

Barclays Wealth Insights

Volume 1: The Future of Wealth – 2006 to 2016

In co-operation with the Economist Intelligence Unit



About Barclays Wealth

Barclays Wealth was recently named as the UK's leading Wealth Manager for the second year running by PAM (Private Asset Managers) and has £84.7bn assets under management globally (H1 2006). Barclays Wealth is made up of four business units - international and private banking, financial planning, investment services and brokerage. It provides customers with a comprehensive range of solutions to meet their wealth management needs, in the UK and overseas.

Thomas L. Kalaris is the Chief Executive of Barclays Wealth and he joined the business at the start of the year. Barclays Wealth is part of the Barclays Group, one of the largest financial services groups in the world by market capitalisation. Barclays is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. Operating in over 60 countries and employing over 113,000 people, we move, lend, invest and protect money for over 25 million customers and clients worldwide.

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Foreword

At Barclays Wealth we are in the business of providing our clients with the means of managing their wealth successfully – to help them acquire it, build on it, protect it, use it and pass it on. In order to better understand our clients, it is therefore vital that we understand what wealth means today and how and where in the world wealth might be created in the future.

This is why we have partnered with the Economist Intelligence Unit to produce Barclays Wealth Insights, a series of research reports which aim to provide a definitive picture of what being wealthy means in the 21st century.

This first report seeks to chart the growth in different categories of wealth within G7 countries, as well as measure the quality or attractiveness of the business environment in individual countries around the world and assess how this is likely to change over the next ten years.

A panel of wealth experts, drawn from academia, industry and financial circles, have been consulted to provide unique insights into the key trends driving wealth creation.

The broader significance of wealthy individuals should not be underestimated. As leaders, innovators, facilitators and pioneers, the wealthy often represent the most dynamic sections of society, while as investors they tend to be the most prescient, passionate and incisive individuals you can meet.

Barclays Wealth Insights explores the private world of this influential group, by analysing their shifting demographic profile, priorities and preferences.

And by uncovering the complex social and psychological dynamics – including gender, family and social interactions – that define the behaviour and outlook of the wealthy, we hope to offer a compelling snapshot of the deeper trends that could shape the future of society at large.

We hope that you find this first and future reports planned over the next 12 months an interesting and illuminating read.



Thomas L. Kalaris
Chief Executive
Barclays Wealth

Our insights panel

James Anderson is Chairman of Tru-est, providers of information to wealth managers and compilers of the annual **PAM Directory**

Philip Beresford is Editor of **The Sunday Times Rich List**, a definitive guide to the richest 1,000 in Britain and Ireland

Clare Gascoigne is a contributing author of the report and a freelance journalist, who writes for the **Financial Times** and **The Sunday Times** on wealth and investment issues

Eamonn Kelly is Chief Executive of the future-oriented consulting firm Global Business Network

Mark Kibblewhite is Managing Director of Barclays Wealth's UK private banking division

David Molian is Lecturer in Enterprise at Cranfield University

Aaron Simpson is Chief Executive of Quintessentially, the global private members' club and lifestyle management company he co-founded in 2000

Phil Spencer is Chief Executive of the high end property search consultancy Garrington Homefinders

Introduction

There has rarely been a better time to be rich. There are more options for wealthy individuals now than ever before and more ways for them to invest, spend and distribute their money.

Recent years have seen a huge increase in both the numbers of wealthy individuals and the amount of wealth they hold. At the same time, regional differences and attitudes to wealth are becoming less pronounced.

The rich around the world have growing international facets to both their lifestyle and investments, and this is apparent in the countries in which they choose to live, work, buy and sell companies, the investment strategies they pursue, and the wealth management services they need.

The aim of Barclays Wealth Insights is to develop a comprehensive picture of what it means to be wealthy in the 21st century.

Later volumes of this series, to be published during 2007, will focus more closely on the wealthy as individuals, examining the

roles that gender, family and lifestyle choices play in defining the universe they inhabit.

But our focus in this report is to provide an overview of how the landscape of wealth is changing around the world.

Using the combination of a new forecast from the Economist Intelligence Unit (EIU), which charts the growth in financial and non-financial wealth among households within G7 countries, and the EIU's Business Environment Rankings, which measure the quality or attractiveness of the business environment in individual countries, we will explore where wealth is likely to be concentrated around the world from now to 2016.

Meanwhile, our panel of wealth experts, drawn from academia, industry and financial circles, provide unique insights into the key trends driving wealth creation.

Headline findings of the report include:

US to lead the way in global 'wealth explosion'

- Despite wealth levels around the world soaring, the US will continue to dominate as the base for the super-rich. In 2016, there will be 19.5 million households with aggregate wealth in excess of \$1m in the country, and 5.5 million households with aggregate wealth in excess of \$3m. See page 7

UK to play host to a million 'super millionaires' by 2016

- Within a decade, the number of households with aggregate wealth in excess of \$3m is forecast to exceed one million in the UK for the first time. The UK will also have the highest proportion of households with aggregate wealth in excess of \$1m of any G7 country. 26 per cent of households will reach this threshold, compared with 16 per cent in the US, and 22 per cent in Japan. See page 8

Potential of BRIC countries as breeding ground for millionaires is 'overplayed'

- Despite dramatic economic growth within the emerging markets of Brazil, Russia, India and China (BRIC) in recent years, relative weaknesses in infrastructure and the business environment could hold back their development as dominant sources of high net worth households. See page 11

The rise of the 'nearlionaire' as average per capita wealth soars

- The next decade will be marked by a rise in 'nearlionaires' – households holding between \$500,000 and \$1m in aggregate wealth. In the UK, for instance, there will be a 25 per cent increase in this bracket of wealth by 2016, from five million in 2005 to 6.3 million in 2016. See page 17

The 'Grey Dollar' will define future wealth creation

- Demographic change is likely to be an important factor influencing how wealth is created and invested in 2016. Companies that can create and market products and services effectively to older people are likely to enjoy substantial success. See page 18

YouTube points the way for future exploitation of 'gift economy'

- The monetisation of non-traditional sources of wealth, such as businesses or services that shun charging fees, is likely to create huge opportunities for wealth creation in the years ahead for those companies that can find ways of harnessing them. The recent sale of **YouTube**, which was initially designed as a free service for friends to share videos, for \$1.65bn demonstrates the potential prize in this section of the economy. See page 25

What is wealth today?

“The interesting and exciting thing for us is the massive global expansion in rich people from all backgrounds”

Defining wealth today is a lesson in relative thinking. If you are the Editor of the **Forbes** 400 List of wealthy Americans, wealth starts at a cool \$1bn. To break the top ten, you would need in excess of \$15bn.

A mention in **The Sunday Times Rich List** Top 1,000 in 2006 starts at a more reasonable £60m – though this represents a three-fold leap in the entry level of £20m in 1988.

Conventional wisdom tends to define wealth in brackets. For most commentators, mass affluence is normally defined as having \$100,000 in investable assets, while high net worth individuals have at least \$1m and super high net worth individuals have in excess of \$3m. A further category known as ultra high net worth refers to individuals that have in excess of \$30m.

In the research that follows, we analyse three measures of wealth: financial household wealth (investable assets such as cash, shares and bonds owned by the entire household); non-financial wealth (property and land owned by the household); and aggregate wealth (a combination of both financial and non-financial wealth). For the purposes of this report, a high net worth household is one with financial assets in excess of \$1m and a super high net worth household is one with financial assets in excess of \$3m.

The results provide clear evidence that we are in the midst of a seismic shift in the landscape of wealth, which has significant repercussions for business and society around the world.

“The interesting and exciting thing for us is the massive global expansion in rich people from all backgrounds,” says Mark

Kibblewhite, Managing Director of Barclays Wealth’s UK private banking division.

“Attracting the super-rich is clearly very significant for our business, but we are also acutely aware of the rise in ‘nearlionaires’, those who have six figure assets and can also gain much from specialist wealth management services.”

Defining wealth on the basis of assets is arbitrary but it is an essential starting point. However, wealth is also about lifestyle, so it is also important to consider variations in living costs around the world, which serve to define the luxury and privilege a person’s wealth can buy.

The chart below compares costs for a small selection of key expenses, including property, domestic help, education and car ownership.

London tops the list for maid’s wages and education, while property and eating out is most expensive in Hong Kong. Car ownership shows huge variation between cities, with prices more than double in Shanghai and Hong Kong than those in London and New York as a result of prohibitive import taxation.

The general point to be made – and it is one the Barclays Wealth Insights series will return to in later chapters – is that wealth and the lifestyle and opportunities it brings are relative around the world. One hundred thousand dollars in London would buy a very different lifestyle to the same amount in New Delhi, and this encourages different preferences and priorities among the rich.

