



# Julius Bär

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## 2017 JULIUS BAER WEALTH REPORT: ASIA FACTSHEET

The below text provides the background and key findings of the 2017 Julius Baer Wealth Report: Asia.

### 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 2017, tracks 22 items in 11 Asian cities.

### CHAPTER 1: MACRO LANDSCAPE

- Our 2017 Julius Baer Wealth Report: Asia focuses on one particular topic, namely what matters most for millennials in a High Net Worth Individual (HNWI) context.
- Millennials live in an age of plenty, where the confluence of technological change and high income attainment are coming together in ways that should reinforce a positive view of the future.
- Millennials are entering their peak earnings capacity and they will be in their prime working years at a time where the world has never seen such wealth.
- The world has never been in better shape. By grouping together the countries under coverage in the Julius Baer Lifestyle Index, we find accumulated savings at an all-time high of more than USD 5 trillion.
- There are revolutionary changes unfolding in the services sector which are re-wiring how consumers and businesses invest and borrow, and ultimately, how wealth is being created. China's rapid transformation in the aspect of financial services is one such example.
- The democratisation of data, where everyone with internet access has lowered the barriers of entry for information-based services. This creates enormous potential for new businesses, even whole industries.

### CHAPTER 2: JULIUS BAER LIFESTYLE INDEX

- In aggregate, our 2016/2017 Index rose by 2.07% in local currency and 1.42% in US dollar terms. This kept pace with regional inflation trends suggesting luxury retailers managed to retain pricing power for so-called Veblen goods – luxury goods that do not follow the usual laws of supply and demand.
- Our index remains on an upward trajectory since its launch seven years ago, demonstrating that there remains enormous demand for luxury goods and services in Asia.
- A number of trends underpin this year's price movements. The first is the return of consumer confidence in China, the largest consumer of luxury goods in the world. The second is the phenomenon of customers 'reshoring' the luxury purchases they once made on overseas trips back home. The third less influential factor this year is Asian currency movements.
- On an equal-weighted basis, Shanghai remains the most expensive city in Asia to buy our luxury index items with 6 items (lasik, wine, jewellery, botox, cigars, skin cream) with a top ranking
- On a price-weighted basis, Hong Kong takes top spot given the higher cost of buying property which is the largest ticket item in our index. Hong Kong is also the most expensive city for fine dining and business class flights.
- Kuala Lumpur has displaced Mumbai as the least expensive city in Asia in price-weighted terms. It is the most competitive city to buy 5 of the 22 items in our index (property, hotel suite, watch, wine, piano).

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### CHAPTER 3: EMBRACING THE EXPERIENCE ECONOMY

- Spending patterns are undergoing a remarkable shift. In Asia and around the world, consumers are increasingly pivoting away from goods and towards experiences. Two forces are at work.
- One is rising affluence. As incomes climb, material needs are giving way to aspirational wants. Around the world, as countries move up the income ladder, households spend proportionately less on goods and more on services.
- Then, there are the millennials. Having grown up in an age of relative peace and prosperity, the millennial generation have come to define themselves less by what they own, and more by what they have accomplished. Equally striking is how plugged in millennials are to the digital world.
- Understanding millennials matters because they are a consumer force to be reckoned with. Of the 2.3 billion millennials in the world, some 83% live in the developing world. India alone is home to around 400 million millennials more than the entire US population. China too, has close to 400 million millennials and their spending power continues to balloon.
- Consulting firm BCG expects the market for experiential luxury to record a compound annual growth rate of 5-6% between 2016 and 2023, beating the 2-3% growth rate for the personal luxury market.
- Reflecting the evolving landscape, this year's Julius Baer wealth index incorporates a new item – fine dining – and replaces tooth implants with Lasik procedures.

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