

The rise of Asian wealth

Building depth and resilience

- ◆ Asia ex Japan projected to surpass the US in financial wealth by 2025, with Vietnam and India to see especially brisk growth
- ◆ The number of adults with wealth of at least USD250k to more than double by the end of the decade in China, ASEAN, India
- ◆ Excluding Japan and China, the number of Asia's millionaires to rise from about 10 million currently to 22 million by 2030

It might seem like an odd moment to raise the issue. Financial markets are in a tizzy as the Fed slams on the brakes. More importantly, the pandemic has brought extra hardship to untold millions across Asia, with all the glitz and bling often so prominently on display deflecting from the often yawning, and unquestionably rising, income inequality.

Still, it is worth for a moment to pause and take stock of Asia's rising wealth – the region's overall *financial* wealth from bank deposits to securities. One reason is that the deepening pool of local savings is providing a measure of resilience against the vagaries of global financial markets: the Fed may be raising interest rates, but emerging markets in Asia are better placed to take it all in their stride than in years past... for a number of reasons, certainly, but with advancing local financial depth prominent among them.

The second reason relates, indirectly if powerfully, to the issue of economic hardship. An account of Asia's growing wealth also shines a light on the societal resources that are ultimately available to lift millions more out of poverty. After all, the region is hardly short of capital, even if this is unevenly distributed, both between and within economies.

The following pages, therefore, update an exercise we undertook several years ago, which measured the aggregate financial wealth in the region. A key turning point came in 2008, when financial wealth in Asia started to exceed that in the US, with Japan accounting for over half of the wealth held in the region. By 2025, wealth in Asia *excluding* Japan could outstrip the US, while China's share in the region has already climbed to nearly 46% and Japan's has fallen to a quarter.

This time, we add another layer to our analysis: for each economy, we project the number of individuals that will reach certain wealth (including real estate) brackets in the coming years. In China, for instance, the number of adults with net wealth of at least USD250k is expected to double by 2030 to around 350 million, while tripling in India to close to 60 million. As another example, over 2 million adults in Vietnam may own at least USD500k in wealth by the end of the decade, greater than the number of Singaporeans. And even further up the wealth scale, region-wide, the number of millionaires is projected to jump from roughly 30 million currently to over 76 million by the end of the decade.

Amid all the current challenges, a reminder of Asia's growing resilience and financial depth – a strengthening buffer that should foster over time greater, *shared* prosperity.

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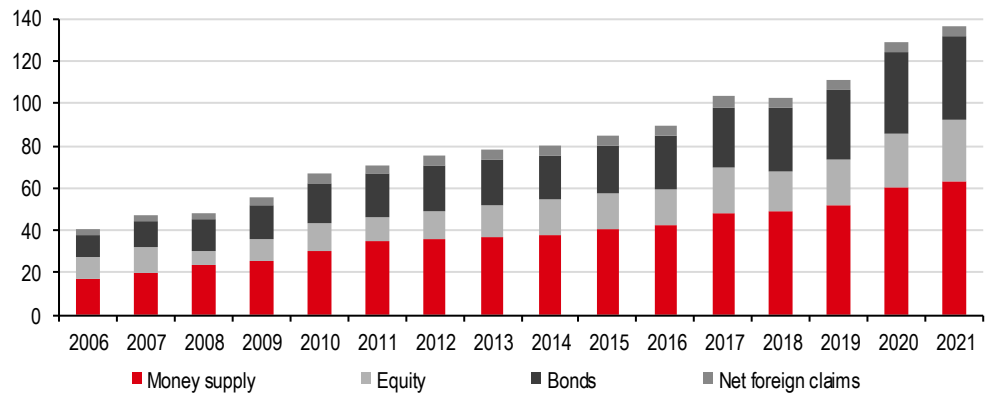
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Chart 1: Asia's total financial wealth more than tripled since 2006 (USD trillion)