Table 1: Cost of luxury living in selected cities

| Expense | Hong Kong USD | Shanghai USD | London USD | New York USD | New Delhi USD | Rio de Janeiro USD | Singapore USD |
|---|------------------|-----------------|---------------|-----------------|------------------|-----------------------|------------------|
| Three course dinner for four people (average) | 709 | 435 | 623 | 575 | 226 | 386 | 606 |
| Deluxe car (2500 cc upwards) (high) | 161,080 | 248,756 | 114,026 | 83,813 | 130,895 | 182,751 | 236,646 |
| Furnished residential house: 4 bedrooms (high – per month) | 14,820 | 8,500 | 13,157 | 7,000 | 1,805 | 3,791 | 7,143 |
| American /English school: annual tuition, ages 5-12 (average) | 14,703 | 20,124 | 28,739 | 18,300 | 7,867 | 13,115 | 11,661 |
| Maid’s monthly wages (full time) (average) | 528 | 187 | 2,526 | 2,000 | 124 | 355 | 373 |

Source: EIU

Wealth around

The G7 countries continue to be among the most promising markets in the world – and despite the rise of emerging markets, they will remain the number one focus for wealth generation over the next decade

the world

G7 – home of the millionaire

We have become accustomed to hearing about growing levels of wealth in developed countries. Rising house prices in the US and Europe, benign economic growth, the private equity boom and the recent strong performance of the stock markets have all contributed to this increase and helped to create an environment that is highly conducive to wealth generation.

For potential investors and entrepreneurs, the G7 countries of Canada, France, Germany, Italy, Japan, the UK and US will continue to be among the most promising markets in the world – and despite the rise of emerging markets like Brazil, Russia, India and China (BRIC), they will remain the number one focus for wealth generation over the next decade.

According to the EIU's Business Environment Rankings, which measure the quality or attractiveness of the business environment of the 82 countries covered by the EIU's country forecasts, the G7 countries possess environments that are among the most favourable in the world. For example, Canada ranks 4th, the US 5th, the UK 7th and Germany 14th.

The number of high net worth households within the G7 countries will increase by an average of 158 per cent over the next decade, with Canada experiencing more than a three-fold growth and Germany, UK and Germany all posting more than three-fold increases.

Table 2: Number of households with financial assets (i.e. excluding property) in excess of \$1m in 2006 and 2016 (1000s)

| | 2006 | 2016 | Change |
|--------------|--------------|---------------|--------------|
| Canada | 133 | 426 | +220% |
| France | 234 | 611 | +161% |
| Germany | 285 | 1,017 | +257% |
| Italy | 359 | 712 | +98% |
| Japan | 1,008 | 3,286 | +226% |
| UK | 295 | 940 | +219% |
| USA | 3,941 | 8,878 | +125% |
| Total | 6,339 | 16,325 | +158% |

Source: EIU

A similar picture of growth emerges when we analyse households with aggregate wealth in excess of \$3m. According to this measure, we find that the UK and Germany are racing to become the first European country to play host to a million of these super millionaires within the next decade (see Table 3). Both countries are expected to reach this mark by 2016.

Table 3: Number of G7 households with \$100,000, \$1m and \$3m worth of aggregate wealth (financial and non-financial, 1000s)

| | | 2006 | 2016 | Change |
|---------|------------|--------|--------|--------|
| UK | \$100,000+ | 18,908 | 21,271 | +12% |
| | \$1m+ | 3,035 | 6,883 | +127% |
| | \$3m+ | 273 | 1,027 | +276% |
| US | \$100,000+ | 55,251 | 73,232 | +33% |
| | \$1m+ | 9,711 | 19,543 | +101% |
| | \$3m+ | 1,962 | 5,457 | +178% |
| France | \$100,000+ | 16,659 | 18,606 | +12% |
| | \$1m+ | 2,625 | 5,502 | +110% |
| | \$3m+ | 352 | 920 | +161% |
| Italy | \$100,000+ | 17,760 | 19,082 | +7% |
| | \$1m+ | 3,153 | 5,241 | +66% |
| | \$3m+ | 422 | 918 | +118% |
| Canada | \$100,000+ | 7,411 | 9,104 | +23% |
| | \$1m+ | 727 | 2,215 | +192% |
| | \$3m+ | 90 | 320 | +255% |
| Japan | \$100,000+ | 38,014 | 42,584 | +12% |
| | \$1m+ | 3,896 | 10,754 | +176% |
| | \$3m+ | 377 | 1,499 | +298% |
| Germany | \$100,000+ | 20,587 | 24,395 | +18% |
| | \$1m+ | 2,610 | 5,392 | +107% |
| | \$3m+ | 326 | 1,027 | +215% |

Source: EIU

The European G7 members, however, remain dwarfed by the continued dominance of the US and Japan as key centres of global wealth.

By 2016, the highest number of households among the G7 countries with aggregate wealth in excess of \$1m will continue to be found in the US, where there are forecast to be approximately 19.5 million such households. In Japan, meanwhile, there are expected to be around 10.8 million. These two countries will lead the way in numbers of wealthy households for the next decade.

More than a quarter of UK households is forecast to hold in excess of \$1m by 2016

Table 4: Aggregate wealth rankings for G7 countries in 2016 (2006 rankings in brackets)

| | Rankings of numbers with aggregate wealth in excess of \$100,000 | Rankings of numbers with aggregate wealth in excess of \$1m | Rankings of numbers with aggregate wealth in excess of \$3m |
|---------|--|---|---|
| US | 1 (1) | 1 (1) | 1 (1) |
| Japan | 2 (2) | 2 (2) | 2 (3) |
| Germany | 3 (3) | 5 (6) | 3= (5) |
| UK | 4 (4) | 3 (4) | 3= (6) |
| Italy | 5 (5) | 6 (3) | 6 (2) |
| France | 6 (6) | 4 (5) | 5 (4) |
| Canada | 7 (7) | 7 (7) | 7 (7) |

Source: EIU

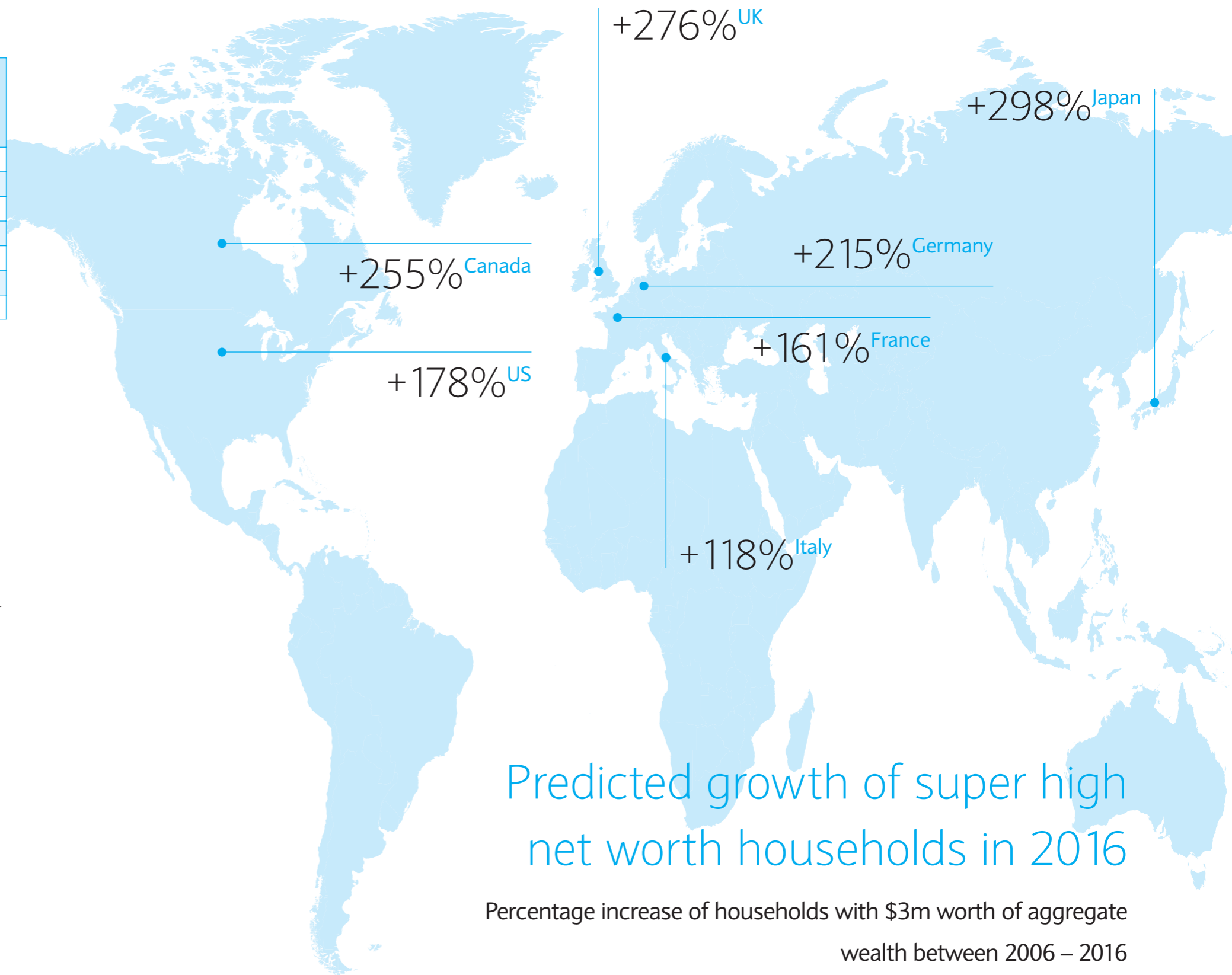
So what lies behind these striking success stories? Each G7 country has its own wealth dynamics, which we explore in brief here.

