Julius Bär

GLOBAL WEALTH AND LIFESTYLE REPORT 2021

FOREWORD

Rajesh Manwani
Head Markets & Wealth Management Solutions
Asia Pacific

Pearlyn Wong
Head Investment Promotion & Solutions Asia

"What one generation sees as a luxury, the next sees as a necessity," said Anthony Crosland, a British politician and economist. The evidence was all around us. Mobile devices, televisions, and computers became modern necessities. Living standards and diets evolved as societies grew wealthier. The burgeoning global middle class aspired for more and the demand for luxury goods became insatiable.

Then the pandemic struck. Global consumption slumped and the luxury market faced a record recession, severely affecting entire economies. Deemed 'non-essential', high-end retail stores in many cities had to remain closed. After years of consternation about 'overtourism', travel hotspots such as Venice, Bangkok, and Barcelona found themselves suddenly deserted. The global traveller had to stay home.

Did the pandemic fundamentally rewire the global consumer's mindset? Or did it accelerate trends that were already set in motion?

After a decade of publishing wealth reports and studying consumer trends, we have the following insights to share.

We know from experience that luxury demand (as measured by our Lifestyle Index) waxes and wanes with the fortunes of the world economy. Just as it rebounded after the global financial crisis, we expect discretionary spending to recover when Covid-19 abates.

Secondly, experiential luxury is here to stay. During the pandemic-induced collapse in experiential spending, consumers temporarily reverted to buying goods over services. Yet even as borders closed, travellers turned to local destinations to satisfy their wanderlust, fuelling a domestic tourism boom. When Mirazur in France, which was ranked No. 1 in the World's 50 Best Restaurants list in 2019, reopened in June 2020 after a nationwide lockdown, the restaurant was already fully booked until November. This is testament to the overwhelming demand for premium services over goods, a trend we identified a number of years ago.

Lastly, the conscious consumption movement, which we examined in last year's report, is just taking off. Covid-19 has raised consumer commitment to, and awareness of, buying ethically and sustainably, with many of these changes in behaviour likely to endure long after the pandemic.

We hope you enjoy reading the 2021 edition of the Global Wealth and Lifestyle Report.

HOW IS MY LIFESTYLE CHANGING?

HOW IS MY REGION CHANGING?

HOW IS MY WEALTH CHANGING?

THE INDEX

HOW IS MY LIFESTYLE CHANGING?


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AIRFRANCE

TOWARDS A MORE SUSTAINABLE SOCIETY

With the coronavirus pandemic forcing us all to re-evaluate our day-to-day lives and priorities, the era of conscious consumption has well and truly begun.

Carsten Menke CFA
Head of Next Generation Research

HOW THE CORONA CRISIS IMPACTED CONSUMPTION

In the past year, our view of the world has changed. The corona crisis turned our lives upside down as country after country moved into lockdown. What was normal before was not normal any more, especially for those who caught the virus. Think of meeting family and friends, think of a stroll in the city, or think of travelling. As we became locked down, we were forced to slow down. We had to think about what is important in life – health and wellbeing on all levels, family and friends. We were confronted with many questions we did not consider when we were caught up in our daily routines. We also realised that, in addition to being places to live, our homes had to accommodate all aspects of our lives, from work and education to entertaining ourselves and maintaining physical and mental fitness.

Zooming out from the personal perspective, the biggest challenge of the crisis has been to balance health risks and wealth risks. Focusing on the former while not losing sight of the latter required massive support and stimulus packages put together by politicians and policymakers all over the world. Thanks to these packages, consumption in most countries has recovered very swiftly. According to local statistical offices, for seven out of ten of the world's largest developed and developing countries, consumption levels were higher before the most recent lockdowns than they had been a year before. While this shows the strength of worldwide consumer society, it does not mean consumption-as-usual any more. Digging deeper into the data, there is a lot of evidence that consumption patterns and preferences are changing faster than ever before. The world's consumers are definitely becoming more conscious. This is not a new trend, but, as we have seen with trends in other areas of our lives, it has clearly accelerated during the corona crisis.

WHAT IS CONSCIOUS CONSUMPTION?

Whether or not we consider ourselves conscious consumers can be very subjective. For some, it may actually mean cutting back on consumption. For others, it may simply mean being much more aware of the consequences their consumption has. In any case, the focus is on the societal and environmental footprint of our lifestyles. The question is not so much about what we want or what we need, but whether we can afford it from a societal and environmental point of view. Conscious consumption touches almost all areas of everyday life: our food and our fashion, the way we commute, and the way we travel. The question is what impact we make.

HOW WE EAT IS HOW WE LIVE

We care much more about food today than we did in the past, and its prominence in our lives has undoubtedly risen. Think of the variety of restaurants in our cities, the food bloggers online, and what we know about items of food. We are aware of the adverse human health effects of processed food, and we care about animal welfare, even if we are not vegetarian or vegan. We are concerned about the environmental footprint of our food, ranging from excessive water usage in fruit and vegetable production to the greenhouse gas emissions of the livestock industry.

Food is a lot about habits. Changing our eating habits is a question of both our willingness and our ability to do so. Willingness relates to individual and social values. Do I want to eat differently? Do I want to support my local farmer? Does society recognise the benefits of locally and organically produced food? Does it realise the issues related to eating too much meat? Does it care about the environment and the animals? Ability relates to prosperity. Do I have the financial flexibility to spend more money on the more expensive, locally and organically produced food?

