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Affluent Russians Lost 800 Billion Rubles Last Year. Russian Mass Affluent Segment Decreases 17.5 percent Y-o-Y but Expected to Return to Pre-Crisis Level within the Year New Economic School and Citigold

The mass affluent segment has survived the crisis and is expected to become one of the drivers of Russia's future economic growth

In 2009, the size of the mass affluent segment in Russia shrank from 1.2 million to 990 000 people, while the total amount of investable wealth held by this class dropped to 3.4 trillion rubles from 4.2 trillion rubles, according to the annual research conducted by the New Economic School (NES) and [Citigold](#) (Citibank's global wealth management business serving the affluent client segment) and published today.

NES and Citigold have analyzed the impact of the financial crisis on the Russian mass affluent segment and identified new development trends. According to the results of the research, the number of wealthy individuals will return to the pre-crisis level as early as within a year. Under the optimistic scenario, it will then grow annually by 5.5 percent over the next five years. Under the pessimistic scenario, annual growth of the mass affluent segment will stand at 2.5 percent.

Zdenek Turek, Head of Citi in Russia & CIS, commented: "We have been studying the behaviour of our mass affluent clients in emerging and developed economies around the world for many years. In Russia this segment has been growing as quickly as in other BRIC countries over the past few years, even though Russians' conservative behaviour is a reminder that it is more typical of the developed countries in Europe. Another distinctive feature of the Russian mass affluent class is "patriotism" — despite the fact that affluent Russian individuals make significant investments overseas, a certain part of their wealth goes into international securities issued by Russian companies. Going forward, when the Russian private investment infrastructure reaches the international level, these funds may become an additional source of investments into the country's economy."

Sergei Guriev, Rector of the New Economic School, added: "The mass affluent segment has lost less than expected during the crisis due to its conservative investment strategy, as well as, to a certain degree, underdevelopment of the Russian financial market. Currently, mass affluent individuals generate 25 percent of the country's income and account for 30 percent of all bank deposits in Russia, which indicates the significant role they play in the country's economy. According to our estimates, the funds they have accumulated will greatly contribute to the restoration of domestic consumption and relaunching the economic growth."

The research found that nearly 70 percent of mass affluent Russians keep most of their investable wealth in [deposits](#) (90–100 percent). Wealthy investors fall into three main behavioral types. "Well-off strivers" (25–40 years old) often use zero-risk products (deposits) but at the same time are ready to try more risky investments. "Savers" (40 years and older) seek stability and invest in deposits. "Risk Takers" (40 years and older) are ready to take on risk for the sake of additional income.

NES and Citigold also found that over 20 percent of mass affluent individuals in Russia have investments overseas.

Mass affluent individuals are becoming more active in managing their investments. In 2009 they invested into the stock market independently (through brokerages) more often than through mutual funds.

The mass affluent segment includes individuals who have investable wealth of between 1.3 and 13 million rubles (as of end-2008). The wealth bounds for mass affluent selection are adjusted for inflation each year.

The number of mass affluent Russians was estimated by Pareto distribution. Sample size: 20,000 randomly selected Citigold customers in Moscow, St. Petersburg and other major cities in Russia.

New Economic School (Rossiyskaya Ekonomicheskaya Shkola) was founded in 1992 by a group of leading Russian and international academic economists with the approval from the Government of the Russian Federation. The mission of the New Economic School is to benefit Russia's private and public sectors through excellence in economics education and research. Among resident faculty of the School there are 23 young Russian economists, who hold PhD degrees in economics and finance from the leading international universities, including Harvard, MIT, LBS and others. NES faculty participates in international conferences and publishes academic articles in the best international refereed journals. 724 graduates of the New Economic School work for the Russian and international companies, make careers in government and teach in the best universities both in Russia and abroad. NES enrolls about 140 graduate students a year and awards about 70 MA in Economics and 30 Masters in Finance diplomas. According to the RePEC rankings, NES is the best department of economics among the post-soviet countries and is among 60 leading economics departments in Europe. Center for Economic and Financial Research at NES (CEFIR at NES) is 15th in the world's rankings of research institutions in the area of economic policy.

Citigold is Citibank's global wealth management business serving the affluent client segment. It is focused on providing its customers with personalized and comprehensive financial service solutions to help them achieve their financial goals. The offering is for individuals with a minimum portfolio value of RUB 1,300 million. Citigold customers are provided with wealth management services and the range of exclusive lifestyle privileges. This globally integrated offering provides seamless access to a wide range of cross-border financial services, anytime, anywhere in the world.

ZAO Citibank, a full subsidiary of Citi in Russia, has been operating since 1993 when it became one of the first banks with foreign capital to enter the Russian market. It was the first out of three current subsidiaries of Citibank in CIS. Citibank has since grown its business to be among the country's largest banks offering a full range of products and services to corporate and consumer customers. At present, the Bank has over 3,000 employees; its distribution network includes retail branches, 350 ATMs and representative offices in largest cities in Russia, Ukraine, and Kazakhstan.

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