UK

While the US and Japan take the laurels on numbers of wealthy households, the UK is expected to lead the way on concentration of aggregate wealth. More than a quarter (26 per cent) of UK households is forecast to hold in excess of \$1m aggregate wealth by 2016 – considerably more than the US (16 per cent) and Japan (22 per cent).

There are several reasons why the UK is expected to have a higher concentration of households with aggregate wealth in excess of \$1m than the US.

First, wealth is more evenly distributed than in the US. More importantly, there is a stronger property ownership culture in the UK. In the long term, house prices are forecast to remain buoyant and this is likely to continue to drive wealth creation in the years ahead.



Source: EIU

Table 5: Concentration of aggregate wealth in G7 countries

| % of households with wealth in excess of | | 2006 | 2016 |
|--|-----------|------|------|
| UK | \$500,000 | 32 | 49 |
| | \$1m | 12 | 26 |
| | \$3m | 1.1 | 3.8 |
| US | \$500,000 | 18 | 28 |
| | \$1m | 9 | 16 |
| | \$3m | 1.7 | 4.5 |
| France | \$500,000 | 27 | 42 |
| | \$1m | 10 | 21 |
| | \$3m | 1.4 | 3.5 |
| Italy | \$500,000 | 32 | 44 |
| | \$1m | 13 | 22 |
| | \$3m | 1.8 | 3.9 |
| Canada | \$500,000 | 18 | 36 |
| | \$1m | 6 | 16 |
| | \$3m | 0.7 | 2.4 |
| Japan | \$500,000 | 25 | 48 |
| | \$1m | 8 | 22 |
| | \$3m | 0.8 | 3.1 |
| Germany | \$500,000 | 16 | 28 |
| | \$1m | 7 | 14 |
| | \$3m | 0.8 | 2.6 |

Source: EIU

US

Looking exclusively at financial assets, meanwhile, one sees that the gap between the US and the other G7 countries is expected to widen. The number of high net worth households in the US is 3.9 million in 2006 and this is forecast to rise to 8.9 million by 2016. Comparable figures in the UK are 0.3 million for 2006 and 0.9 million for 2016.

With its strong investor and entrepreneurial culture, there is a real emphasis on share ownership in the US and it is this factor that will be one of the most important drivers behind wealth creation in the country in the years ahead.

Japan

Japan is expected to show strong growth in wealth, and is forecast to be second only to the US in numbers of high net worth and super high net worth households by 2016.

Although Japan has performed poorly in economic terms over the past 15 years, slipping from being the world's second largest economy (after the US) to being the third largest, it has performed better since 2003 and growth has picked up sharply.

Japan also has the world's most rapidly ageing population. While this presents the country with serious challenges, it may counter-intuitively increase concentrations of wealth, as older people are more likely to have significant investments to fund retirement.

Italy

Italy also suffers from a rapidly ageing population, and has been the slowest-growing economy of the major EU countries since the beginning of the 1990s. It is this second factor that is likely to be significant enough to hold back growth in numbers of wealthy households which, while increasing over the forecast period, will lack the impressive surge of other G7 countries.

France

Demographic trends are more favourable in France, which has some of the highest birth and immigration rates in Europe. It also has one of the highest productivity rates in the world, although low levels of labour utilisation as a result of restrictive labour laws and high unemployment.

Despite a relatively sluggish economic growth forecast over the next ten years, the numbers of high net worth and super high net worth households are expected to increase substantially between now and 2016 from 10 to 21 per cent and 1.4 to 3.5 per cent of the whole population respectively.

BRIC: wealth potential restricted by key business challenges

Much attention has been focused on the rapid growth of emerging markets, and in particular that of the so-called BRIC countries – Brazil, Russia, India and China. Economic growth in China is forecast at 10.7 per cent in 2006 and 9.8 per cent in 2007, around double that of the world economy, which is forecast to grow by 5.2 per cent and 4.8 per cent over the same period.

However, this does not necessarily mean these regions are the easiest environments in which to generate wealth. Despite obvious opportunities in terms of market size, challenges and uncertainties within these markets remain and, compared with the G7 countries, these can be difficult places in which to conduct business.

The Economist Intelligence Unit's Business Environment Rankings, which measure the quality or attractiveness of the

business environment of the 82 countries covered by the EIU's country forecasts, give all four BRIC countries relatively low scores for their overall business environment.

The low rankings of these leading emerging markets should serve as a reminder to companies and entrepreneurs in developed countries that the roads to these nations are not paved with gold.

Overall, we believe the 'BRIC effect' is somewhat overplayed as a breeding ground for wealth and that focusing exclusively on building a presence in these countries to the detriment of other, more established markets could be a strategic mistake.

Overleaf, we examine each of the BRIC countries in more detail.

The 'BRIC effect' is somewhat overplayed as a breeding ground for wealth

China

In 2004, China became the third-largest trading nation, behind only the US and Germany. The Economist Intelligence Unit's current forecast shows that China's external trade will exceed that of Germany from 2007, and China is likely to become the world's largest trader some time in the second decade of the 21st century.

“It is incredibly difficult doing business there [China] because of cultural differences”

With 20 per cent of the world's population, China undoubtedly represents huge new opportunities for companies in developed countries and many companies are convinced that their future success lies in establishing a presence there.

Migration of workers from country to city is likely to fuel a consumer boom, offering enormous opportunities to entrepreneurs, while the still large disparity between Chinese and Western labour costs will enable a continuous expansion of trade up to 2030.

But those planning on taking the next plane out should be careful, says Aaron Simpson, Chief Executive of Quintessentially, a company that provides services to the wealthy.

“It is incredibly difficult doing business there, because of cultural differences. They will give you plenty of face time and tell you yes, but then nothing happens. People think they have done business but walk away without a deal.”

This view is something that is reflected in the Economist Intelligence Unit's Business Environment Rankings.

In the forecast period of 2006-2010, China ranks 51st in the EIU Business Environment Rankings. This is an improvement on the previous forecast period of 2001-2005, when it ranked 56th, but clearly there is a long way to go before the quality of institutions and policy towards foreign investors comes close to that of countries in Western Europe or North America. There are also

doubts over the skills of the labour force, which is due to shrink in absolute terms. “China is putting a huge amount into infrastructure, but not as much into education. Its ability to keep going is based on cheap, low-cost manufacture, which may not be the model for a longer term future,” says Philip Beresford, compiler of **The Sunday Times Rich List**.

India

The Indian subcontinent is often mentioned in the same breath as China by those talking about wealth generation. India's production of graduates has risen steadily in the past decade and this combined with a rising population of working age, India is set to fill the gaps in the global labour market, either through outsourcing work done in India or migration of Indians to other countries.

The historical links between India and the UK also play a part, with English much more widely recognised in the sub-continent than in China (although that is likely to change in the coming decade). The continued use of outsourcing in many industries will also play to India's advantage.

India is set to be the fastest-growing country in the world in the next couple of decades, with real GDP growth forecast to average six per cent a year and GDP per head growing at 4.8 per cent a year – the second-fastest rate in the world after China. Current success, however, is narrowly based on a few sectors, with IT leading the pack. Agriculture, a poorly paid sector, still provides a living for two-thirds of India's population.

A number of drawbacks continue to hamper India's efforts to attract foreign direct investment, despite the strong performance in some sectors. Red tape, restrictive labour laws, expensive power supplies and poor infrastructure are among the problems that are most commonly cited by foreign investors. Many domestic Indian companies, on the other hand, view these labour laws and red tape (along with high tariffs) as providing protection from foreign competition.

For these reasons, India is also a poor performer in the EIU's Business Environment Rankings, and is placed 58th for the forecast period of 2006-2010. This is seven places behind China and 51 places behind the UK.

Brazil

While other BRIC countries make the headlines, Brazil is the hidden gem of wealth creation, according to Aaron Simpson of Quintessentially.

“Everybody focuses on China and India, but I think Brazil could surprise us all,” he says. “Brazil has one of the largest natural mineral resources in the world, is in close proximity to one of the world's largest markets, and does not have the same level of anti-American feeling as elsewhere [in Latin America]. That could be a winning combination.”