Source: CEIC, ADB, HSBC

From the top

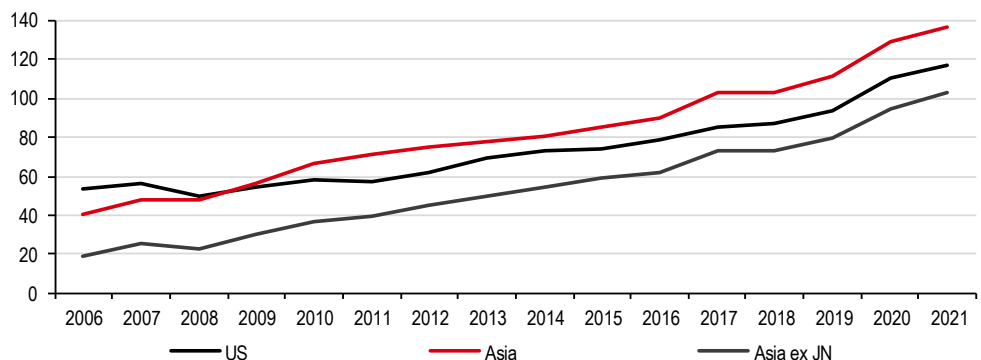
Let's start with aggregate financial wealth. At the broadest level, this includes bank deposits that individuals hold, and the bonds and equities they might own. Simple enough. But keep in mind that these assets are not always held directly: they might be kept indirectly by pension funds or insurance companies, for example, or by non-financial companies. In the end, however, even these assets are ultimately owned by individuals.

Another thing to keep in mind is cross-border financial assets: foreigners usually own some local bonds or equities, and locals also own foreign securities. One simple way to adjust for this is by adding cumulative 'net foreign claims'.

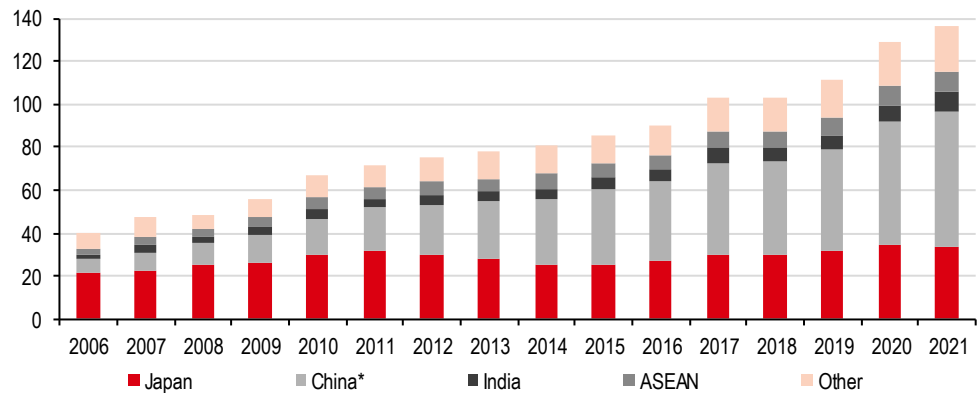
Chart 1 shows the surge in financial wealth in Asia: since 2006, this has tripled to nearly USD140 trillion. The majority of this wealth continues to be held in bank deposits, while bond holdings slightly exceed equities. The respective share of these assets has been quite steady over time.

How does Asia's financial wealth compare to the US? Turn to Chart 2. Asia surpassed the US during the late 2000s, following the Global Financial Crisis. However, excluding Japan, the region's financial wealth is still lower, although the gap is gradually narrowing. Given current trends in per capita income growth, wealth in Asia ex Japan could surpass that in the US by 2025. Excluding both Japan and China (not shown), financial wealth in the region is about one-third of that in the US, up from less than a quarter in 2006.

Chart 3 shows the distribution of financial wealth across the region. The relative shares of Japan and China have flipped over the past decade, with the latter now closing in on 50% of the region's

Chart 2: Asia's financial wealth has exceeded since the late 2000s (USD trillion)


Source: CEIC, ADB, HSBC

Chart 3: Mainland China now holds the lion's share of financial assets (USD trillions)


Source: CEIC, HSBC. NB: *Refers to mainland China.

