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Moscow

"Mass Affluent Segment in Russia. Crisis Outlook". A Research by New Economic School (NES) and Citigold.

Citigold and NES have conducted 1st in the market research on mass affluent segment in Russia. The research examines size and specifics of Russian mass affluent segment, its impact on Russia's economy, how the segment was affected by the crisis and how it will develop in the next several years.

Key highlights:

- In 2008 Mass Affluent segment (MA) in Russia has grown to 1.2 million people with the total investable wealth of RUB 4.2 trillion.
- Under the optimistic scenario the MA segment in Russia will decline by 15% and recover in 3 years, under the pessimistic scenario it will decline by 28% and recover in 10-15 years.
- Mass Affluent segment generates 30% of the income in Russia and has 40% share of all money maintained on bank deposits in Russia and 70% share of all money invested in local mutual funds.
- The largest Mass Affluent segment group consists of 45+ old men with large families who have an average of RUB 10 million of investable wealth. This group also dominates in the local and especially offshore investment instruments.
- Over half of Mass Affluents keep most of their investable wealth (90-100%) in deposits and cash.
- Almost 30% of Mass Affluents invest a substantial share (around 75%) of their portfolio into offshore instruments.
- Among BRIC countries Russia has the lowest penetration of on-shore investment instruments in comparison to the pool of national wealth.

Zdenek Turek, Head of Citi in Russia and CIS, noted at the presentation of the research:

"Citi as a world leader in wealth management for affluent customers possesses a unique knowledge of the segment and the role the sector plays in global and local economies. For the past 7 years of serving Russian affluent customers we observed tremendous growth of this important class.

Affluent customers continue to be unknown and underestimated in Russia, often confused with either the middle class or the so-called ultra high net-worth individuals. We partnered with NES to conduct a research focused on the growing importance of this segment and the role mass affluent segment plays in the development and growth of Russian economy".

Sergei Guriev, Rector of the New Economic School (NES), said:

"Mass affluent segment though being an emerging class already plays vital part in Russian consumer market development and economy growth. Mass Affluents comprised of only 0.8% of Russia's population, they receive RUB 6 trillion or 30% of all income in Russia and their total investable wealth is 10% of country's GDP.

Affluent segment in Russia as in other BRIC countries has been very dynamically developing in recent years and was severely hit as a result of global financial crisis and recession. Our research shows however that the mass affluent segment in Russia due to a surprisingly lower exposure to risky assets and strong long-term macroeconomic outlook for Russia has very good potential for quick recovery and further growth."

The research covers the following aspects:

- *The mass affluent customers in BRIC - overview and comparative analysis.*
- *The mass affluent in Russia - market size and analysis.*
- *Mass affluent clusters and investment behavior.*
- *Post crisis scenario analysis for mass affluent in Russia.*
- *Portrait of the mass affluent customer.*