The share of organic food sales in a country provides a good gauge of how conscious the consumers are about what they eat. Organic food covers both the willingness aspect, as these consumers care about how their food is produced, as well as the ability aspect, as they are paying more than for non-organic food. Unsurprisingly, the share of organic food is the highest in prosperous developed countries, reaching up to 10 per cent in some. Growth in organic food sales in Germany, Switzerland, and the United States has outpaced growth of total food sales by a factor of 10 since the beginning of the century. The crisis provided another big boost to this trend, according to local organic associations.

However, organic food is not just a demand-driven story. Statistics show that prices of organic milk and meat are not just higher but also less volatile, thereby providing a higher and more stable income for the producers. Organic food is thus a win-win story for producers and consumers, leaving a lot of room for growth.

FROM FAST FASHION TO SLOW FASHION

The world of fashion tends to be fast and flashy. Our insatiable demand for the newest styles has led to the rise of fast fashion, a practice that sees producers churning out a high number of collections every year from cheaper materials and cheaper labour. This inevitably has significant adverse implications for quality and tends to result in clothes that look faded, shapeless, or shabby after a few washes. The flip side of this high churn-out is excessive waste. Studies show that we use only 20 to 30 per cent of the clothes in our wardrobes, each of which is worn a mere seven times on average before it is ignored or disposed of.

Fast fashion comes with an ever increasing environmental footprint. A huge amount of water is needed for the manufacturing of the nearly 80 billion garments produced annually. Nearly 15,000 litres of water are required to produce one kilogram of cotton, which is roughly equivalent to the weight of a shirt and a pair of jeans. In addition, garment production is also responsible for water pollution due to the amount of toxic chemicals being discharged into drains, rivers, and lakes. Next to its environmental impact, the industry is often associated with poor working conditions. Garment workers in developing countries hit the headlines because of very low wages and safety issues. That said, the rise of the garment industries has lifted many of them out of poverty.

In a world of fast fashion, we are spoiled for choice. Nevertheless, some form of change has been slowly gathering pace within the fashion industry, supported by growing consumer awareness of the industry's negative impact on our animals, people, and planet. Labelled 'slow fashion', this movement seeks to encourage fewer purchases of garments and footwear, made of higher-quality, sustainable and locally sourced materials.

Such an approach inevitably slows down the overall pace of shopping but enhances the consumers' connection with fashion into one where ethics and sustainability matter as much as seasons and styles. While the forced slowdown of the industry during the corona crisis may have sped up the slow fashion trend, the transition of the industry is still in its infancy.

NEW WAYS OF GETTING AROUND

There are not many things as important as mobility. It connects home and work, while also bringing our global economy's supply chains to life. Our mobility needs very much depend on our living conditions, in particular if we live in a city or in the countryside. In a city we can rely on public transportation, while in the countryside we often have no other option than using our cars. The flip side is the negative side effects of mobility, such as the emissions and pollution from cars, trucks, and planes.

The emergence of the plug-in car offers a calmer and cleaner alternative to conventional cars. Their electric motor is much more efficient than the combustion engine and their smaller carbon footprint is getting even smaller if clean energy is used for charging. Environmental and societal concerns related to the manufacturing of their batteries are hitting the headlines but need to be put into perspective. In particular, they need to be balanced with comparable issues in oil-producing countries. The corona crisis fast-forwarded the shift towards plug-in cars thanks to state stimulus measures, including dedicated support for cleaner mobility. Add in the growing number of more affordable, long-range, and clean electric cars over the next few years, and this decade will see the era of electric mobility truly take off.

The corona crisis has also altered how people are getting around in cities. Crowded public transportation has come under scrutiny because of potentially higher infection risks, prompting some to prefer their cars while others discovered cycling. Some of the world's cities witnessed a bike boom last summer, as commuters were embracing cycling as a cleaner and healthier way of getting around. How about after the crisis? The share of cyclists is likely to stay higher, even though some will switch back to public transportation – as will some of the drivers.

Higher up, we had fewer planes in the skies during the crisis and this should remain the case, at least as far as business travel is concerned. For private travel, the desire to see the world and explore new places may be too strong a factor to keep people grounded.

HOW TO BE A MORE CONSCIOUS CONSUMER?

Becoming a conscious consumer requires an awareness of the impact our consumption has on the environment and society. This awareness can be used to single out specific steps to choose more carefully. For food, it would mean reducing the consumption of beef and dairy because of their greenhouse gas emissions. For fashion, it would be all about buying less and choosing high quality over low quality garments. And for mobility, it would be about reducing your radius and curbing your emissions by switching to greener options such as electric cars, bicycles, or public transportation. Does this sound like an ascetic lifestyle? It should not, as consumption will remain a reward and this reward, for society as a whole, may ultimately be bigger if we all consume more consciously.

Food: Growth in organic food sales in Germany, Switzerland, and the United States has outpaced growth of total food sales by a factor of 10 since the beginning of the century.

Fashion: We use only 20 to 30 per cent of the clothes in our wardrobes, each of which is merely worn seven times on average before it is ignored or disposed of.

Mobility: The energy efficiency of an internal combustion engine is less than 25 per cent, suggesting that 75 per cent of the energy is lost. Electric drive trains have an energy efficiency greater than 80 per cent.

FLIGHT PLANS

The pandemic changed air travel for good: now the industry must put sustainability at the heart of any plans to recover.