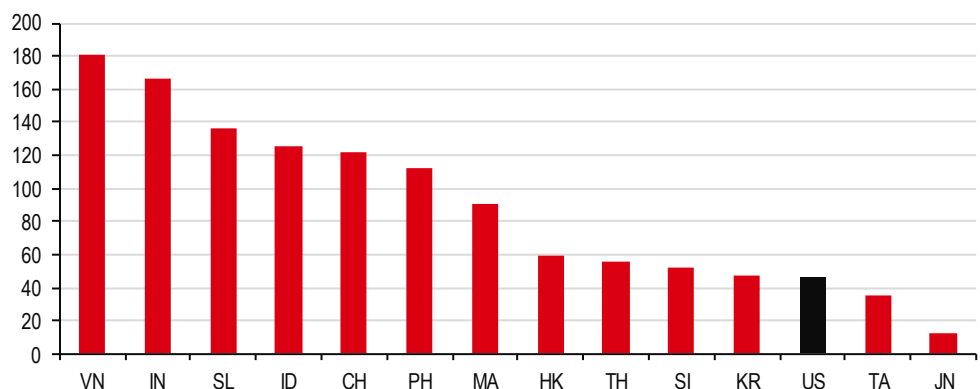
total. That doesn't mean Japan stood still: its financial wealth increased by over 50% since 2006 – but this was hardly a match for China's nearly nine-fold increase (in USD terms).

India and ASEAN, meanwhile, each account for just under 7%, with the increase in wealth in the former outstripping that in the latter. The 'other' category, comprising Korea, Taiwan, Hong Kong, and Sri Lanka, has seen its Asian wealth share slide a little, though it is still well over double that of India or ASEAN (clients of HSBC Global Research can access a more detailed breakdown in the full report).

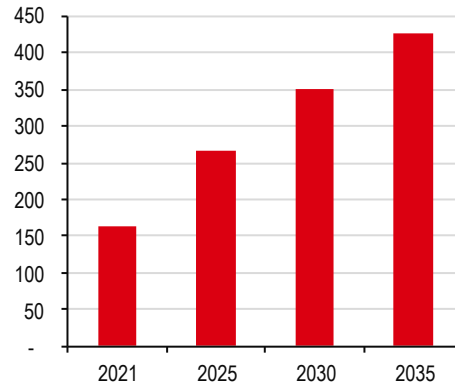
Economies that grow faster naturally accumulate wealth at a quicker pace. Chart 4 shows projections based on trend nominal GDP growth for all Asian markets, as well as the US (a rather conservative assumption because wealth tends to grow faster than GDP over time). On this basis, aggregate financial wealth in Vietnam and India looks set to rise by at least 150% by the end of the decade, while it is likely to expand far more gradually in more developed economies like Japan, Taiwan, and the US. Still, the relative wealth shares between economies will shift much more gradually, given the higher beginning stock of wealth in developed markets.

A closer look

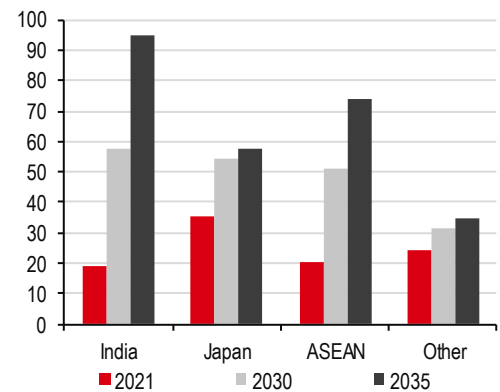
The second layer of our analysis expands the scope a little. Using an alternative data set, which includes estimates for real estate wealth, and taking into account estimates for wealth distribution, we project the number of adults that enter certain wealth brackets over time (clients of HSBC Global Research can see details on our methodology in the full report).