While other BRIC countries make the headlines, Brazil is the hidden gem of wealth creation

The recent rise of commodity prices gives an indication of where the possibilities lie. Brazil has a vast, underdeveloped natural resource potential, with proven oil reserves estimated at about 11 billion barrels (second only to Venezuela in Latin America), according to the Carbon Sequestration Leadership Forum.

It ranks only fourth in South America in terms of proven natural gas reserves, but has an estimated undiscovered reserve 16 times as large as that already found. It has the largest coal reserves in Central and South America and is ranked fourth in the world in terms of hydroelectric capacity.

In addition to natural resource wealth, Brazil benefits from a large domestic market, a young labour force and a welcoming attitude to foreign investment. Real GDP growth is forecast at 3.4 per cent for 2006 and 3.5 per cent for 2007.

On the downside, there is a generally low level of education and skills, and a high level of red tape that could hamper entrepreneurship in the coming decade. Overall progress is therefore likely to be slow but, barring an unforeseeable crisis, steady enough for Brazil to be one to watch.

Russia

Russia's energy-driven economy has benefited greatly in recent years from high oil prices and favourable movements in terms of trade. The country's vast natural resources have been one of the driving forces in a strong growth rate, and for 2006, real GDP growth is forecast at six per cent.

Long-term forecasts however are less promising. Russia has a rapidly ageing workforce, and its huge size is a major economic disadvantage since it implies long distances between populations, natural resources and business centres. Its infrastructure remains poor and in some aspects has deteriorated since the break-up of the Soviet Union.

The climate for foreign investors in Russia is a difficult one. Investors in natural resources are facing heightened uncertainty as the state tightens restrictions on foreign investment in the sector while increasing direct state control.

While overall prospects for Russia could be more favourable, the country is also notable for its extraordinary concentration of capital. According to **Forbes** magazine, Russia has more billionaires in proportion to gross domestic product than any other major economy. Most made their money in natural resources in the wake of the privatisation wave that followed the legalisation of private trading in 1998. Many of these ultra-wealthy Russians now live abroad, with London being a particularly favoured location.

Other countries to watch

ASEAN Countries

The Association of South-East Asian Nations (ASEAN) is made up of seven countries: Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. In the next ten years, this regional grouping of countries is likely to be one of the world's economic success stories.

Between 2006 and 2010, its GDP is forecast to grow at an average of 5.4 per cent each year. The region has benefited from the rapid development of China, which has created a huge appetite for imports. Vietnam, in particular, is expected to perform exceptionally well, and its imminent accession to the World Trade Organisation should help to increase levels of foreign direct investment into the country.

But a combination of world-class infrastructure, well-educated population and political stability make Singapore stand out as the region's most powerful wealth creator.

Foreign investment flows have been significant, raising GDP per head from a mere US\$500 in 1965 when it gained independence, to US\$26,870 in 2005, significantly above its peers in South-East Asia.

The country has also moved up the value chain; as manufacturing has moved to neighbouring countries with cheaper labour costs, so Singapore has responded by developing higher value added manufacturing activities and services.

In turn, this is having a dramatic impact on wealth across all sections of society: by 2016 the percentage of households earning more than \$150,000 is expected to rise six-fold to 34 per cent.

In particular, the financial service industry has performed well, and Singapore is considerably in advance of its neighbours in

this area. In the coming years, it will have the opportunity to consolidate its hold on the industry ahead of other potentially competing countries.

"Singapore is becoming the Switzerland of Asia," says James Anderson, Chairman of Tru-est, providers of information to wealth managers. "There is a need for an estimated 10,000 private bankers in Asia, and Singapore is an excellent location – it has overtaken Hong Kong as an offshore jurisdiction for wealthy Chinese, Indians and Japanese."

The Gulf Co-operation Council

The six countries of the Gulf Co-operation Council – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates – have grown at impressive rates in recent years thanks to a dramatic increase in oil prices and this growth is expected to continue. The United Arab Emirates, for example, has real GDP growth forecast at 10.1 per cent for 2006 and 8.2 per cent for 2007.

This impressive growth has pushed up levels of spending by governments on public infrastructure projects, and created a powerful investor culture in countries such as Saudi Arabia and the United Arab Emirates as locals seek new avenues into which to channel their wealth.

Within this group, there are broad differences in attitudes to privatisation and foreign investment. While Kuwait and, to a certain extent, Saudi Arabia, have remained cautious in this area, the United Arab Emirates has surged ahead with economic liberalisation.

Steps are being taken to promote further foreign investment, including the abolition of the sole agency law and regulations

that restrict foreigners to minority stakes in local firms. Further evidence of this shift towards a more liberal approach comes from the recent issuing of a decree allowing foreigners to "own" property on a long-term leasehold basis.

The emirate of Dubai remains at the forefront of economic reform and development in the UAE, and is building on its emergent position as the region's services hub with the expansion of tourism, media, shipping, financial and commercial services sectors, as well as further growth in its existing manufacturing and industrial base.

Abu Dhabi, meanwhile, will continue to invest heavily in the development of its large upstream hydrocarbons resources and downstream industrial projects, notably in the petrochemicals sector.

This has helped the UAE make a significant impact on the global business scene as well as generating individual wealth of enormous levels. Its president, Sheikh Khalifa bin Zayad al-Nahyan was ranked the world's third richest man by **Forbes** magazine, which estimated his personal fortune at \$19bn. Dubai's ruler, Sheikh Mohammed bin Rashid al-Maktoum was ranked in fourth place, with an estimated \$14bn fortune.

With an economic policy that is not solely reliant on the region's natural resources – the Maktoum fortune, for instance, stems from a string of successful businesses such as Emirates Airlines and the iconic Burj Al Arab hotel – we believe the UAE is likely to remain an important source of global wealth for the foreseeable future.

A profile of modern wealth

In the past century, ready stereotypes of the wealthy were available to define the super-rich – for example, the aggressive, cigar-chomping capitalist, the conservative, plaid-wearing landowner and the decadent Gatsby-esque heir

Today, defining the wealthy is more difficult. Its profile is diverse, elusive and ever-shifting, which raises new challenges for companies that seek to do business with them.

Understanding the individuality and preferences of these groups will be a central objective of the whole Barclays Wealth Insights series. As a starting point, we believe it is useful here to outline some of the key trends that define wealthy behaviour today.

The democratisation of wealth

The barriers to wealth creation are rapidly dissolving around the world, opening up opportunities for individuals from all social backgrounds.

The shift from manufacturing to service industries has pushed down capital barriers to setting up a business, while even in manufacturing, excess capacity has made it easier to keep start-up costs low. Money is being made in back rooms by Ebay traders, and the boom in buy-to-let and property prices has spawned a whole new type of entrepreneur. No longer are people content with one job; instead, many juggle different roles in the search for wealth.

As a result of these democratising influences, traditional providers of services to the wealthy, from luxury goods companies to private banks, are having to adapt to this transformation in the scale and nature of the wealth landscape.

“The wealthy come from all walks of life today,” says Mark Kibblewhite of Barclays Wealth, “but certainly the dominant trend in the past few decades has been the growth in new wealth through enterprise and endeavour.

“With this change come new challenges and opportunities. New wealth can benefit massively from specialist wealth management services, as they tend to lack the familial infrastructure and background that ‘old wealth’ can draw upon to manage their assets.

“But at the same time, this generation of enterprising wealthy want to maintain control and exercise close handling of their assets. Understanding this – and being able to strike a balance between offering specialist expertise and maintaining choice – is key to building successful relationships with them.”

As well as the broadening of the social background of high net worth individuals, there is also the spreading of wealth among the population at large, particularly within G7 countries.

Table 5 (on page 10) shows that, over the next decade, the proportion of households with aggregate wealth worth more than \$500,000 will jump by at least 10 per cent in all G7 nations. By 2016, 49 per cent of UK households will be worth more than \$500,000.

Meanwhile, the new ranking predicts consistent rises in median wealth over the next decade, as reflected in the table below.

Table 6: Median aggregate household wealth (\$)

| | 2006 | 2016 |
|---------|---------|---------|
| USA | 96,270 | 172,789 |
| UK | 291,867 | 488,682 |
| Italy | 286,765 | 416,651 |
| France | 228,251 | 370,408 |
| Japan | 254,447 | 469,200 |
| Germany | 111,018 | 189,794 |
| Canada | 164,910 | 305,051 |

Source: EIU

The growing proportion of wealthy who have made money rather than inherited it also leads to changes in consumer behaviour.

“People are more inclined to enjoy their money now, rather than pass it on,” says Mr Anderson, Chairman of Tru-est.

“Look at the rise of the home equity market, whereby people take out money from their property to go on holiday or buy a new car. A lot of people who live an affluent lifestyle also have high overheads and debts.”

Borrowing no longer carries the stigma it once did, especially in the UK and US, and the affluent are happy to create debt to fund a particular lifestyle.

Enterprise

Whereas inherited and landed assets once dominated the wealth landscape, today it is enterprise and business ownership that have emerged as the dominant sources of riches.