By Paul Charles, CEO of travel consultancy The PC Agency
and former Director of Virgin Atlantic and Eurostar

One of the biggest outliers in the 2021 Julius Baer Lifestyle Index came in the form of the flight data. Covid-19 led to the highest number of passenger planes ever grounded or in storage at any one time. More than 75 per cent of the global fleet was firmly on the ground in May 2020 – a staggering statistic for a sector that only has a chance of making money when planes are in the sky.

Prices for business-class flights in the Index varied wildly when compared with 2019, from +148 per cent in Moscow to -31 per cent in Monaco, with the overall average price increase of 11.4 per cent representing the largest average rise in the Index this year. This can be partly explained by the fact that airlines, in an attempt to generate some revenue, have been torn between ratcheting up airfares, especially in business class, and dumping seats cheaply and en masse to try to pump-prime any form of recovery. Combined with government restrictions on travel that have prevented confidence returning, circumstances have left prices volatile.

From the perspective of the industry, neither driving demand through seat sales nor increasing ticket prices has worked particularly well, and airlines have been left with retired fleets of 747s, balance-sheet write-offs, tens of thousands of job losses, and airport terminals mothballed. What's more, consumer attitudes are changing: a YouGov global survey in November 2020 found that in Italy, the UK, and Germany, nearly a third of people said they would fly less after the pandemic.

The decline in air traffic volumes caused by the pandemic resulted in a drop in carbon emissions for 2020. Environmentalists and airlines have finally agreed on one thing – 2020 has demonstrated how low carbon emissions can go, albeit forced by a crisis. While airlines start to rebuild their capacity as vaccine rollouts rebuild traveller confidence, they know that environmental pressure "will come back swinging", as Topi Manner, CEO of Finnair, puts it.

The recovery of the industry is dependent on it returning in a more sustainable and responsible way, as an increasing number of consumers want to see airlines' emissions output improve before choosing to fly again. Airlines have therefore turned their attention to how they can be more sustainable post-pandemic and address cost structures designed for mass flying at any cost to the environment. The answers lie in reducing aircraft weight, buying new aircraft (which needs a strong balance sheet – not easy to find in the current climate), and finding the elixir of sustainable aviation fuel (SAF). Around the world, trials are under way or about to begin that are bringing the vision of sustainable and responsible aviation to life.

CUTTING EMISSIONS

Finnair's aim is to reduce net carbon emissions by 50 per cent by the end of 2025 and be carbon-neutral by 2045. Amid its sustainable armoury, the airline also intends to have carbon-neutral non-flight operations (such as ground vehicles) by the end of 2022. Its ambition is helped by the plan to purchase new, more fuel-efficient planes, which has to be part of any airline's strategy to help the environment, if their balance sheets allow.

In the north of Finland, they are working with Sweden on trialling battery-powered, electric 19-seater planes that aim to serve regional airports across the Gulf of Bothnia by 2025. Zero-emission planes are realistic, as is zero-emission fuel. Swiss firm Synhelion, for example, is trialling alternatives, using concentrated solar energy to turn CO_2 and water into synthetic or solar fuel. This reduces net carbon emissions by up to 100 per cent.

> "Environmentalists and airlines have finally agreed on one thing – 2020 has demonstrated how low carbon emissions can go."

British Airways, also reeling from the downturn in travel in 2020, has set its sights on hydrogen, recently signing a deal with Zero Avia, which launched the world's first full-scale hydrogen plane in 2020. It expects to boost the range and size of aircraft with a 20-seat hydrogen plane travelling up to 500 miles by 2023, and 1,000 miles by 2030.

SIZE MATTERS

Smaller aircraft are likely to dominate our skies as airlines build back better. Premium travellers post-Covid 19 are seeking more space and privacy as they prefer to remain in tight bubbles to avoid possible future infection. Airlines are ordering smaller aircraft to cross the Atlantic, for example, with JetBlue, the first US airline to achieve carbon neutrality for all domestic journeys, flying the A321LR on its new services between London and Boston later this year.

Private jet firms, which tend to face more criticism from environmentalists but have nonetheless become increasingly popular during the pandemic, are also working hard to reduce their overall impact. Some, like PrivateFly, are already flying the smallest aircraft, and are choosing to go 'emission-neutral', looking beyond carbon offsetting alone and offsetting other aviation emissions including water vapour, aerosols, and nitrous oxide. PrivateFly, not its VIP clients, offsets 300 per cent of carbon emissions to cover the other emissions, the entire impact of the journey. Although offsetting is not a perfect solution by any means, it is a step in the right direction and, when combined with smaller planes and considered fuels, could provide a compelling option.

WASTE NOT, WANT NOT

There are other ways in which airlines are reducing their environmental footprint, too. In Asia, Japan Airlines (JAL) is testing the 'Ethical Choice – Meal Skip' option. If you notify JAL in advance that you will not need a meal and would rather sleep, that saves the tray and all its packaging from being loaded. The average airline passenger leaves behind an estimated 1.4 kg of waste from each flight; each year, 20 per cent of all food produced by in-flight catering teams is wasted. The potential waste and cost savings if we all opted for the environmentally friendly choice and skipped a meal could be considerable.

It's not just airlines that are doing, and need to do, their bit. The pressure is also on regulators and air traffic control authorities to deliver projects such as the Single European Sky, which could reduce emissions by 10 per cent due to shorter flying routes from A to B.

