

# Julius Bär

## **MEDIA RELEASE**

Bank Julius Baer & Co. Ltd.

### A revitalised economy and compelling prospects for wealth creation **Julius Baer Wealth Report: Japan launched**

Zurich/Tokyo, 12 November 2014 – Julius Baer has launched the inaugural Wealth Report: Japan. The report on wealth trends in Japan establishes that the country is now at a pivotal juncture where both domestic and external influences have primed the economy for an exit from its deflationary past and together with it provide a fertile ground for wealth creation in both Japan and the region.

Thomas R. Meier, Region Head Asia Pacific of Bank Julius Baer, said: “In this inaugural report, we address the understated potential of Japan and challenge the consensus notion that deflation is embedded in the country’s economy. In addition to domestic growth drivers, we also highlight the tremendous growth of ASEAN and its relevance to the internationalisation of Japanese companies. Also, through our proprietary interviews, we have found a pronounced attitude of investing in a well-rounded education for the next generation which is unique to Japan as compared to the rest of Asia. All these factors have profound implications for wealth creation going into the medium and longer term not only in Japan, but also the entire region.”

The report starts by examining domestic drivers of growth as a result of ‘Abenomics’ and how the external environment, or more specifically the strong growth in the ASEAN-4 countries (Malaysia, Thailand, Indonesia, and the Philippines), can intertwine to pull the Japanese economy out of a legacy of deflation. The profile of DKSH, an established Swiss company, shows how Japanese firms can leverage on market expansion services providers to establish footholds in new markets. DKSH advises companies on how to expand into new markets, and has had experience operating in Japan since 1865.

Next, the report provides a more targeted analysis of the Julius Baer Lifestyle Index, which was launched in 2011 tracking the costs of living for HNWI in eleven Asian cities, and to look at how the cost of luxury goods in Japan has changed over the course of ‘Abenomics’. The experts at Julius Baer continue to expect Japan to punch above its weight in both basic and luxury spending, noting that in 2013 it generated close to 9% of total global private consumption while representing just 2% of the world’s population.

Alongside the analysis of Japan’s economy and the cost of luxury goods in the country, the Julius Baer Wealth Report: Japan features an in-depth survey of parental opinions and expectations of education for the next generation. Close attention to this subject is warranted considering that education costs have been and would continue rising going into the future. The respondents consisted of affluent parents who are highly educated (degree level or higher), and have a child currently enrolled at the primary or secondary level. For example, one key takeaway is that Japanese parents focus less on pure quantitative outcomes and place more emphasis on extra-curricular activities as compared to Hong Kong or Singapore. Also, when queried on their preference of universities, a strong majority (74%) preferred domestic to overseas universities.

Key highlights of the 2014 Julius Baer Wealth Report: Japan include:

**Bank Julius Baer & Co. Ltd.**

Bahnhofstrasse 36, P.O. Box, 8010 Zurich, Switzerland

T +41 (0) 58 888 1111, F +41 (0) 58 888 1122

[www.juliusbaer.com](http://www.juliusbaer.com)

## Macro landscape

- Globalisation has led to an increased synchronisation of economic cycles in Asia. Julius Baer concludes that the ASEAN 2015 initiative is the next step in this synchronisation, allowing for unrestricted market access among members.
- Deflation is not a unique feature of Japan, showing that there have been over sixty deflationary episodes recorded in major economies since 1960.
- Examination of how Prime Minister Shinzo Abe's policy platform, better known as 'Abenomics', has kick-started the economy, through a stronger job market, inevitably higher wages, and record corporate profits.
- Ongoing domestic structural growth factors heralded by 'Abenomics' and stronger integration with the ASEAN-4 nations are keys to the revitalisation of Japan's economy and its consequent escape from its deflationary legacy.

## Profile of DKSH

- DKSH is a market expansion services provider which advises companies on their expansion efforts overseas. It is explained how similar providers enable Japanese companies to do so in the context of 'Abenomics'.
- Two case studies (KAMEDA SEIKA and Takasago) have been included to portray examples in which DKSH enabled Japanese companies to expand their businesses within Asia.

