

RESEARCH

Population of ultra-wealthy Chinese to surpass Japanese by 2026: report

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By SARAH JONES

The number of Chinese ultra-high-net-worth individuals with \$500 million will grow 6 percent in 2014, rising to 535 people, while the total population of China's ultra-high-net-worth individuals is not set to grow, according to a new report by Wealth-X.

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Even though the total population of ultra-high-net-worth consumers in China is set to be stagnant in 2014, the number of wealthy individuals in China will grow to outnumber Japan's wealthy by the next Year of the Horse in 2026. Knowing that there will be a larger potential audience for their products in China than Japan in the coming years can help marketers plan for the future.

"During the Year of the Horse, China's ultra-high-net worth population is going to stagnate, which means we're going to see it contract," said David Friedman, president of wealth intelligence firm **Wealth-X**, New York. "But the super rich, which we define as \$500 million and up, is going to increase by 6 percent.

"We see the tectonic plates of wealth across the world are continuing to shift, and we see this polarization happening everywhere," he said. "In the United States, you could even say that the middle class is almost vanishing.

"We're seeing a rise in the high-end of wealth in the rest of the world, and it's happening everywhere."

Wealth-X's "The Year of the Horse: 8 Predictions for China's UHNW Population" made forecasts for the upcoming year in China's wealthy based on data collected. The report also looked at the traits of Chinese wealthy born under the year of the horse.

The Wealth-X Institute studies the changing global wealth creation, and has a database of 100,000 global ultra-high-net-worth individuals.

Evolving economy

The year 2013 saw a decline in Chinese wealth and the population of affluent individuals. The number of ultra-high-net-worth individuals fell 5.1 percent from 11,245 to 10,675, with the total wealth dropping from \$1,580 billion to \$1,515 billion, a 4.1 percent difference.

Much of the cause of this decline was from external forces, with the demand for commodities falling, resulting in lowered prices and credit tightening, which led to falling stock prices. Starting with this lunar new year on Jan. 31, China will not see a dramatic rise in wealth, but will not likely see any further decline.



Chinese yuan

While there is not expected to be much growth in the general population of ultra-high-net-worth individuals, there is expected to be a 6 percent growth in the number of individuals worth at least \$500 million, raising the number to 535 individuals.

Individuals with a net worth of at least \$500 million will see an approximately 4 percent increase in their worth, for a combined net worth of \$630 billion. This is greater than the 2 percent increase in wealth expected for the total population of ultra-high-net-worth individuals in China.

Starting in 2014, China will see a slight growth in total wealth of high-net-worth-individuals, which is predicted to surpass the total wealth of Japan's ultra-wealthy population by 2026. By this time, China's ultra-wealthy will have a net worth of \$4.2 trillion to Japan's \$3.3 trillion.

Chinese ultra-high-net-worth individuals will see an average increase in the liquidity of their assets, from 12 percent in 2013 to 14 percent in 2014 of their total net worth. Despite the growth, this is still far lower than the global average of 25 percent.

While affluent Chinese consumers are not expected to increase their spending in general in 2014, they will likely spend 18 percent more while overseas, particularly in American and European markets.

As ultra-high-net-worth Chinese consumers are traveling more, China's private jet market will likely see an increase of 30 percent in 2014.



Flexjet

Currently only 1,050 of Chinese ultra-high-net-worth individuals live outside of China, but that number is expected to grow 8 percent in the coming year, taking the number to 1,135. They will most likely settle in Hong Kong, but they will also move to North America and Southeast Asia.

Wealthy Chinese consumers born under the Year of the Horse have the highest percentage of self-made affluence compared to those born within other zodiac signs.

Individuals born under the Horse are also the most educated, and donate the most money of any zodiac sign to education causes.

China focus

The combined wealth of global ultra-high-net-worth individuals has grown to a record high, although the ultra-high-net-worth population has dropped in Brazil and China, according to a new report by Wealth-X and UBS.

The "Wealth-X and UBS World Ultra Wealth Report 2013" explores the global population of ultra-high-net-worth individuals and their income on both a global and local market scale. Examining the global wealth of individuals in specific markets is likely to benefit luxury

brands looking to expand to developing markets ([see story](#)).

As Chinese consumers are spending more money outside of greater China, retailers and brands should provide a welcome shopping environment.

For instance, LVMH Moët Hennessy Louis Vuitton is looking to better serve its Mandarin-speaking consumers traveling abroad with a new training program for Chinese Americans.

The French conglomerate teamed up with Parsons the New School for Design and the Chinese-American Planning Council to design a program to teach recently migrated Chinese Americans luxury retail skills, which includes an internship at a LVMH brand store. Through this program, LVMH will be able to connect with Chinese tourists in their native language and deliver enhanced customer service ([see story](#)).

"Ninety percent of all Chinese luxury purchases are done outside of China," Mr. Friedman said. "We've emphasized over and over again that the brick-and-mortar infrastructure of retail is going to be more and more important for capturing the growth and waves of this wealth.

"They're going to be looking for places to invest, and places they can hold their assets and diversify outside of China."

Final Take

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