SURVIVAL OF THE GREENEST

Fifty per cent of all aviation emissions have been produced in the past 20 years, on the back of rampant growth in the way we travel. By 2050, aircraft emissions could triple. With this in mind, airlines are realising that, post-pandemic, they have to change their attitude to sustainability if they are to survive – not just survive financially, but also survive the rapidly changing consumer mentality towards flying. Being responsible is no longer a 'nice-to-have', it is a must, and airlines are using the Covid-19 era to quickly adapt their mindset and strategy.

Flying will never be the same again, especially in terms of business traveller numbers. Seat prices will be higher due to reduced airline capacity and demand, especially for key routes. This will lead to a natural fall in emissions, so carriers will be able to use this period to become more profitable and invest further in sustainable initiatives. They are determined to emerge from the pandemic as more responsible global corporate citizens.

IS GREEN THE NEW BLACK?

The events of 2020 knocked the USD 1.5 trillion fashion industry off its gilded pedestal. Can it build back sustainably?

By John Arlidge

The biggest headlines in fashion lately have not been about catwalk shows, fashion weeks, designers, or collections. They've been about something luxury goods companies have long swept under the red carpet – the thorny issue of the environment. A glut of stock and protests from textile manufacturers over cancelled orders during lockdowns have exposed a business model based on overproduction, excessive use of resources, and cheap labour. "Now we are forced into a moment when we have to reset," Anna Wintour, former US 'Vogue' Editor and now Chief Content Officer of Condé Nast, conceded last year.

At the same time, however, being stuck at home in increasingly threadbare loungewear has reminded many of us of the joy that fashion can bring. "People who enjoy clothes can't wait to dress up again," predicts Sir Paul Smith, the British designer. He should know. He has survived half a dozen recessions and is entering his sixth decade of dressing up in his trademark 'classic with a twist' style and encouraging others to do the same.

The biggest criticism of the modern fashion industry is that, in a desperate race for market share, brands overproduce. They do too many collections – rather than simply spring/summer and autumn/winter lines – and stage too many costly, elaborate shows around the world. The result is a vicious cycle of early full-price sales in boutiques and department stores, followed by rampant discounting and then, for some brands, the burning of stock. That's bad for brand equity and disastrous for the environment. Even before the coronavirus outbreak grounded most planes, fashion accounted for more carbon emissions than the aviation industry.

Some of the biggest names in the business have pledged to change. Edward Enninful, European Editorial Director of 'Vogue', declares: "We were producing way too many clothes, way too many shows. We can't go back to that speed." Upscale retailers agree. Anne Pitcher, Managing Director of Selfridges in London, says: "People will care not only about how you do business, but how you place people and the planet at the heart of your thinking."

Some big names are making a decent start at mending their wares and ways. Kering, which owns Gucci, Saint Laurent, and Bottega Veneta, has introduced environmental profit and loss (EP&L) accounts that put a financial value on the company's environmental impact. "In times of crisis, it's important to show you can run a good business and at the same time protect people and the environment," says Kering's Head of Sustainability, Marie-Claire Daveu. Kering's biggest-grossing designer, Gucci's Alessandro Michele, has pledged to reduce the number of his label's shows from five a year to two.

At rival LVMH, the conglomerate behind Louis Vuitton, Dior, and Fendi, Jonathan Anderson, Creative Director of its Loewe label, has begun implementing "massive product changes" – making clothing out of recycled plastic bottles, finding less toxic ways of galvanising hardware, and working on denim that requires 80 per cent less water to manufacture. Prada is using yarn spun from recycled ocean plastic to make its iconic nylon backpacks. Balenciaga and Burberry now tout not only the quality of their fabrics and leathers, but also their green credentials.

At fashion weeks, concepts and methods that were once the exclusive domain of young, fringe designers – using old stock fabric, for example, or cutting up and refashioning last season's unsold garments – are now being adopted by mainstream brands such as Maison Margiela. 'Carbon-neutral' shows, in which brands offset the carbon emissions they can't eliminate by donating to, for example, forest restoration projects, are now standard – although critics question the effectiveness of offsetting.

Retailers are following the brands' lead. Selfridges is introducing clothing rental, a second-hand fashion shop, beauty pack recycling, and a 'concierge' to help organise product repairs, as part of a five-year sustainability plan. The retailer has also created a labelling system that highlights products that are organic, forest-friendly, or vegan, as part of its Project Earth initiative. Pitcher has given brands targets to ensure that by 2025 the nine most environmentally impactful materials used in their products come from certified, sustainable sources. Major e-tailers, including Net-a-Porter, MatchesFashion, and Zalando, have introduced similar labels.

The retailers' moves are more than purely altruistic. There is a strong business case for embracing reuse and resale. The second-hand market is expected to grow faster than fast fashion. In the US it is projected to almost triple in value in the next 10 years, from USD 28 billion in 2019 to USD 80 billion in 2029, according to Thredup, an online consignment and thrift store brand. Small wonder Gucci, LVMH, Tommy Hilfiger, Levi's, and Anna Sui are experimenting with the idea – after years of claiming it was difficult to scale and could dilute brand strength.

Other brands and retailers, such as activewear brand Girlfriend Collective, are promoting 'circularity' – encouraging consumers to return old clothes so that fabric can be recycled and reused. Designers and executives say it won't be long before larger brands do the same. As one puts it: "It makes good business and environmental sense to offer your customers the chance to return older garments to be recycled into new ones for you to buy at a reduced price, or in return for a voucher offering money off a new garment. It's a virtuous loop in every sense."