## The Julius Baer Lifestyle Index

- From the inception of the Julius Baer Lifestyle Index in the first Julius Baer Wealth Report on Asia, the analysts tracked the cost of luxury goods for eleven cities in Asia since 2011. The index constituents are: luxury property, watches, ladies' handbags, wedding banquets, wine, jewellery, men's suits, facial aesthetics procedures, pianos, hotel suites, cars, tooth implants, hospitals, cigars, lawyer fees, golf club memberships, ladies' shoes, business class flights, university fees, and boarding school fees.
- In local currency terms, the average price increase for the Tokyo subset of the Lifestyle Index rose 1.6% in 2014. The largest contributors to this rise came from university fees (+44%), boarding school fees (+28%), and cigars (+18%).
- Contrary to Tokyo, the Lifestyle Indices for Hong Kong and Singapore dipped by 1% and 3%, respectively. A stark contrast is seen in luxury property prices: they have fallen 15% since 2013 in Hong Kong, but have risen the same time by 11% in Japan.
- Furthermore, considering these three countries have the highest per capita income, they were analysed as a separate group from the other countries in the Index to examine consumption trends. The result showed that the scale of consumption, both in terms of basic and luxury items, is massive and has the potential to grow even more.

## Investing in the education of the next generation in Japan

- Within the Julius Baer Lifestyle Index, education-related components (university tuition and boarding school fees) have consistently registered double-digit growth since 2011. For this reason a survey with affluent parents in Tokyo was commissioned to examine parental opinions and expectations for the next generation when it comes to education and found certain trends which were worth noting.
- Relative to other countries in our survey, Japanese parents expressed a stronger interest in securing a well-rounded education for their children, by investing in their children's ability to pursue a broad range of interests (36% in Tokyo vs. 16% in Hong Kong and 12% in Singapore).
- Japanese parents were also more conservative in discussing their children's achievements with family and friends, which stood in stark contrast to parents from China or India, who seemed less self-effacing.

- Japanese parents also displayed confidence in the public school system, which echoes a similar sentiment in Singapore.
- A preference for domestic universities as opposed to overseas schools also stood out in our survey, with an overwhelming 74% of respondents indicating such a preference, the highest among its counterparts in Asia.
- In terms of generational transfer of wealth, skills, values, or knowledge, Japanese parents rated personal values as the most desirable element to pass on, and also the most difficult one to do so.

## **Conclusion**

The report challenges the consensus view that deflation will be a feature of Japan's economy because of new structural growth drivers put in place through 'Abenomics' and the potential of tapping into the growth story of the ASEAN-4 nations. The prospects for change and wealth creation over the medium and long term are compelling, not just in Japan, but also in the region.

The 2014 Julius Baer Wealth Report: Japan is available in English and Japanese on:  
[www.juliusbaer.asia](http://www.juliusbaer.asia)

## **Contacts**

Media Relations Hong Kong, tel. +852 2899 4840  
Ashton Consulting, tel. +81 (0) 3 5425 7220, [m.chuma@ashton.jp](mailto:m.chuma@ashton.jp)  
Media Relations Zurich, tel. +41 58 888 8888

## **About Julius Baer**

Julius Baer is the leading Swiss private banking group with a focus on servicing and advising sophisticated private clients and a premium brand in global wealth management. Julius Baer's total client assets amounted to CHF 372 billion at the end of June 2014, including CHF 274 billion of assets under management. Bank Julius Baer & Co. Ltd., the renowned Swiss private bank with origins dating back to 1890, is the principal operating company of Julius Baer Group Ltd., whose shares are listed on the SIX Swiss Exchange (ticker symbol: BAER) and form part of the Swiss Market Index (SMI), comprising the 20 largest and most liquid Swiss stocks.

Julius Baer is currently in the final phase of integrating Merrill Lynch's International Wealth Management business outside the US. This will increase the Group's presence to more than 25 countries and 50 locations. Headquartered in Zurich, we have offices in key locations including Dubai, Frankfurt, Geneva, Hong Kong, London, Lugano, Monaco, Montevideo, Moscow, Singapore and Tokyo.

For more information visit our website at [www.juliusbaer.com](http://www.juliusbaer.com)