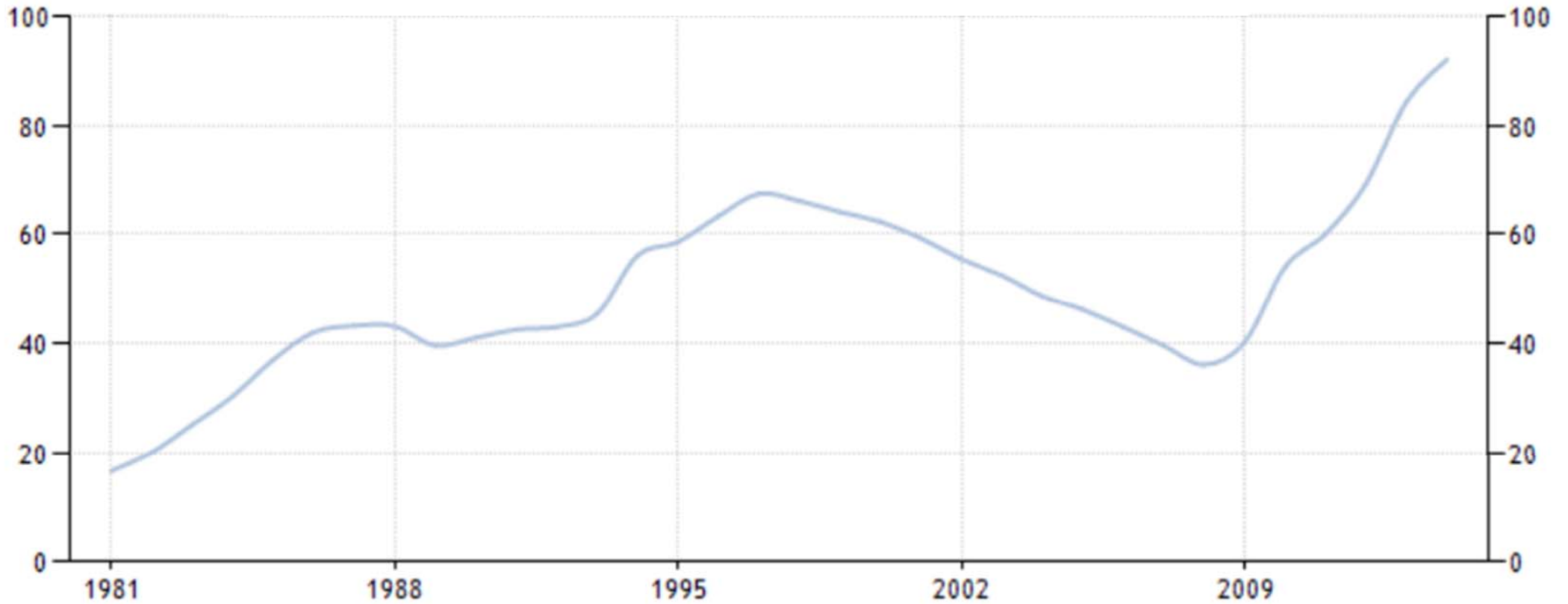






Spain (Debt to GDP, %)

<http://www.tradingeconomics.com/spain/government-debt-to-gdp>

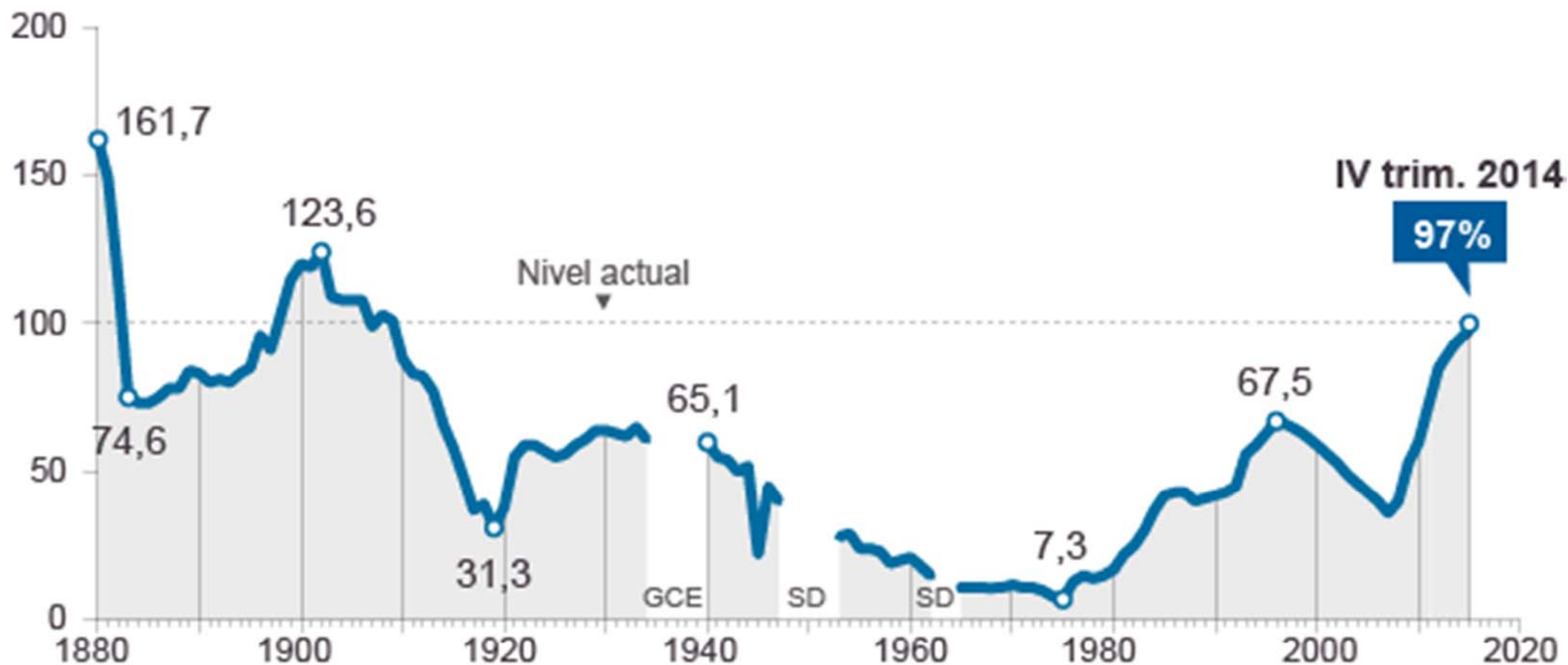


Spain (Debt to GDP, %)

http://economia.elpais.com/economia/2015/02/16/actualidad/1424114459_766802.html

EVOLUCIÓN HISTÓRICA DE LA DEUDA PÚBLICA

En % del PIB



GCE: Guerra Civil Española. SD: Sin datos

Fuente:

EL PAÍS

Spain (government debt, EUR million)

http://economia.elpais.com/economia/2015/02/16/actualidad/1424114459_766802.html

Variación en el año Cierre de cada año

Spain, GDP, 2014 (est.): 1,064,000 EUR million