Fashionistas are also keeping an eye on regenerative agriculture – a conservation and rehabilitation approach to farming. California-based non-profit Fibershed is working with brands to source sustainably and ethically farmed wool. Activewear brand Patagonia, which has pioneered sustainability, has helped to launch a certification for regenerative organic agriculture.

What of fast fashion, which accounts for a vast and growing chunk of the 80 billion garments produced annually? Back in March 2020, some observers predicted that lockdown, combined with the climate emergency, would persuade many younger, eco-conscious consumers to shop less. As if. Once stores reopened, the biggest queues across Europe were outside Primark, helping it to a record market share over the summer. The GBP 4 skirt and top looks safe for now – and is likely to stay that way as the recession deepens and spending power declines.

But that doesn't mean fast-fashion retailers are avoiding reform. Organic and recycled fibres, once a rarity, can now be found in the likes of H&M, whose Chief Executive, Helena Helmersson, has pledged "to produce what we can sell and make sustainable products – and rentals, remake and resell".

In spite of all the new initiatives, the challenge for fashion to demonstrate that green is the new black remains huge. The latest research indicates that the industry is still growing so quickly (the volume of apparel and footwear being produced is forecast to increase by 81 per cent to 102 million tonnes by 2030) that it is becoming less sustainable. A report published by the Global Fashion Agenda in Copenhagen and Boston Consulting Group revealed that the industry's progress on everything from carbon reduction to ensuring living wages for workers was 30 per cent slower in 2019 than the year before.

But executives and their advisors are undeterred. Leading fashion analyst Karl-Hendrik Magnus of McKinsey says: "Fashion is about emotional attachment, loyalty, and excitement for brands. We are convinced that, in the future, brand love and brand loyalty will very much be dependent on the sustainability attributes that a brand enables or builds with its consumers. It's not only a need but also a huge opportunity for this industry to reinvent itself and create things that are exciting to the consumer in new ways."

FOOD AND THE FUTURE

Climate change and animal welfare concerns were already reshaping how we farm and eat, but Covid-19 has accelerated the shift.

By Rhymer Rigby

Prior to the crisis, many people were already concerned about the environmental impact of our food. We fretted about food miles, worried about the carbon footprint of meat, tried to buy local produce, and, increasingly, looked for organic and sustainable foodstuffs.

A time of crisis has made us think more deeply about how we feed ourselves. As consumers, many of us have been cooking for ourselves as never before. The fun side of this has been social media fads such as competitive sourdough and banana bread baking. The serious side has been the need to plan and prepare three meals a day for ourselves and our families, and engaging with what we eat in a way that many of us haven't for about 30 years, in part because of the growth in 'al-desko' office lunches, ready-to-eat retailers, restaurants, and delivery services.

As a result, many of us are now even more conscious of the food we buy, and our consumption habits are adapting accordingly. Food companies, some of which have long been at the vanguard of ethical shopping, are also responding to these changing habits. There is a further dimension here too. Covid-19 has placed enormous pressure on global infrastructure and supply chains – and, as a result, companies have been looking at what they sell, from the farm to the table.

At the luxury end of the market, you have stores like Los Angeles-based Erewhon, which has been described as "the bougiest [fanciest] grocery store in LA". It is a popular haunt of local celebrities and, according to 'Los Angeles Magazine', has "inspired cult-like devotion among those who can afford to pay four dollars for an avocado". In a market where brutal price competition is the norm, Erewhon's USP is high prices and high margins for hyper-artisanal food products with backstories that read like upmarket spa brochures.

You might expect Hollywood A-listers to care about what they eat (while remaining price-insensitive), but the desire to be conscious consumers has spread far beyond the West Coast elite. In the UK, the 2020 edition of the Co-op's Ethical Consumerism Report, which has monitored ethical spending habits for more than 20 years, notes that in the past year "free-range eggs account for the biggest shift in consumer spending on food and drink – up 15.2 per cent". This is closely followed by plant-based products, which have risen 11.4 per cent. Organic and Fairtrade foods are also up. Roughly a third of shoppers plan to buy more plant-based and Fairtrade foods in 2021 – and 58 per cent say they want to support local shops.

This pattern is repeated around the world. In 2018, the consumer research group Mintel reported that traditionally carnivorous Germany had the highest proportion of vegan launches of any major economy. Indeed, many countries are now far more concerned about how they raise livestock, as factory farms can act as viral reservoirs. A September 2020 paper from the Humane Society called for the world to phase out intensive farming in order to cut the risk of future pandemics.

Unsurprisingly, vegetarianism and veganism have a huge part to play in conscious consumption. Going vegan is one of the most significant things most people can do to reduce their carbon footprint, as, according to the UN, meat and dairy contribute 14.5 per cent of total greenhouse gas emissions. Of these, beef, lamb, and cheese are the three with the greatest carbon footprint – and beef leads by quite some way. This is down to how these animals digest their food and the gases (principally methane) they produce.

The other thing these animals require is large amounts of land, be it for grazing or for the production of their feed such as corn. Particularly in the case of cattle, their grazing land was often previously forest, so they represent a double blow to the environment. This is also why animal agriculture takes up 70 per cent of farmed land.

The good news here is that vegetarianism and veganism are growing almost everywhere – particularly among younger people. The bad news is that meat consumption in many countries is on the rise, although the meats tend to be pork and chicken, rather than beef, which is some small salvation.

> "A great deal of the impetus for green change in the energy industry has come from investors."