In some countries, such as the US, an enterprise culture has been thriving for decades, but in others it is a more recent phenomenon. Consider China and Russia, for example, where entrepreneurship was more or less off-limits until just over a decade ago due to the political and market environment.

“Now, entrepreneurs are the heroes of our economy. There is a whole celebration of business”

Even in the UK, it has taken time for enterprise to become a quality that is celebrated. “As recently as 20 years ago, an owner manager was viewed as someone who couldn’t get a job,” says David Molian, a lecturer in enterprise at Cranfield School of Management. “Now, entrepreneurs are the heroes of our economy. There is a whole celebration of business – look at programmes such as the BBC’s Dragon’s Den. This has enabled

owner-managers to be more confident, and more likely to attract talented people to work for them.”

The change is plain to see in **The Sunday Times UK Rich List**, which features a string of entrepreneurs ranging from Philip and Tina Green, owners of Arcadia, to the Hinduja brothers, Sri and Copi, whose wealth is built on property, insurance and real estate. “There is also a new aristocracy who have sold businesses and never need to work again,” says Mr Philip Beresford, who compiles the list.

It is not only in the perceived boom areas, such as the internet, that big money is being made; shipping, one of the most traditional industries in the world, has made John Fredriksen into Norway’s wealthiest man, worth an estimated £2.9bn. “A lot of smart owner-managers make a very, very good living out of unglamorous sectors such as metal bashing or construction,” says David Molian.

Another important change in the profile of wealth is that more and more individuals are becoming wealthy at a younger age. “We are seeing wealth accumulation at a much earlier stage in life,” says Mark Kibblewhite. “Many still have a lot of earning potential ahead of them, so their investment risk profile is different.”

The Grey Dollar

A broader demographic shift provides another vital factor. With populations generally ageing, particularly in the most affluent developed countries, the ‘Grey Dollar’ is fast becoming a touchstone for wealth generation.

The ‘Grey Dollar’ is fast becoming a touchstone for wealth generation

In many developed countries, populations are ageing as longevity increases and birth rates decline. The EU population aged 65 or over is forecast to rise by 58 million or 77 per cent between 2010 and 2050, and in the UK, 2001 was the first year in which there were more people over the age of 65 than under the age of 16. Population ageing is expected to be especially pronounced in Japan and Italy, where approximately 19 per cent of the population is already over the age of 65.

Serving this ageing population could also be the means of creating tomorrow’s billionaires. According to Senior Agency, which specialises in marketing to the over-50s, the purchasing power of the over-60s has increased seven times in the past 20 years, more than salaries (sixfold) and prices (fivefold). The over-50s spend more than \$440bn (£240bn) a year, according to Help the Aged.

Despite the power of this huge and growing market, many retailers and brand managers have been slow to grasp its potential, preferring instead to cultivate a more youthful image.

Changing attitudes to investment

An ageing population in which individuals may be expecting to spend up to one-third of their lives in retirement will also need a different attitude to investment in order to fund this more dynamic lifestyle. “Increasing longevity and changing family dynamics mean a different outlook,” explains Mark Kibblewhite. “Money has to be as flexible as possible to cope with unforeseen circumstances.”

Certainly, the tools to manage investment are now more accessible. Recent years have seen a dramatic increase in the range of investment vehicles available, from covered warrants and spread betting to venture capital trusts, and technology has made it easier than ever for potential investors to compare benefits and actively manage their portfolios.

The result of all this has been a gradual broadening of attitudes to investment. “The wealthy have discovered that equities are

For those companies that can get the marketing right and ensure that their products and services are targeted at a specific group – not just a homogenous “grey market” – the rewards are likely to be significant.

For example, with almost a third of over-60s now exercising for more than four hours a week, there is a significant market for leisure services aimed at older people. “There is a great demand among over-50s to enjoy the benefits of health club memberships, not least for the possibility to socialise and meet new people,” says Andrew Goodsell, Chief Executive of Saga.

only one asset class,” says James Anderson. “Institutions have realised they need to offer a broader range of non-correlating assets.”

“Money has to be as flexible as possible to cope with unforeseen circumstances”

Despite this trend, regional biases to investment still remain. Wealthy investors in the UK are more likely to focus on amassing portfolios of property, whereas the Japanese are far more likely to put money in deposit accounts, and wealthy Europeans will probably be more interested in bonds.

Case study: A high luxury yachts

Changes in the profile and levels of global wealth are having a substantial impact on Sunseeker, a UK-based luxury boat manufacturer

tide for

Sunseeker is one of the world's most prestigious speedboat manufacturers. Based in Poole, Dorset, on the south coast of the UK, it employs over 1,500 people and had a turnover of £202m in the year to July 2006. The company's products range in price from around £175,000 to over £5m.

In return for such sums, customers receive sleek, powerful and high-tech machines. They also get luxury bespoke interiors lined with rich leathers and hardwoods. Managing Director Robert Braithwaite says customers like the fact that his boats are made entirely in the UK. They see this as a mark of quality, thanks to the country's maritime heritage and the history of its luxury car industry.

Sunseeker exports around 99 per cent of the boats it builds, mainly to regions with better climates and larger moorings. Accordingly, it maintains a network of distributors in 30 countries.

Mr Braithwaite points to a number of global trends that he says are becoming more pronounced. For example, the average size of boat it sells is getting bigger. "Four years ago, a 60-footer was big," he explains. "Now we sell a 125-footer, and our 90-footers are beginning to outsell the smaller boats overall. Our business is still about 60 per cent repeat business, and for the most part that's people moving up all the time [graduating from smaller to larger boats]."

The average Sunseeker customer, meanwhile, has got a lot younger: "It used to be a man of 50-60, now we're down to about 32-33," Mr Braithwaite says, attributing this trend to more widespread entrepreneurialism as the venture capital industry has matured.

Customers are also becoming more sophisticated about how they spend their money. "In the past, we generally had 'old money' customers who paid in cash," says Mr Braithwaite. "Today we generally have 'new money' customers who want the equivalent of a mortgage so they can keep capital free for other things – their businesses, for example. We've had to become much more sophisticated and work with various international banks to provide such packages."

Case study: Property within the UK and Dubai

High net worth individuals in emerging markets may have benefited from economic liberalisation and periods of high growth in these countries, but when it comes to investing their assets, they are likely to look overseas in search of greater stability than can be expected in their domestic markets. Overseas property is also fast becoming a key source of investment for them

investment

James Laing, who directs the estates and farm agency department at Strutt & Parker, one of the UK's oldest and largest estate agents, says that bursts of wealth creation in developing economies continue to lead people to transfer money to the relative security of UK property.

"It's currently fashionable to say, 'The Russians are coming!', because much wealth has been generated in Russia and Eastern Europe by privatisation," he says.

Investors from China are also eyeing the UK property market as a secure investment for recently generated wealth. "I suspect the very cosmopolitan oligarchy at the top of Chinese society is no different from its counterpart in Russia," he explains. In other words, the Chinese are making a small but growing number of purchases at the top end of the property market.

However, Mr Laing adds, "in spite of the growth of the Chinese middle class, we expect them to make fewer purchases than their Russian counterparts. A growing number of Russians are buying at the £1m level, but their lifestyle and architecture is very European. China is much further away and has a very different culture."

London is not the only city to benefit from this influx of foreign capital. Property developers in Dubai have been enjoying a real estate boom in the emirate that has been fuelled by rising oil prices, population growth, political stability and a long-awaited freehold law, which for the first time allows foreign buyers to purchase property in the emirate.

Nakheel, one of the UAE's largest property developers, says that its developments have attracted buyers from more than 70

countries, and reports strong interest from Germany, Russia and Italy. Manal Shaheen, Director of Marketing, Sales and Customer Service at Nakheel, attributes the vibrancy of the real estate sector to clarifications in freehold law but still sees plenty of work ahead. "Dubai is unparalleled in the region in terms of its infrastructure, leisure facilities and wealth of regional and international businesses, but there is currently a shortage of good quality residences," he explains.

Much of the investment in Dubai has been driven by equity, rather than debt, which helps to assuage some concerns that the property market in the city may be at serious risk of a crash.

Mr Laing of Strutt & Parker says that his overseas buyers also tend to make their purchases in cash. This is natural, he says, since they are looking primarily for a secure investment rather than simply a second home.

Barring any major government intervention, Mr Laing believes that UK property looks set to remain a secure port for global investment. "We have shaken off the problems of 1989-92 when the serious recession led to problems of negative equity – something that was very unappealing to foreign wealth."

Prospects for the future

How will wealth be generated in the years ahead? Here, Eamonn Kelly, Chief Executive of the future-oriented consulting firm Global Business Network, chooses four potential areas that, while very uncertain in their timing and scale, are well worth monitoring

The gift economy

Many people today derive great value from services for which they do not pay. For example, kids often derive more pleasure and utility from the websites **MySpace** and **YouTube**, services for which they pay nothing, than from all their iPods, X-Boxes and DVD players combined.