Chart 4: Projected growth in aggregated financial wealth (% , 2022 to 2030)


Source: CEIC, HSBC forecasts. NB: VN – Vietnam, IN – India, SL – Sri Lanka, ID – Indonesia, CH – Mainland China, PH – Philippines, MA – Malaysia, HK – Hong Kong, TH – Thailand, SI – Singapore, KR – South Korea, US – USA, TA – Taiwan, JN – Japan.

Chart 5: Number of adults in China with wealth above USD250k (millions)


Source: UNU-WIDER, World Income Inequality Database (WIID), World Bank, IMF, United Nations Population Division, HSBC forecasts

Chart 6: Number of adults with wealth above USD250k (millions)


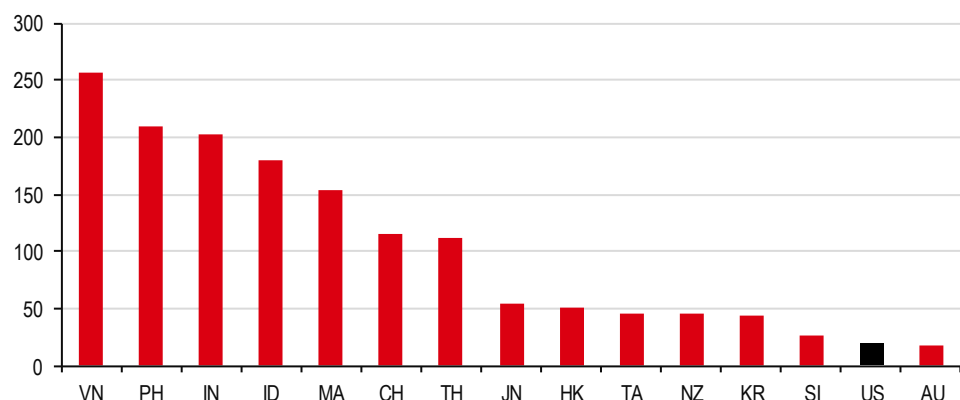
Source: UNU-WIDER, World Income Inequality Database (WIID), World Bank, IMF, United Nations Population Division, HSBC forecasts

Start with China. Chart 5 shows the projected number of adults holding wealth of at least USD250k. As mentioned, this includes real estate, but note that our measure is for net wealth: so mortgages are stripped out, with only the 'equity stake' in the ownership of a home included, along with other financial assets.

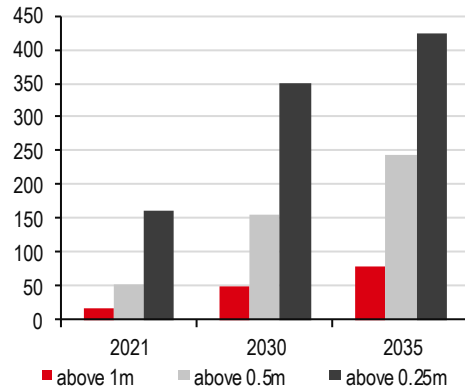
Chart 6 shows the same projections for other economies. The rise in India is especially striking, reflecting not only the assumed high growth rate in GDP, but the fact that many Indians are nearing our defined 'wealth threshold'. In ASEAN, too, the number is expected to rise rapidly, although not quite as swiftly as in the former (remember, though, that India has more than twice the population).

Not surprisingly, economies that are growing more rapidly tend to accumulate wealth faster (though faster growing economies often also tend to be poorer, thus starting off from a 'lower base'). Chart 7 shows the projected *increase* in the number of adults holding wealth of at least USD250k. Vietnam, the Philippines, and India are expected to see the number more than double by 2030. Indonesia and Malaysia are not far behind, outpacing China and Thailand.