Another positive note is the rise of meat substitutes, as epitomised by the Impossible Burger. According to data from Nielsen, early in the pandemic sales of plant-based 'meat' grew by 264 per cent – and in late 2020 McDonald's unveiled the McPlant, a meat-free burger created in conjunction with Beyond Meat. Of course, meat-free burgers are made in factories and are not without environmental impacts, but they are widely reckoned to be better for the planet than beef.

Nevertheless, it is worth remembering that there are still many contradictions when it comes to eating ethically. Organic food is perhaps the best known of these. Plenty of studies show that, despite the benefits of organic food, once you factor in the greater land requirements, factory farming may actually have less impact on the environment. One of the authors of a 2018 report produced by the Chalmers Institute of Technology in Sweden explains: "Our study shows that organic peas, farmed in Sweden, have around a 50 per cent bigger climate impact than conventionally farmed peas. For some foodstuffs, there is an even bigger difference."

In these cases, the researchers point out that it could be better to cultivate non-organic crops and leave a hectare or more as wild for every hectare you grow. In a similar vein, it can be more energy-efficient to grow tomatoes in sunny Spain and transport them to many parts of northern Europe than it is to grow them in other parts of the EU, depending on the cultivation method used. For reasons such as these, some have suggested that it is perhaps better to use growth in organic sales as a measure of consumer interest, rather than success when it comes to eating for a more sustainable future.

Norbert Rücker, Head of Economics & Next Generation Research at Julius Baer, points out that on top of all this complexity you have harder to measure factors. Measuring the loss of biodiversity is one. This is related to climate change, but does not necessarily always line up with it. He explains: "While there are credible calculations showing how the planet's extraordinary variety of species shrinks every year, such metrics lack a clear link to our consumption habits or corporate activity."

Eating sustainably is clearly complex, but, while the problem takes in numerous interlocking drivers, so perhaps will the solutions. A great deal of the impetus for green change in the energy industry has come from investors who, increasingly, see putting money into environmentally damaging businesses as an unacceptable risk. We could start to see this type of financial pressure in food. Teni Ekundare of the FAIRR Initiative, a London-based collaborative investor network that is helping to identify and prioritise ESG-related issues in intensive livestock supply chains, recently told the 'Financial Times': "Unless things are done, there is a risk that [the meat industry] becomes the next oil and gas with stranded assets."

CONSCIOUS CORPORATIONS

Businesses are learning that forward-thinking environmental, social, and governance practices are more crucial than ever before, from satisfying ethical consumers to attracting investors.

Conscious consumption is the new conspicuous consumption. Gone are the days, which stretched from the 1980s all the way to the 2000s, when we flaunted what we bought. Now what we are keen to advertise are the ethical dimensions of our purchase. Have we bought something that treads lightly on the environment? Does it help disadvantaged people? Do I really need it? And is my purchase making the world a better place?

This trend started in consumer goods aimed at relatively wealthy market segments (the Body Shop is an early example) but has since spread everywhere, from high-end luxury to fast-food chains, and from pop-up restaurants to B2B companies and industrial giants. Businesses across the board are under increasing pressure to ensure that their supply chains are both transparent and ethically sound. For multinationals with global supplier ecosystems and multiple layers of subcontractors, this can be an enormous undertaking. Nonetheless, they need to do it, not least because increasingly they may be legally required to do so.

There are strong business reasons to embrace sound environmental, social, and governance (ESG) practices too. Companies that lead in this area tend to perform better financially. There are multiple drivers at work here. One is that ESG is simply proving to be the best way of doing things – for example, saving energy is both green and good business. But there is a whole raft of second-order reasons too. Companies that perform ethically tend to be forward-thinking in other areas and are more likely to be good corporate citizens, have good reputations, and be employers of choice that attract the best talent.

For these reasons, investors like ESG too. Increasingly, they look to put their money in businesses with strong ESG track records, and even stipulate that companies put certain ESG measures in place. Ethically sound companies tend to be lower-risk and offer better returns. Here we profile a selection of renowned global businesses that have chosen to embrace ESG and seen the benefits first-hand.

The companies mentioned do not represent an investment recommendation and are used only for illustrative purposes.

INDITEX – A FAST-FASHION EXCEPTION

Inditex is one of the world's largest fashion companies. Based in Spain, it owns household names, including Zara, Massimo Dutti, and Oysho. Despite being in a sector that often scores very poorly on ESG, it is a global leader and does particularly well on the environment and sustainability.

The company's strong performance in these areas is down to number of factors. In a sector where many outsource manufacturing to faraway countries with lax environmental legislation, Inditex owns many of its own plants. Even where it doesn't, it tends to keep manufacturing close to its Spanish headquarters and requires suppliers to follow a stringent environmental, social, and health and safety code. It is an innovator in areas ranging from waste management to raw materials. The company's near-to-home, just-in-time manufacturing model has other advantages too. It means lower transport costs, faster speed to market (important in fashion), higher profit margins, and reduced carbon emissions. Finally, it supports job creation near to its markets and wastage is low.

Where it scores less well is on governance. This is mainly due to the dominant control (Chairman and CEO) situation and because its founder, the billionaire Amancio Ortega, owns almost 60 per cent of the shares in the company. Nonetheless, it is an ESG beacon in the often problematic fast-fashion sector.

MICROSOFT – THE INNOVATOR

It's easy to assume that ESG only covers obvious areas such as the environment and gender parity at board level. But Microsoft is an ESG champion because, among other reasons, it is so good with privacy and data security – and invests strongly to ensure that it will continue to be a global leader in these fields. As with many high-end knowledge businesses, it is also a great place to work. Employees enjoy good pay and benefits and career development, although it has faced scrutiny over gender discrimination, which is a sectoral problem in tech.

