

Wealth Management in Russia 2009

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Abstracts

Introduction

The wealth management market in Russia is becoming much more competitive, spurred on by the growth of domestic providers. Russian high net worths, however, remain unsophisticated and staunchly conservative when it comes to investments. To succeed in the country, wealth managers need to know what this lucrative customer wants from them, in terms of products, services and interactions.

Scope

Sizes, segments and forecasts the number of affluent individuals across 10 liquid asset bands from EUR50k.

Primary research among domestic wealth managers provides insight into HNWs and the private banking market.

Utilizes Datamonitor's proprietary Wealth Management Opportunity Index to score the attractiveness of the market.

Highlights

Russia has undergone a long period of economic and political upheaval and its burgeoning wealth market has experienced mixed fortunes. The relatively steady growth that characterized the Russian economy gave way to a much poorer performance by 2008. Nonetheless, the declines in the wealth of Russia's affluent population have been relatively modest.

Although Russian HNWs are relatively unsophisticated and conservative when it comes to their wealth, they are business savvy and know when to take a risk. Wealth managers need to cater for this by offering them: friendly, personal service; understandable products; and customized education to extend their investment knowledge.

Russia has a significant number of domestic wealth management players, although the landscape for this sector in Russia is changing, with the presence of an increasing number of international banks creating a more competitive market for the management of wealth.

Reasons to Purchase

Understand Russian HNWs' attitudes and investment behaviour, and the expectations they have of their wealth managers.

Gain insight into the competitive characteristics of the Russian wealth management market, and learn the factors for success.

See how Russia's wealth management market scores against Datamonitor's Opportunity Index.

Contents

Overview

Catalyst

Summary

Methodology

Executive Summary

In the context of the economic and market woes, the falls in wealth have been relatively modest

HNWs are relatively unsophisticated on investment matters, loyal and very conservative

Russia is becoming more competitive for wealth managers

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Russia's Wealth

Russia's fortunes are very much linked to the vagaries of oil and gas

After a bruising 2008, the Russian Stock Exchange bounced back strongly in 2009

The property market has also given up gains made in prior years

Deposit rates and money market rates have offered modest returns to Russian investors

Russian investors have the vast majority of their liquid assets in deposits

The fall in the market has increased the importance of deposits over other asset classes

The recessionary environment has taken its toll on Russian HNWs in 2008

The declines have been modest and Datamonitor expects a rapid growth in wealth going forward

The value of wealth held by affluent shows associated growth rates

The Evolution of Russia's Wealth Management Market

Russia's wealth management market has its origins in the economic reforms of the former Soviet Union

The burgeoning wealth market in Russia has given rise to opportunities for domestic and international wealth managers who invest clients' money onshore and offshore

Domestic Russian banks have expanded their businesses to offer HNWs a range of wealth offerings

International banks have started to significantly expand their wealth management operations into Russia

The Russian wealth market is a competitive space for both onshore and offshore funds

Encouraging the take-up of a broader range of investment products is a challenge for wealth managers in Russia

The Wealth Management Opportunity Index

Wealth management market features

Range of products and services: 0

Level of consolidation: 1

Ease of market entry: 2

Level of international wealth management activity in the country: 1

Russian HNW client characteristics

Level of use of onshore services: -1

Level of demand for high quality service: -2

Appendix

Datamonitor's Wealth Management Opportunity Index

There are five key parameters when assessing a market for its wealth management potential

There are 18 components to the five key parameters of the wealth management opportunity index

Institutional factors

Economic variables

Wealth management market size

Wealth management market features

Wealth management client characteristics

Definitions

The drivers of growth in the wealthy population

Income growth (combined with inflation, changes in GDP by sector, household savings rates and debt levels)

Investment returns (market capitalization, interest rates and bond yields)

The following measures are not, in themselves, drivers of wealthy population growth

Market capitalization

GDP

The following measures are not drivers of wealthy population growth except under very restricted circumstances

Primary residence value growth

Inheritance

Methodology

Global Wealth Model

The UK sub-model

Global sub-model (for all other countries)

Forecasting methodology

Continuous refinement to the understanding of liquid wealth distribution

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