“What people value can often be monetised by those willing to imagine new business models”

We are seeing an explosion of the “gift economy,” a world in which people contribute their time, creativity and intelligence

without any financial reward. This non-monetised economy manifests itself in everything from open-source software to wikis and vibrant virtual worlds.

So far, this has tended to undermine existing wealth rather than create it – think of the recording industry’s agonies over rampant file-sharing.

But what people value can often be monetised by those willing to imagine new business models – consider Apple’s success with i-Tunes. And market mechanisms often emerge organically to fill gaps. Consider the one million residents of **Second Life**, an online 3D world. The currency of Second Life is “lindens” and these are now being actively bought and sold for real money.

Wealth opportunities in emerging markets

The four billion people who live on less than \$2 a day make up a sizeable, underserved market, argues Business Strategist CK Prahalad in his 2004 book **The Fortune at the Bottom of the Pyramid**.

Companies that learn how to make and distribute products cheaply for these consumers may earn their money a penny at a time, but with billions of potential consumers, those pennies could add up swiftly. Mr Prahalad calculates that the purchasing power of nine large developing countries – China, India, Brazil, Mexico, Russia, Indonesia, Turkey, South Africa and Thailand – is already equivalent to \$12.5 trillion.

Hindustan Lever, a subsidiary of the UK consumer products group Unilever, has been a pioneer in serving the base of the pyramid in India. It re-engineered its production, marketing and distribution systems to create a low-cost detergent, called

Wheel, that was environmentally friendly to the rivers in which most poor Indians do their washing. Gross margins may have been low, but profits on the product’s enormous volumes caused Hindustan Lever’s earnings to grow at 25 per cent from 1995 to 2000. The company is now having success with the same product strategy in Brazil.

The transition of many former communist countries to market-based economies is also likely to fuel entrepreneurial growth in a different way. In his book **The Mystery of Capital**, Hernando de Soto estimates that \$9.3 trillion worth of buildings and land is locked up in developing and former communist countries because poor people cannot legally hold title to it.

Acknowledging these property rights and allowing people to use their property as collateral could liberate an incredible amount of “dead capital” to fuel enterprise and wealth creation.

The infrastructure opportunity

In the 1990s, we became convinced that the economy of the future was increasingly intangible, as the relationship between physical mass and economic value rapidly decoupled into a service - and experience-oriented economy. In the coming decade, we will rediscover the centrality of the “physical economy”, as the new infrastructural needs of the developing world are addressed, and the need for fundamental infrastructural overhauls in the developed world becomes ever more apparent.

With these global threats come tremendous economic opportunity

Overlay these challenges with the ever-clearer reality of global climate change, and it is easy to imagine an infrastructural tipping point being reached within the coming decade. As people flock to the cities, many located in coastal areas, they also put themselves on a collision course with nature, facing a growing risk of destruction from natural disasters including tsunamis, hurricanes (likely to increase in severity) and, of course, rising sea levels.

But with these global threats come tremendous economic opportunity – every bit as large as the “clean energy” opportunity – for those “clean infrastructure” companies that can position themselves ahead of the linked dynamics of environmental change and infrastructural shortcomings.

Watch out for the emergence of a new growth sector in this space – one with enormous opportunities to do well by doing good, while stimulating important future wealth creation.

The blurring of scientific and technological boundaries

Up until relatively recently, the major breakthroughs in science and technology have come from relatively discrete areas. The next leaps will come from the overlaps of hitherto separate sectors, industries and technologies and, in particular, from the convergence of information science, nanotechnology, cognitive science and biotechnology (sometimes given the acronym BANG – bits, atoms, neurons, genes).

These technological areas are mutually catalytic, each enabling the more rapid development of the others. For example, synthetic biology, which involves programming DNA as if it were computer code, is an emerging discipline that holds great promise for targeted gene therapy. Biomimicry, the practice of developing technology that apes biological activity, also provides opportunities in “evolving” new software and hardware.

Moreover, we now have more scientists and technologists at work around the world than the cumulative total that has ever worked throughout history. They are increasingly crossing the boundaries of traditional domains, are connected with one another and are able to collaborate and share discoveries in ways that would be the envy of previous generations. It is through such recombinations of knowledge that breakthrough innovations will occur.

This convergence will start to reorder our world in fundamental ways, perhaps in the coming decade, sparking a revolution even more profound than the “digital convergence” of technologies that so vitally shaped the last 25 years. There are currently too many candidate companies and technologies that hold great promise for us to pick winners with any confidence. But it seems certain that the BANG convergence will prove to be one of the most important and enduring sources of wealth creation for the first few decades of the 21st century.

BANG convergence will prove to be one of the most important and enduring sources of wealth creation

Eamonn Kelly is Chief Executive of Global Business Network the US future-oriented consulting firm, and a Partner at the Monitor Group. He is the author of **Powerful Times: Rising to the Challenge of Our Uncertain World** (Wharton School Publishing, 2005).

2006 to 2016 the high watermark

Around the world, the new millennium coincided with an explosion in opportunities for would-be millionaires. Technological, political, social and economic factors have all combined to create a unique environment for generating wealth

of wealth?

Factors such as lowered barriers to entry, an increasing celebration of entrepreneurship and new markets created by changing demographics offer significant openings for both individuals and businesses.

Developed countries will be the dominant beneficiaries of this wealth explosion, with democratising influences spreading the potential for wealth generation across a broad range of social groups.

In emerging countries, the potential for wealth generation is likely to be dampened by difficult business and operating environments. That said, considerable market opportunities will exist in both the BRIC countries and elsewhere in the developing world for products and services that are tailored to local consumers.

But inevitably, there are caveats to this bright picture of the future. Our research hinges on the premise that no unforeseen factors impinge on the global economy. Geopolitical turmoil, natural disaster and war could all play a role in this story.

Taking a longer-term perspective, given the likelihood of natural resource depletion and climate change harming the global economy, it is even feasible that the next decade could represent the high watermark for wealth generation.

“We may never have it so good”

In other words, to paraphrase the former UK Prime Minister Harold Macmillan, “We may never have it so good” in terms of opportunities to create, maintain and enjoy our wealth.

This then is the dynamic landscape of global wealth today – diverse, expanding and increasingly democratised. But what does this mean for the wealthy individuals who inhabit this shifting environment?

Our next three reports will focus in on the wealthy as people, exploring the impact their wealth has on family relations, social interaction and lifestyle.

The next volume of Barclays Wealth Insights will be published in early 2007

Appendix

Appendix 1: The Economist Intelligence Unit

This report was prepared by Barclays Wealth in co-operation with the Economist Intelligence Unit. As part of the research, the Economist Intelligence Unit conducted in-depth interviews with a range of industry experts, created the wealth forecast used in the main report and analysed the findings.

Appendix 2: Additional data

Full tables of forecast data referred to in this report follows below.

Number of households with aggregate wealth in excess of... (1000s)

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| UK | \$100,000+ | 18,908 | 19,423 | 19,661 | 19,777 | 19,949 | 20,090 | 20,351 | 20,602 | 20,841 | 21,065 | 21,271 |
| | \$1m+ | 3,035 | 3,719 | 3,961 | 3,950 | 4,053 | 4,461 | 4,883 | 5,338 | 5,825 | 6,341 | 6,883 |
| | \$3m+ | 273 | 383 | 423 | 419 | 435 | 509 | 588 | 678 | 780 | 896 | 1,027 |
| USA | \$100,000+ | 55,251 | 56,992 | 58,904 | 60,749 | 62,563 | 64,390 | 66,156 | 67,923 | 69,693 | 71,462 | 73,232 |
| | \$1m+ | 9,711 | 10,460 | 11,347 | 12,242 | 13,166 | 14,102 | 15,088 | 16,123 | 17,208 | 18,345 | 19,543 |
| | \$3m+ | 1,962 | 2,193 | 2,477 | 2,771 | 3,083 | 3,405 | 3,757 | 4,136 | 4,545 | 4,985 | 5,457 |
| France | \$100,000+ | 16,659 | 17,212 | 17,314 | 17,443 | 17,611 | 17,771 | 17,965 | 18,144 | 18,310 | 18,464 | 18,606 |
| | \$1m+ | 2,625 | 3,290 | 3,317 | 3,409 | 3,572 | 3,876 | 4,180 | 4,495 | 4,820 | 5,155 | 5,502 |
| | \$3m+ | 352 | 464 | 468 | 484 | 513 | 570 | 629 | 693 | 762 | 838 | 920 |
| Italy | \$100,000+ | 17,760 | 18,309 | 18,349 | 18,456 | 18,603 | 18,593 | 18,746 | 18,870 | 18,968 | 19,039 | 19,082 |
| | \$1m+ | 3,153 | 3,735 | 3,679 | 3,733 | 3,844 | 4,104 | 4,335 | 4,563 | 4,789 | 5,014 | 5,241 |
| | \$3m+ | 422 | 544 | 530 | 541 | 564 | 627 | 681 | 737 | 795 | 855 | 918 |
| Canada | \$100,000+ | 7,411 | 7,521 | 7,725 | 7,958 | 8,142 | 8,340 | 8,493 | 8,645 | 8,797 | 8,950 | 9,104 |
| | \$1m+ | 727 | 770 | 888 | 1,061 | 1,204 | 1,322 | 1,459 | 1,607 | 1,768 | 1,940 | 2,125 |
| | \$3m+ | 90 | 96 | 112 | 138 | 159 | 178 | 200 | 225 | 253 | 285 | 320 |
| Japan | \$100,000+ | 38,014 | 39,839 | 40,746 | 41,378 | 41,969 | 41,845 | 42,133 | 42,351 | 42,498 | 42,576 | 42,584 |
| | \$1m+ | 3,896 | 5,383 | 6,251 | 6,881 | 7,513 | 8,171 | 8,715 | 9,234 | 9,739 | 10,241 | 10,754 |
| | \$3m+ | 377 | 582 | 709 | 805 | 904 | 1,017 | 1,111 | 1,203 | 1,297 | 1,395 | 1,499 |
| Germany | \$100,000+ | 20,587 | 21,811 | 21,911 | 22,041 | 22,230 | 22,536 | 22,935 | 23,324 | 23,698 | 24,057 | 24,395 |
| | \$1m+ | 2,610 | 3,245 | 3,265 | 3,316 | 3,406 | 3,683 | 3,976 | 4,294 | 4,638 | 5,004 | 5,392 |
| | \$3m+ | 326 | 465 | 469 | 480 | 500 | 568 | 640 | 722 | 813 | 915 | 1,027 |