Microsoft has also made big strides on the environmental front. It is one of the world's largest operators of data centres, which are now huge consumers of electricity. It seeks to offset this by powering its data centres using 100 per cent renewable energy. In a more futuristic vein, via its Project Natick, it is experimenting with undersea data centres that use ocean waters to deal with the enormous amounts of heat that these facilities generate.

Finally, Microsoft is a world-class innovator whose future products – AI, the Cloud, or quantum computing – will help solve the world's problems. For such a large company it is also dynamic – although still popularly associated with the Windows operating system, it has transformed its business model over the past decade and remains a leader in a sector where you have to run just to stand still.

ASTRAZENECA – AN EQUAL OPPORTUNITIES CHAMPION

AstraZeneca is an Anglo-Swedish pharmaceutical company based in Cambridge in the UK. It scores notably well when it comes to sustainable healthcare solutions and has a very large presence in developing markets (particularly China). It also gets high marks when it comes to corporate governance and has strict anti-corruption policies in place that go right across its supply chain.

The company is particularly strong with gender equality and is aiming for parity across management by 2025. As might be expected for a science-based business, it attracts high-calibre staff and offers excellent employee development in order to give them careers that make them stick around.

The company's ESG credentials also include the education of young people. In 2010 it started the Young Health Programme (YHP), which aims to educate young people about non-communicable diseases. These are ailments such as diabetes and cancer, 70 per cent of which are attributable to behaviours that began in adolescence (such as smoking). By educating young people, the company hopes to reduce preventable related deaths. UNICEF recently became a partner with the YHP.

SCHNEIDER ELECTRIC – THE B2B ENVIRONMENTAL LEADER

Schneider Electric is a French company that provides energy-based solutions, ranging from power transmission to electrical switches for homes. It gets consistently high marks for its ESG and is a global industry leader in terms of its environmental credentials. It also scores well in terms of labour relations and its board composition, which is 43 per cent female.

Schneider has quite a pedigree here – it has been a leading proponent of ESG for years and its long-term goals include accomplishing the UN's 17 social development goals (SDGs) by focusing on what it identifies as the five sustainability megatrends: climate, the circular economy, health & equity, development, and ethics.

In many ways the company is a natural fit for this area. It operates in a sector where innovation is often around energy efficiency – and its solutions include microgrids, smart technologies, automation, and clean tech. It sets itself apart from its competitors by really concentrating on these and putting them centre-stage. It sees ESG as a direct source of competitive advantage.

HOW IS MY REGION CHANGING?


PARK


granini
fruits
Vin Rouge 75 cl
Medoc AOC
Château de
Camblanc
2007
15 €


SOCIAL
BAR

THE JULIUS BAER LIFESTYLE INDEX: KEY FINDINGS

Despite the major upheaval caused by Covid-19, the world of wealthy consumers did not change hugely in 2020 – but there were notable regional variations.

If you were to glance at the findings of the 2021 Julius Baer Lifestyle Index, you might be forgiven for questioning whether the pandemic has changed anything in high-end consumption habits. Many of the underlying trends of the past few years – and even the past decade – have carried on into 2021. The luxury goods and services markets have proved resilient and the most expensive cities on Earth continue to be in Asia.

The Julius Baer Lifestyle Index takes a basket of goods and services that reflect the HNWI lifestyle – ranging from residential property to laser eye surgery – and analyses costs in 25 key cities around the world. It then looks at global, regional, and categorical changes. This is the Index's second year considering global trends, following its expansion from the Asia Lifestyle Index in 2020.

It is perhaps unsurprising that the luxury goods market has held up well, as professional jobs and the digital and knowledge economies have also held up surprisingly well during the Covid-19 crisis.

The relatively strong performance of Asia in the Index was driven by a broad variety of reasons, not least because Asian countries are widely regarded as having dealt with the pandemic fastest. As a result, their economies have suffered the least – China was the only major world economy to grow in 2020.

Thus, Asia Pacific remains the most expensive region and the three most expensive cities in the world remain Shanghai, Tokyo, and Hong Kong, although Shanghai takes the global top spot from Hong Kong. Shanghai and Hong Kong are to the 21st century what New York and San Francisco were to the 20th (and London and Paris were to the 19th). The torch has passed from Europe to the US to Asia.

> "Asia Pacific remains the most expensive region and the three most expensive cities in the world remain Shanghai, Tokyo, and Hong Kong "

If you look at Shanghai, the reasons for it taking the top spot in terms of costs are clear. Not only is it the great boom town of the past two decades, but also many high-end items – ranging from treadmills and cars to degustation dinners and lawyers – command a substantial premium over the global average. These high prices are not offset by some of the bargains to be found in Shanghai, which include ladies' shoes and handbags (whose relatively lower prices are down to falls in import duties and taxes).

Plus ça change. But look at other trends and a more intriguing picture emerges. The US and Europe have swapped places. The Americas are now the cheapest region – and home to two of the three cheapest cities in the Index. This reflects a general softening of the US dollar against currencies such as the euro.

SOFT CURRENCY

This makes for some interesting outcomes. Once pricey New York is now down to the middle of the Index. Vancouver, which was once a byword for unaffordable real estate, is now a relatively cheap place to live. Indeed, nothing except health insurance is particularly costly there. Again, this may be partly currency-related. The Canadian dollar, like its US counterpart, has fallen against other currencies over the past year. Conversely, Bangkok – once a hotspot for affordable tourism – is now a multi-faceted premium travel, retail, and residential destination.

