

JULIUS BAER WEALTH REPORT ASIA 2018

The below text provides the background and key findings of the Julius Baer Wealth Report Asia 2018

BACKGROUND

- Julius Baer has been publishing its flagship Wealth Report Asia since 2011. This flagship publication tracks the luxury expenditure trends of Asia's High Net Worth Individuals (HNWI) and the opportunities ahead for the wealth management industry. The former is captured by the Julius Baer Lifestyle Index, which as per 2018, tracks 22 items in 11 Asian cities.

CHAPTER 1: MACRO LANDSCAPE

- The picture for the global economy remains bright, even as leading economic indicators hint at a somewhat slower pace ahead.
- The personal luxury goods market experienced strong growth last year, led by China. Chinese consumption rebounded in 2017 and the momentum continued in the first half of 2018.
- While Chinese consumer confidence has weakened, we do not think that luxury sales will see a substantive decline but rather expect a moderation following peak profitability for the sector.
- We remain upbeat in the longer term premised on structural growing demand from Chinese millennials and a more prominent female presence in the luxury market.

CHAPTER 2: JULIUS BAER LIFESTYLE INDEX

- In aggregate, our 2017/2018 Index rose by 3.34% in local currency and 2.91% in US dollar terms. This qualifies as our index's best yearly price growth on record, extending its historical upward trajectory. It also outpaced regional inflation.
- In local currency terms, the prices for 16 out of 22 of our index items rose. This was also the case in US dollar terms given modest currency changes during our measurement period.
- Government efforts to boost domestic consumption, price harmonisation by luxury companies and the scarcity were among the contributing factors to robust price trends.

- On a price-weighted basis, Shanghai tipped Hong Kong to become the most expensive city in Asia. It is also the most expensive city for six of our index items – hospital accommodation, watch, ladies handbag, wine, jewellery and skin cream. Despite tariff cuts on imported goods in July 2018, prices of our index items in Shanghai did not decline.
- Kuala Lumpur remains the most inexpensive city in Asia in price-weighted terms. It is the most competitive city to buy six of the 22 items in our index (property, hotel suite, jewellery, piano, wine and car).

CHAPTER 3: HIS & HERS INDEX

- The Julius Baer Wealth Report Asia 2018 introduces a new index – the His & Hers Index to compare the cost of luxury goods for men and women, in relation to personal adornment.
- We find that gender-based pricing exists even in the luxury space, with female personal adornments costing more on average than for the male equivalents.
- Seoul comes up as the most expensive city in Asia for both male and female luxury goods. This could be largely owing to a special excise tax of up to 20% on certain luxury goods imports.
- On the other hand, Jakarta ranks as the cheapest for men's luxury goods, while Mumbai is the most price competitive for luxury female goods.

CHAPTER 4: WOMENOMICS IN ASIA

- Asian women particularly in Malaysia, Thailand and China, are increasingly becoming self-made millionaires.¹
- They are also more financially savvy and discerning consumers of luxury goods and services compared to a generation ago.
- The composition of China's high-end spending has changed over the past five years from being male-dominated to female centric.
- Chinese female millennials are buttressing the luxury market at home and abroad, driven by the ease of online shopping and financial support from parents.
- The brand consciousness of this young female demographic has also convinced major brands to adopt more fashion cues into their product design and marketing approaches.
- Women in Asia are proving their mettle at making investment decisions. They are remarkably confident about their financial knowledge, as compared to their counterparts in the West.²
- Much of this can be attributed to Asia's economic boom over the past decade, which has accelerated the exponential growth of the female market. As more women generate their own wealth, they are increasingly controlling the deployment of their assets.

¹ Agility Research & Strategy's Affluent Insights Luxury Study 2017 – 2018

² "Harnessing The Power Of The Purse", Center For Talent Innovation, 2013

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