Source: EIU

Number of households with financial wealth in excess of... (1000s)

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| UK | \$100,000+ | 12,800 | 13,777 | 14,112 | 14,141 | 14,275 | 14,657 | 15,090 | 15,518 | 15,938 | 16,347 | 16,739 |
| | \$500,000+ | 1,499 | 1,880 | 2,011 | 1,991 | 2,023 | 2,237 | 2,458 | 2,703 | 2,969 | 3,259 | 3,573 |
| | \$1m+ | 295 | 405 | 443 | 436 | 444 | 509 | 577 | 653 | 738 | 833 | 940 |
| USA | \$100,000+ | 39,474 | 40,992 | 42,756 | 44,500 | 46,213 | 47,917 | 49,608 | 51,317 | 53,046 | 54,792 | 56,555 |
| | \$500,000+ | 9,881 | 10,558 | 11,387 | 12,234 | 13,091 | 13,951 | 14,852 | 15,793 | 16,773 | 17,795 | 18,860 |
| | \$1m+ | 3,941 | 4,285 | 4,714 | 5,160 | 5,619 | 6,083 | 6,580 | 7,107 | 7,664 | 8,254 | 8,878 |
| France | \$100,000+ | 9,136 | 10,244 | 10,357 | 10,542 | 10,802 | 11,206 | 11,598 | 11,974 | 12,333 | 12,678 | 13,009 |
| | \$500,000+ | 234 | 308 | 314 | 327 | 347 | 385 | 424 | 466 | 511 | 559 | 611 |
| | \$1m+ | 26 | 35 | 35 | 37 | 39 | 44 | 48 | 53 | 59 | 64 | 71 |
| Italy | \$100,000+ | 10,815 | 11,683 | 11,640 | 11,725 | 11,872 | 12,098 | 12,349 | 12,576 | 12,780 | 12,964 | 13,129 |
| | \$500,000+ | 1,453 | 1,758 | 1,726 | 1,747 | 1,793 | 1,925 | 2,035 | 2,144 | 2,252 | 2,360 | 2,469 |
| | \$1m+ | 359 | 460 | 448 | 455 | 470 | 516 | 555 | 593 | 632 | 671 | 712 |
| Canada | \$100,000+ | 4,711 | 4,824 | 5,119 | 5,504 | 5,779 | 6,011 | 6,227 | 6,443 | 6,658 | 6,873 | 7,088 |
| | \$500,000+ | 133 | 140 | 162 | 198 | 228 | 251 | 279 | 311 | 345 | 383 | 426 |
| | \$1m+ | 15 | 16 | 18 | 23 | 26 | 29 | 32 | 36 | 40 | 45 | 50 |
| Japan | \$100,000+ | 29,123 | 31,980 | 33,368 | 34,269 | 35,094 | 35,387 | 35,876 | 36,279 | 36,606 | 36,863 | 37,056 |
| | \$500,000+ | 4,028 | 5,501 | 6,377 | 6,991 | 7,598 | 8,232 | 8,745 | 9,229 | 9,693 | 10,150 | 10,611 |
| | \$1m+ | 1,008 | 1,454 | 1,733 | 1,935 | 2,140 | 2,370 | 2,556 | 2,736 | 2,915 | 3,096 | 3,286 |
| Germany | \$100,000+ | 10,196 | 11,626 | 11,819 | 12,068 | 12,322 | 12,841 | 13,394 | 13,957 | 14,523 | 15,090 | 15,650 |
| | \$500,000+ | 1,241 | 1,619 | 1,669 | 1,738 | 1,812 | 1,994 | 2,187 | 2,398 | 2,628 | 2,876 | 3,143 |
| | \$1m+ | 285 | 419 | 436 | 461 | 488 | 557 | 630 | 712 | 804 | 905 | 1,017 |

Source: EIU

Appendix

Appendix 3: Business Environment Ranking

Business environment scores and ranks

| | 2001-05 Total score | 2001-05 Rank | 2006-10 Total score | 2006-10 Rank | Change in total score | Change in rank | 2001-05 Grade | 2006-10 Grade |
|----------------|------------------------|-----------------|------------------------|-----------------|--------------------------|-------------------|------------------|------------------|
| Denmark | 8.64 | 1 | 8.77 | 1 | 0.12 | 0 | very good | very good |
| Finland | 8.57 | 5 | 8.72 | 2 | 0.15 | 3 | very good | very good |
| Singapore | 8.59 | 4 | 8.69 | 3 | 0.10 | 1 | very good | very good |
| Canada | 8.63 | 2 | 8.69 | 4 | 0.06 | -2 | very good | very good |
| USA | 8.62 | 3 | 8.68 | 5 | 0.07 | -2 | very good | very good |
| Netherlands | 8.51 | 8 | 8.64 | 6 | 0.13 | 2 | very good | very good |
| UK | 8.56 | 6 | 8.63 | 7 | 0.07 | -1 | very good | very good |
| Switzerland | 8.42 | 10 | 8.60 | 8 | 0.18 | 2 | very good | very good |
| Hong Kong | 8.50 | 9 | 8.60 | 9 | 0.10 | 0 | very good | very good |
| Ireland | 8.52 | 7 | 8.57 | 10 | 0.05 | -3 | very good | very good |
| Sweden | 8.29 | 11 | 8.46 | 11 | 0.17 | 0 | very good | very good |
| Australia | 8.14 | 12 | 8.41 | 12 | 0.27 | 0 | very good | very good |
| New Zealand | 8.14 | 13 | 8.37 | 13 | 0.23 | 0 | very good | very good |
| Germany | 7.98 | 14 | 8.36 | 14 | 0.39 | 0 | good | very good |
| Belgium | 7.89 | 15 | 8.28 | 15 | 0.39 | 0 | good | very good |
| Norway | 7.86 | 16 | 8.21 | 16 | 0.36 | 0 | good | very good |
| Austria | 7.84 | 17 | 8.17 | 17 | 0.33 | 0 | good | very good |
| France | 7.81 | 18 | 8.07 | 18 | 0.26 | 0 | good | very good |
| Taiwan | 7.50 | 21 | 8.05 | 19 | 0.55 | 2 | good | very good |
| Spain | 7.45 | 22 | 7.90 | 20 | 0.45 | 2 | good | good |
| Estonia | 7.62 | 20 | 7.84 | 21 | 0.21 | -1 | good | good |
| Chile | 7.64 | 19 | 7.83 | 22 | 0.19 | -3 | good | good |
| Israel | 6.84 | 30 | 7.78 | 23 | 0.94 | 7 | good | good |
| Czech Republic | 6.92 | 28 | 7.52 | 24 | 0.60 | 4 | good | good |
| Slovakia | 6.79 | 31 | 7.50 | 25 | 0.71 | 6 | good | good |
| South Korea | 7.10 | 25 | 7.46 | 26 | 0.36 | -1 | good | good |
| Japan | 7.00 | 26 | 7.45 | 27 | 0.46 | -1 | good | good |
| Malaysia | 7.26 | 23 | 7.41 | 28 | 0.15 | -5 | good | good |
| UAE | 7.16 | 24 | 7.35 | 29 | 0.19 | -5 | good | good |
| Portugal | 6.70 | 35 | 7.35 | 30 | 0.65 | 5 | good | good |
| Hungary | 6.77 | 32 | 7.34 | 31 | 0.57 | 1 | good | good |
| Slovenia | 6.71 | 33 | 7.28 | 32 | 0.57 | 1 | good | good |