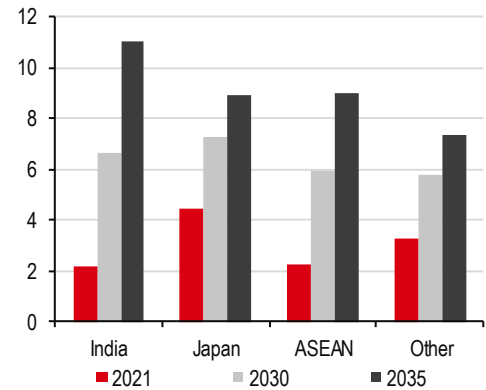
In these economies, in short, the middle class continues to expand rapidly. While this is often talked about in the context of growing consumer markets, where a rising share of household spending is deemed 'discretionary' (powering demand for things like cosmetics, cars, and computers), when it comes to wealth, this signifies growing demand for more sophisticated financial services, such as wealth and pension planning, and demand for insurance products. Keep in mind, however, that

Chart 7: Rise in percentage of adults with at least USD250k in wealth (% , 2022 to 2030)


Source: UNU-WIDER, World Income Inequality Database (WIID), World Bank, IMF, United Nations Population Division, HSBC forecasts. NB: CH – Mainland China.

Chart 8: Number of adults in China* above USD million wealth levels (millions)


Source: UNU-WIDER, World Income Inequality Database (WIID), World Bank, IMF, United Nations Population Division, HSBC forecasts. NB: *Refers to mainland China.

Chart 9: Number of adults with wealth above USD1m (millions)


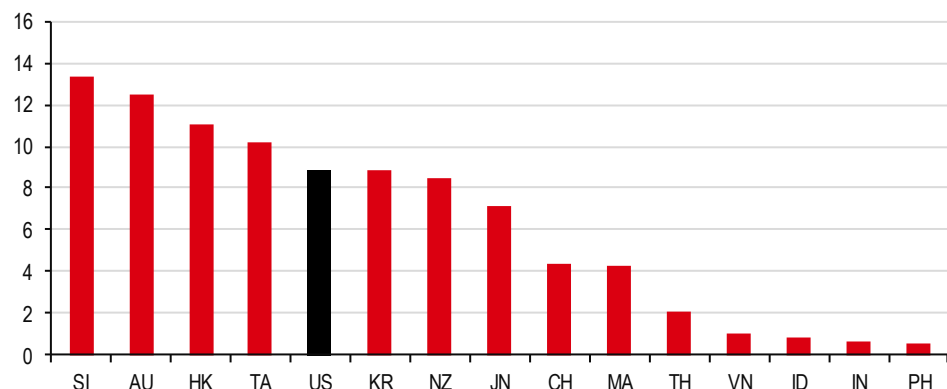
Source: UNU-WIDER, World Income Inequality Database (WIID), World Bank, IMF, United Nations Population Division, HSBC forecasts

our definition does not imply that these individuals have necessarily a liquid USD250k 'in the bank' ready to invest, as it includes the value of their real estate possessions, whether land or buildings, as well as money that is already 'tied up' in things like pension schemes.

At a more extreme level, of course, we can also project the number of even more affluent individuals. Chart 8, for example, shows the number of adults in China whose wealth exceeds not only USD250k, but the number of those who top half a million, and the number of, well, millionaires. The number of the latter, for example, is projected to rise from around 17 million currently to nearly 80 million by 2035 (including property holdings).

Elsewhere in the region, the number of millionaires is also projected to jump, notably in India, which may exceed ASEAN by the end of the decade, and Japan by 2035 (Chart 9).

These are all impressive numbers. But don't forget that the size of the population – in addition to wealth distribution and the level of economic development – explains the large number of millionaires in some of these economies. For a different perspective, consider Chart 10. This shows the projected number of millionaires as a share of the population by 2030. In Singapore, Australia, Hong Kong, and Taiwan, there are likely to be more millionaires on a relative basis than in the US, with Korea, and New Zealand coming close. Even by the end 2030, however, only around 4% of adults in mainland China, and less than 1% of adults in India, are likely to be millionaires by our definition.

Chart 10: Projected share of millionaires in the adult population by 2030 (%)


Source: UNU-WIDER, World Income Inequality Database (WIID), World Bank, IMF, United Nations Population Division, HSBC forecasts. NB: CH – Mainland China.

The rise of Asian wealth... resilience, depth, and, hopefully, a future of *shared* prosperity.

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