

News release

Emerging markets to drive global economic and insurance market growth over the next decade, *sigma* says

- The seven largest emerging markets are forecast to contribute around 40% of global economic growth over the next decade
- China alone will count for more than 25% of global output
- From quantity to quality: maturing emerging economies will see more moderate, but also more stable growth
- Emerging market insurance premiums are forecast to more than double over the next 10 years, growing four times faster than in advanced markets
- Premiums in emerging Asia are projected to grow three times faster than the world average over the next two years
- China to become the world's largest insurance market by the mid-2030s

Zurich, 6 March 2019 – Emerging markets will remain the growth engine for the global economy and insurance industry over the next decade, the latest *sigma* report from Swiss Re Institute shows. The study explores how the seven largest emerging markets will contribute more than 40% of global growth in the next decade, with China accounting for over a quarter of the global output.¹ The report also examines the factors that will drive insurance premium volume growth in emerging markets over the next 10 years. In this period, emerging market premiums are forecast to more than double, outpacing growth in advanced markets by four times. China is set to take over as the largest insurance market in the world by the mid-2030s.²

"Emerging markets will continue to outperform advanced markets in terms of growth in the next 10 years," says Swiss Re Group Chief Economist Jerome Jean Haegeli. "The shift in economic power from west to east will continue. As this happens, the quality rather than speed of growth becomes the differentiating factor in emerging markets. At the same time, insurance markets will continue to grow at a strong pace, and China is forecast to become the largest insurance market by the mid-2030s."

Media Relations, Zurich
Telephone +41 43 285 7171

Jerome Jean Haegeli, Zurich
Telephone +41 43 285 86 92

Fernando Casanova, Armonk
Telephone +1 914 828 4356

Finn Krüger, Hong Kong
Telephone + 852 2582 3623

Swiss Re Ltd
Mythenquai 50/60
CH-8022 Zurich

Telephone +41 43 285 2121
Fax +41 43 285 2999

www.swissre.com
 @SwissRe

¹ The seven largest emerging economies in terms of gross domestic product are China, India, Brazil, Russia, Mexico, Indonesia and Turkey

² According to *sigma* 3/2018, China overtook Japan as the second largest insurance market in the world in US dollar terms in 2017, with premium volumes of USD 541 billion. The US is the largest market with premiums of around USD 1.4 trillion (2017 value).

More stable growth, amid cyclical and structural challenges

Emerging markets currently face cyclical and structural challenges, but they remain an attractive growth proposition relative to the advanced markets. The report examines this optimism, with a key finding that the shift to relatively slower growth will be accompanied by more stable economic growth, a shift from quantity to quality. "Prior to the global financial crisis, the five years ahead expected growth differential between emerging and advanced markets was 4.5%. It is now 3.5% and this is still a comfortable growth uptick, especially in light of the lower growth levels in advanced markets", Haegeli says.

Table 1
 Macroeconomic challenges
 scorecard for the EM7 economies

Challenge	Nature	China	Brazil	India	Russia	Mexico	Turkey	Indonesia
Ageing demographics	Structural	●	●	●	●	●	●	●
Trade dependence	Cyclical/structural	●	●	●	●	●	●	●
Financial volatility	Cyclical	●	●	●	●	●	●	●
Productivity growth	Structural	●	●	●	●	●	●	●
High indebtedness	Cyclical/structural	●	●	●	●	●	●	●

● = current conditions pose an obstacle for growth prospects and require action
 ● = current conditions are not critical but could benefit from proactive policymaking
 ● = current conditions do not represent an obstacle for growth

Source: Swiss Re Institute

China and emerging Asia to remain the engines of insurance growth

Insurance demand has a strong positive relationship with economic growth. The economic slowdown in emerging markets in recent years has not translated into a corresponding drop off in premium growth, and underlying consumption momentum for insurance has not been fundamentally eroded.

This *sigma* forecasts that the emerging market share of global premiums will increase by about 50% over the next 10 years, with the long-term premium growth rate for emerging markets 5 percentage points higher than that for the advanced markets. The growth rate in emerging Asia is forecast to be three times the world average over the next two years and China remains on course to be the biggest insurance market by the mid-2030s. Growth in the Latin America and Central and Eastern Europe insurance markets is also projected to accelerate. This will be spurred by factors such as growth-enabling regulation, the adoption of technology, ongoing urbanisation, and a push for financial inclusion.

"Insurance has long been a key enabler of economic growth. It is imperative that we continue to support governments, companies, and private citizens to fully unlock growth potential in emerging markets." Jayne Plunkett, Chief Executive Officer of Swiss Re Reinsurance Asia says. "To do this, we need to strengthen our work creating sustainable, tech-enabled solutions that address increasingly sophisticated and urbanised emerging consumers."

Table 2
 Growth outlook by region and line of business

CAGR (real)	Total			Emerging markets			China			India		
	Past	Current	Outlook	Past	Current	Outlook	Past	Current	Outlook	Past	Current	Outlook
Non-life direct premium growth	3%	3%	3%	8%	8%	8%	16%	12%	10%	10%	13%	12%
Life, direct premium growth	2%	2%	3%	10%	1%	9%	17%	-2%	11%	4%	8%	7%

CAGR (real)	Emerging Asia excl. China			Latin America			Central & Eastern Europe			Africa		
	Past	Current	Outlook	Past	Current	Outlook	Past	Current	Outlook	Past	Current	Outlook
Non-life direct premium growth	7%	9%	10%	2%	3%	4%	1%	2%	4%	2%	3%	4%
Life, direct premium growth	6%	9%	9%	5%	-1%	4%	0%	10%	9%	2%	2%	3%

Remarks: past (2013–2017); current (2018); outlook (2019–2020). CAGR = compound average growth rate. Colouring based on deviation from long term trend: ● < -1.5%; ● -1.5% to -0.5%; ● -0.5% to 0.5%; ● 0.5% to 1.5%; ● >1.5%

Source: Swiss Re Institute

Notes to editors

Swiss Re

The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, working to make the world more resilient. It anticipates and manages risk – from natural catastrophes to climate change, from ageing populations to cyber crime. The aim of the Swiss Re Group is to enable society to thrive and progress, creating new opportunities and solutions for its clients. Headquartered in Zurich, Switzerland, where it was founded in 1863, the Swiss Re Group operates through a network of around 80 offices globally. It is organised into three Business Units, each with a distinct strategy and set of objectives contributing to the Group's overall mission.

How to order this *sigma* study:

The English, German, French, and Spanish versions of the *sigma* No 1/2019, "Emerging markets: the silver lining amid a challenging outlook" are available electronically on the Swiss Re Institute's website: <https://www.swissre.com/institute/>

Printed editions of *sigma* No 1/2019 in English, German, French and Spanish are available. The printed versions in Chinese and Japanese will be available in the near future. Please send your orders, complete with your full postal address, <https://www.swissre.com/institute/>