

Data Alert.

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Australia Pension Funds – the Fifth Largest in the World

Total assets of Australian superannuation funds rose by 8.5 per cent to an estimated A\$1,115 billion (US\$996 billion) in 2009, according to latest research from Towers Watson's *Global Pension Asset Study*. This is A\$88 billion, up from A\$1,027 billion in 2008. Australian pension assets (in US\$) were up from sixth to fifth spot in the global rankings. The size of Australia's pension funds under management and the prospects for substantial growth should continue to draw global fund managers to establish or expand operations in Australia. The resultant clustering of activity, along with Australia's highly skilled, multilingual workforce and its strong, stable regulatory environment will further enhance Australia's position as the funds management hub for the region.

- At the end of 2009, pension assets for the 13 markets in the study were estimated at US\$23.3 trillion, which was up 16 per cent from the 2008 year-end value. The largest pension markets in the world are the US, Japan and the UK, which account for 57 per cent, 14 per cent and 8 per cent respectively of total pension global fund assets. However, during the last ten years, all three markets have seen their share of global pension assets decline due to slower growth rates relative to other countries.
- Australian pension assets are estimated to have grown by around 9 per cent (in local currency terms) in 2009 after a decline of 17 per cent in 2008. Over the past ten years Australia pension assets rose by an annual compound growth rate of 10.4 per cent (between 1999 and 2009). This long term asset growth in Australia compares favourably with most other countries in the survey, with only Brazil, Hong Kong and South Africa experiencing higher ten-year pension asset growth rates (when measured in their local currencies) and the other nine countries in the survey experiencing pension asset growth rates between 1 per cent and 6 per cent per annum over the past ten years.
- In Australia, the ratio of pension assets to GDP has risen from 67 per cent ten years ago to around 93 per cent in 2009. This ratio is only lower than the Netherlands (120 per cent) and Switzerland (113 per cent), and compares favourably to the combined ratio of the largest thirteen markets, which fell from 76 per cent to 70 per cent over the ten year period. The ratio improved the most in Hong Kong (27 per cent), Australia (26 per cent) and the Netherlands (17 per cent), while the biggest decline occurred in the US (16 per cent), Canada (12 per cent) and UK (12 per cent).
- Regarding asset allocation of pension funds among the countries¹, the US, UK, Australia and Canada continue to retain above average equity allocations (61, 60, 57 and 49 respectively). Japan, the Netherlands and Switzerland all have higher than average exposure to bonds (55, 48 and 36 respectively). Allocation to cash remains very small in most markets, with the highest proportion being 8 per cent in Australia and Switzerland. Switzerland and the Netherlands have the largest allocation of alternative assets (29 and 24 respectively), followed by Australia and Canada (22 per cent each).
- In terms of the broader market investment funds (which covers also life insurance, public unit trusts, cash management trusts and other assets), the Australian pool of A\$1.65 trillion² continues to rank as number 4 globally.

Detailed information can be obtained from the [Towers Watson](http://www.towerswatson.com) website.

Global Pension Assets

Market	(US\$ Billion)		Total Assets				Growth Rates (local currency)	
	End 1999	End 2009e	Market Share %		As % of GDP		1-year %	10-year CAGR %
			End 1999	End 2009e	End 1999	End 2009e	(31/12/08-31/12/09)	(31/12/99-31/12/09)
USA ^a	10,195	13,196	62.5	56.7	109	93	12.2	2.6
Japan	2,630	3,152	16.1	13.5	54	61	6.1	0.8
UK ^b	1,385	1,791	8.5	7.7	92	80	13.6	2.8
Canada	652	1,213	4.0	5.2	96	84	12.7	3.1
Australia	271	996	1.7	4.3	67	93	8.5	10.4
Netherlands	400	990	2.5	4.2	103	120	14.2	5.6
Switzerland	310	583	1.9	2.5	123	113	12.8	2.0
Germany	188	411	1.2	1.8	9	12	6.8	4.3
Brazil	70	392	0.4	1.7	12	22	54.3	18.3
South Africa	76	201	0.5	0.9	57	63	12.1	12.3
France	70	178	0.4	0.8	5	6	13.8	5.9
Ireland	49	102	0.3	0.4	54	43	12.2	3.8
Hong Kong	23	85	0.1	0.4	14	41	23.3	14.0
Total	16,318	23,290	100.0	100.0	76	70	15.6	6.6

a. Includes Individual Retirement Arrangements (IRAs) b. Excludes Personal and Stakeholder defined contribution (DC) assets. CAGR = Compound annual growth rates. E = Estimates.
Sources: Towers Watson, 2010 Global Pension Asset Study January 2010; Austrade

1 Refers to the seven largest pension markets (over 94 per cent of total assets in the study) and excludes Brazil, Germany, France, Ireland, Hong Kong and South Africa.

2 Reserve Bank of Australia Statistical Table, B18 (released on 21 January 2010).



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