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AFFLUENT AUSTRALIANS TAKE HIT FROM FINANCIAL CRISIS BUT PLAN TO KEEP INVESTING, SAYS HSBC RESEARCH

Half of Australia's affluent individuals have seen their net worth fall in the last six months, according to the new HSBC Affluent Asia Tracker, but their desire to keep investing continues apace.

The HSBC Affluent Asia Tracker was conducted across seven key markets (Australia, Singapore, India, China, Japan, Malaysia and Taiwan) and gauged the views of more than 1,500 affluent individuals aged 30-55 in the top 10 per cent of the population by income or liquid assets.

According to Graham Heunis, head of personal financial services at HSBC Bank in Australia: "This research reveals that the net worth of affluent Australians has been depleted by the global financial crisis and, as a result, they have become more cautious in their spending in the last six months – but their appetite for risk remains. In the next six months, property and market-based investments are their key strategies for wealth generation, while their motivation for getting richer in the long run is driven by the desire to support their retirement and lifestyle."

This is in contrast with the other countries in the region, where family is the key driver for growing wealth. Many affluent individuals in Asia maintained or increased their net worth in the last six months and they have also become cautious spenders, except when it comes to family. Investing in their children's education is a priority and more of their income is spent supporting children and parents.

Impact of financial crisis on affluent Australians

Thirty-six per cent of wealthy Australians surveyed say they have seen their net worth fall by up to a quarter in the last six months, another 11 per cent saw it slashed by between 25 and 50 per cent and two per cent by more than half. Only one in five affluent Australians saw their wealth increase in the last half year.

"Despite these setbacks," Mr Heunis said, "Australia's affluent have stuck with their investments – half have made no change to their portfolios in the past six months but importantly, almost a quarter made additional investments, demonstrating a clear desire to invest despite economic uncertainty."

By comparison, results from other countries showed that in the last six months:

- 75 per cent of mainland China's affluent said they maintained or increased their wealth.
- In Malaysia, as many of the wealthy saw their net worth grow (35%) as contract.
- A significant number in India and Japan (both 44%) said they posted net declines in wealth, with Australian losses exceeded only by the declines in Taiwan (51%) and Singapore (56%).
- Around a third of the wealthy in mainland China (27%), Singapore (27%), India (30%) and Malaysia (36%) increased their investments while 43% of those in Taiwan sold their investments in favour of cash.
- 37% of mainland China's rich diversified their investments during the last six months.

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Affluent Australians take hit from financial crisis but plan to keep investing, says HSBC research/2

In the short term, Australia's affluent have shown heightened caution in their spending, with over half of them (57 %) saying they have been more wary with their spending compared to six months ago. Luxury items and major purchases have been the biggest sacrifice (85%), followed by dining out (78%) and 41 per cent are now undertaking less personal travel. But getting the rich to use public transport remains elusive in Australia, with only 12 per cent hopping on a bus or train to save money.

Key spending cuts regionally:

- In China, 59 per cent of respondents are using more public transport, along with 40 per cent in India, 32 per cent in Taiwan and 30 per cent in Singapore.
- Luxury items and big ticket purchases were the first to be cut in all markets surveyed, followed closely by reduced spending on dining out.

Where to now?

Despite growing parsimony among wealthy Australians in the short term, their risk appetite has been left largely unaffected when it comes to investing in their future. Sixty-nine per cent said their propensity for risk remained moderate compared with 72 per cent six months ago.

In terms of their strategies for growing wealth, 40 per cent of affluent Australians surveyed said they would buy local property in the next six months with almost as many (36%) planning to put money into stocks, funds and bonds. Almost a quarter (24%) will focus on putting cash aside, starting a savings plan in the next six months. Twenty-three per cent will take their chance on the lottery.

Elsewhere in the region:

- Stocks, funds and bonds were the primary strategy for wealth creation in Taiwan (63%), Malaysia (61%), China (60%) and Singapore (59%).
- Cash was king in India, where 58 per cent of the wealthy will focus on savings in the next six months, followed by 55 per cent investing in stocks, funds and bonds. Forty-one per cent (exceeding Australia's 40 per cent) also plan to invest in property.
- Precious commodities were seen as sound investments in India and China, where 30 per cent and 24 per cent of respondents respectively planned investments in this category in the next six months.

Motivations for growing wealth

Providing a comfortable life for family is the key driver to growing wealth in all the markets surveyed – except in Australia where supporting retirement is the top goal for two thirds (65%) of our wealthy. Living the right lifestyle was also an incentive for over half (56 %) of Australia's affluent, with 34 per cent citing buying or paying off their own home as their motivation. Almost a third (30%) of Australia's wealthy are investing for an early retirement.

Affluent Australians take hit from financial crisis but plan to keep investing, says HSBC research/3

Mr Heunis said: “Although a large number of Australia’s affluent aim to provide their family with a comfortable life, family priorities for the region, such as funding children’s education and supporting parents, fell short in Australia, highlighting the cultural differences between Australia and other parts of Asia. Australians were also least likely in the region to send their children overseas to study with 96 per cent saying they have no plans to do so.

“Interestingly, while travel was a motivation for growth in wealth for a quarter of Australian respondents, the majority, some 69 per cent of them, professed no intention to work or study overseas, the highest among the countries surveyed, with only 15 per cent considering it,” Heunis said.

The survey also asked respondents how much retirement income they would need – Australians cited the highest amount at an average of US\$1.4 million.

By contrast:

- Family comfort was the stand out motivation for wealth growth in all other markets.
- Over a third of respondents in all markets except Japan and Australia saw funding their children’s education as a priority – India (43%), Malaysia (42%), Taiwan (36%), China (35%) and Taiwan (33%)
- Supporting parents was a priority for over 10 per cent of respondents in all markets except Australia and Japan
- The majority of the affluent in mainland China (82%), Malaysia (75%) and India (70%) plan to send their children overseas to study, compared to half of respondents in Taiwan (50%) and Singapore (46%). Only 17 per cent of Japanese and four per cent of Australians have such plans.
- Singapore’s affluent followed Australia in terms of estimated retirement income, saying they needed an average of US\$884,000. This compared with US\$355,000 in Japan, US\$256,000 in mainland China, US\$561,000 in Taiwan and US\$571,000 in Malaysia. Indians reported the lowest amount at US\$152,000.

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Notes to editors

HSBC Bank Australia

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