Asia Minting Millionaires Despite Market Volatility

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Asia will continue to be at the forefront of wealth creation, minting millionaires at a faster pace than any other region in the world, despite the recent market volatility, according to experts in private wealth. The region's 3.3 million high net worth individuals (HNWIs) with investible assets of $1 million and more are second in number to North America, and ahead of Europe for the first time, according to the Capgemini Merrill Lynch 2011 World Wealth Report.

“Asia is at the beginning of the wealth creation cycle, which should last 25 years. The current volatility, if viewed historically, is a drop in the bucket,” says Mykolas Rambus, CEO of Wealth-X, a Singapore-headquartered wealth diligence company that compiles lists of the super rich, those with a net worth of $30 million and above.

Private bank Julius Baer forecasts the wealth of HNWIs in Asia to triple to almost $15.81 trillion by 2015. The head of the bank's emerging markets strategy research, Stefan Hofer, says, “The current environment in which the euro zone crisis is impacting all risky assets represents an extreme, but transitory period (and) we see no reason to adjust our assumptions now. We continue to expect very strong growth in HNWIs across Asia.”

Julius Baer expects China and India together to contribute to 40 percent of global economic growth in 2011-2012, which in turn will drive wealth creation in these two countries.

As a result, wealth managers and private banks have been making a beeline for Asia with Singapore and Hong Kong emerging as the two main private banking hubs.

The CEO of Royal Bank of Scotland’s private banking arm Coutts, Rory Tapner, recently told the Reuters Global Wealth Management Summit in Singapore that the Greater China region, Singapore, Indonesia and India were key markets in Coutts' plan to almost double client assets to $247 billion by 2015.

Asia’s private banks are also expected to post revenue growth of almost 20 percent, higher than the global average, according to a survey conducted by PricewaterhouseCoopers.

However, the recent selloff in regional stocks, bonds and currencies puts revenue growth at private banks in Asia under pressure, more so because many of them rely on commission income, which according to PWC makes up on average 47 percent of a bank’s revenue.

“There will be increased pressure on revenue due to investors shying away from the markets as of late. The commission income in Asia is in stark contrast to Switzerland and the U.S. where revenue has a greater skew towards administration and asset fees,” says Mark Jansen, financial services partner at PwC Singapore. But, he says, continued wealth creation will eventually drive revenue numbers up.

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Sebastian Dovey, Managing Partner of global wealth management consultancy, Scorpio Partnership says Asia-based millionaires remain very optimistic about their wealth creation capabilities, despite the recent market tumble. "Most expect to triple their wealth fortunes inside a decade. Whether they achieve this is another matter."

Most of Asia's rich are still looking to grow their wealth, unlike in the West where the mood is to protect and preserve wealth, according to Rambus of Wealth-X.

In fact, savvy risk-taking clients see the current market turmoil as an opportunity, according to a number of private bankers. A Singapore-based private banker, who requested anonymity in order to discuss client behavior said he has a 60-year old Singaporean client who has been willing to take big risks in the forex market.

"(The client) is happy if he makes 50 percent and does not care if he loses 100 percent," he said.

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