Source: EIU

Business environment scores and ranks

| | 2001-05 Total score | 2001-05 Rank | 2006-10 Total score | 2006-10 Rank | Change in total score | Change in rank | 2001-05 Grade | 2006-10 Grade |
|-----------------------|------------------------|-----------------|------------------------|-----------------|--------------------------|-------------------|------------------|------------------|
| Qatar | 6.90 | 29 | 7.27 | 33 | 0.37 | -4 | good | good |
| Bahrain | 6.98 | 27 | 7.16 | 34 | 0.18 | -7 | good | good |
| Latvia | 6.69 | 37 | 7.15 | 35 | 0.46 | 2 | good | good |
| Lithuania | 6.60 | 39 | 7.15 | 36 | 0.55 | 3 | good | good |
| Poland | 6.64 | 38 | 7.14 | 37 | 0.50 | 1 | good | good |
| Italy | 6.49 | 41 | 7.08 | 38 | 0.59 | 3 | moderate | good |
| Cyprus | 6.71 | 34 | 6.95 | 39 | 0.24 | -5 | good | good |
| Thailand | 6.69 | 36 | 6.89 | 40 | 0.20 | -4 | good | good |
| Mexico | 6.49 | 40 | 6.88 | 41 | 0.39 | -1 | moderate | good |
| South Africa | 6.16 | 45 | 6.86 | 42 | 0.70 | 3 | moderate | good |
| Greece | 6.25 | 44 | 6.80 | 43 | 0.55 | 1 | moderate | good |
| Brazil | 6.35 | 43 | 6.78 | 44 | 0.43 | -1 | moderate | good |
| Bulgaria | 5.87 | 49 | 6.68 | 45 | 0.81 | 4 | moderate | good |
| Kuwait | 6.47 | 42 | 6.62 | 46 | 0.15 | -4 | moderate | good |
| Romania | 5.67 | 52 | 6.58 | 47 | 0.91 | 5 | moderate | good |
| Croatia | 5.67 | 51 | 6.47 | 48 | 0.79 | 3 | moderate | moderate |
| Saudi Arabia | 5.71 | 50 | 6.42 | 49 | 0.71 | 1 | moderate | moderate |
| Costa Rica | 6.15 | 46 | 6.41 | 50 | 0.26 | -4 | moderate | moderate |
| China | 5.58 | 56 | 6.36 | 51 | 0.78 | 5 | moderate | moderate |
| Colombia | 5.65 | 53 | 6.33 | 52 | 0.68 | 1 | moderate | moderate |
| Turkey | 5.43 | 58 | 6.32 | 53 | 0.90 | 5 | poor | moderate |
| Philippines | 5.87 | 48 | 6.30 | 54 | 0.43 | -6 | moderate | moderate |
| Argentina | 5.50 | 57 | 6.24 | 55 | 0.74 | 2 | poor | moderate |
| El Salvador | 5.98 | 47 | 6.24 | 56 | 0.27 | -9 | moderate | moderate |
| Indonesia | 5.37 | 59 | 6.20 | 57 | 0.83 | 2 | poor | moderate |
| India | 5.34 | 60 | 6.13 | 58 | 0.79 | 2 | poor | moderate |
| Russia | 5.32 | 61 | 6.06 | 59 | 0.74 | 2 | poor | moderate |
| Serbia and Montenegro | 4.83 | 68 | 6.01 | 60 | 1.19 | 8 | very poor | moderate |
| Peru | 5.63 | 55 | 5.91 | 61 | 0.28 | -6 | moderate | moderate |
| Egypt | 4.96 | 67 | 5.91 | 62 | 0.95 | 5 | very poor | moderate |
| Sri Lanka | 5.27 | 62 | 5.81 | 63 | 0.54 | -1 | poor | moderate |
| Jordan | 5.65 | 54 | 5.78 | 64 | 0.13 | -10 | moderate | moderate |

Source: EIU

Business environment scores and ranks

| | 2001-05 Total score | 2001-05 Rank | 2006-10 Total score | 2006-10 Rank | Change in total score | Change in rank | 2001-05 Grade | 2006-10 Grade |
|--------------------|------------------------|-----------------|------------------------|-----------------|--------------------------|-------------------|------------------|------------------|
| Kazakhstan | 5.11 | 63 | 5.67 | 65 | 0.56 | -2 | poor | moderate |
| Vietnam | 4.78 | 69 | 5.65 | 66 | 0.86 | 3 | very poor | moderate |
| Dominican Republic | 5.00 | 66 | 5.51 | 67 | 0.51 | -1 | poor | moderate |
| Ukraine | 4.51 | 73 | 5.43 | 68 | 0.91 | 5 | very poor | poor |
| Morocco | 4.63 | 72 | 5.34 | 69 | 0.72 | 3 | very poor | poor |
| Tunisia | 5.05 | 64 | 5.31 | 70 | 0.26 | -6 | poor | poor |
| Azerbaijan | 4.49 | 74 | 5.27 | 71 | 0.78 | 3 | very poor | poor |
| Pakistan | 4.73 | 71 | 5.23 | 72 | 0.50 | -1 | very poor | poor |
| Algeria | 4.29 | 77 | 5.20 | 73 | 0.91 | 4 | very poor | poor |
| Ecuador | 5.01 | 65 | 5.19 | 74 | 0.18 | -9 | poor | poor |
| Nigeria | 4.38 | 75 | 4.83 | 75 | 0.45 | 0 | very poor | very poor |
| Venezuela | 4.76 | 70 | 4.77 | 76 | 0.01 | -6 | very poor | very poor |
| Kenya | 4.15 | 78 | 4.72 | 77 | 0.57 | 1 | very poor | very poor |
| Bangladesh | 4.33 | 76 | 4.65 | 78 | 0.33 | -2 | very poor | very poor |
| Iran | 3.59 | 81 | 4.43 | 79 | 0.84 | 2 | very poor | very poor |
| Libya | 4.12 | 79 | 4.38 | 80 | 0.26 | -1 | very poor | very poor |
| Cuba | 3.94 | 80 | 3.96 | 81 | 0.02 | -1 | very poor | very poor |
| Angola | 3.10 | 82 | 3.61 | 82 | 0.51 | 0 | very poor | very poor |
| Average | 6.34 | – | 6.79 | – | 0.45 | – | – | – |
| Median | 6.48 | – | 6.87 | – | 0.39 | – | – | – |

Source: EIU

Appendix 4: Methodology

The Economist Intelligence Unit employed the following methodology to estimate and project the numbers of wealthy households to 2016:

1 Aggregate financial and non-financial wealth

The aggregate level of household net wealth across the G7 is calculated on the basis of data from the Organisation for Economic Co-operation and Development. Net wealth is presented as amounts outstanding at the end of the period and is defined as non-financial and financial assets minus liabilities; net financial wealth is financial assets minus liabilities.

Households include non-profit institutions serving households.

Non-financial wealth consists mainly of dwellings and land. For Canada, Germany, Italy and the US, data also include durable goods. For Canada, France, Japan, the UK and the US, data also include non-residential buildings and fixed assets of unincorporated enterprises and of non-profit institutions serving households, although coverage and valuation methods may differ.

Financial wealth comprises currency and deposits, share-based instruments, loans, insurance technical reserves and other accounts receivable/payable. Not included are assets with regard to social security pension insurance schemes. Equities comprise shares and other share-based instruments, including quoted, unquoted and mutual fund shares.

Financial and non-financial wealth are forecast separately and then added to get aggregate wealth. Our assumption is that the wealth depends on:

- the stock of wealth in the previous year (revalued by the end-period exchange rate)

- nominal US\$ GDP (to allow for the value of economic activity, which drives new wealth)
- economic growth in real terms (to allow for extra wealth creation in an upturn and reduced wealth creation in a downturn)
- Asset prices (the housing price index for non-financial wealth and the share price index for non-financial wealth)

GDP forecasts and the number of households are taken from the Economist Intelligence Unit's own long-term forecast model. Asset price forecasts are sourced from Oxford Economic Forecasting, Global Model.

2 Wealth distribution

Wealth distribution is calculated using the Lorenz curve, which plots the cumulative proportion of wealth held against the cumulative proportion of households. The estimation from the national household expenditure survey to the parameterised Lorenz curve is a regression, which fits a curve through the available data. The data is generally presented by decile, with additional information on the proportion of wealth held by the wealthiest five per cent and one per cent of households.

The distribution is then applied to aggregate wealth to estimate the percentage of households with assets more than \$1m, the total number of households with assets more than \$1m and aggregate wealth of households with assets more than \$1m. Underlying distributions for financial and non-financial wealth are not available. Therefore, we apply the total wealth distribution to each. This approach broadly indicates how wealth is distributed across all households.

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