In terms of cities, what we are seeing is the ongoing rise of Asia. The swap of the Americas and Europe is currently down to currency fluctuations, but it's not impossible to imagine this trend becoming more entrenched. European cities – particularly Paris – are attractive places to visit and live and are closer to Asia than nearly all their American counterparts. The outlook on the US tends to be bearish, so the Western hemisphere may become cheaper still. In an Asia-dominated world, could North America eventually become more like South America in terms of its global economic heft?

Geography is not the only factor driving these changes. The Lifestyle Index itself is changing to reflect the evolving world of high-end consumption. Wedding banquets, pianos, beauty services, and personal trainers are no longer included, while more relevant new items such as bicycles, technology packages, and health insurance have been introduced. Botox is out; treadmills are in.

OUTPACING INFLATION

Also interesting here is how the high-end goods market works. Most luxury brands raise prices every year, and some do so twice a year. This is in order to keep above inflation – and even outpace it. According to an industry source, Cartier increased the prices of jewellery by 4.5 per cent in September 2020. On top of this, brands such as Chanel have adjusted prices citing rising costs of raw materials during the crisis, while others have hiked prices in Asian markets to compensate for poor domestic performance that is down to Covid-19.

Keeping prices ahead of inflation reflects the aspiration to maintain exclusivity. Purchasing power – especially in countries like China, which is now the key market for high-end goods and services – rises considerably faster than inflation.

There are, of course, any number of interesting outliers. Mumbai is the commercial capital of India and has been in headlines for having some of the most expensive property on earth. Yet although there are exclusive neighbourhoods, property there in general is quite reasonably priced compared to the rest of Asia. Moreover, Mumbai is the cheapest city in the region for everything from bicycles to watches to whisky.

There are similar quirks all over the place. Manila is a punishing city to commute in – because of its sprawl – and not a great place for fashion buyers, but compared to other cities in the index is cheap to engage the services of lawyers. Cars are expensive in Singapore and Taipei. Dubai and Frankfurt are becoming more expensive. These are just a few examples of the idiosyncrasies of the different cities.

KEEPING THE WORLD GROUNDED

Covid-19 has, of course, had an effect above and beyond currency impacts. There have been sharp price changes for certain categories of services – most notably flights. Business- and first-class flying became more expensive overall. Indeed, so strong has the impact of Covid-19 been on flights that there was an argument for removing these from the Lifestyle Index. However, we decided to retain them to show the impact of the pandemic on travel in 2020 and to offer the most accurate depiction of the year. As might be expected, hotels have also reflected the impact of the pandemic and their rates fell sharply across the board – although considerably more in Asia. Assuming large-scale vaccination works, these are likely to bounce back in 2021 – and may even overshoot their longer-term prices, reflecting pent-up demand.

> “Keeping prices ahead of inflation reflects the aspiration to maintain exclusivity. Purchasing power rises considerably faster than inflation.”

Wine is another outlier. It has declined sharply in price in the Americas, but this is more down to vagaries of supply – the scarcity of Château Lafite 2009 means the Lifestyle Index only represents the US, where prices tend to be lower. Whisky offers an interesting contrast. It is up across the board. This is partly down to a tightening of supply. But the whisky market has also boomed over the past decade and now it is an in-demand luxury good for both aficionados and investors, as well as commanding record auction prices. Indeed, whisky has become so expensive that many collectors are now looking to other spirits, such as rum.

PREPARING TO REBOUND

So, what can we expect looking ahead? The world is likely to rebound from Covid-19, and the pandemic has not changed any underlying trends. For the next few years, rising Asia in general, and China in particular, will be the drumbeat to which global wealth increasingly marches.

The pandemic is a once-in-a-century event that has so far been shown to have little real effect on global wealth trends. Next year, the most expensive cities will probably still be in China and the most important consumers of high-end goods will be the Chinese. Other Asian cities will wax and wane, but their importance will largely be driven by their place in China’s orbit.

CITY RANKINGS

- Moved up
- Moved down
- No change
- 3 City rank 2021

The Julius Baer Lifestyle Index is based on a basket of 20 luxury goods and services that represent discretionary purchases by HNWIs globally. Here we show the global rank of the 25 cities included in the Index this year.


EUROPE
LONDON 8
FRANKFURT 17
PARIS 7
ZURICH 6
MILAN 13
MONACO 4
BARCELONA 15
EUROPE
MOSCOW 18
TOKYO 2
SHANGHAI 1
TAIPEI 5
DUBAI 12
HONG KONG 3
MUMBAI 22
BANGKOK 11
MANILA 16
SINGAPORE 9
JAKARTA 20
JOHANNESBURG 25
SYDNEY 14

THE JULIUS BAER LIFESTYLE INDEX: NEW ITEMS

For this year's Index, we decided to change four items in the list of goods considered, in order to reflect major shifting lifestyle trends and the retail situation during the pandemic. Items no longer included are grand pianos, wedding banquets, beauty services, and personal trainers. Here we explain our selection of the four new items and analyse the findings in those sectors.

BICYCLE

A fast-growing retail sector in our increasingly health-conscious world even pre-pandemic, sales of bicycles surged dramatically during 2020. Bicycles offer the dual benefit of exercise and avoiding public transport, and government subsidies have also increased uptake as cities around the globe seize the opportunity to reduce traffic and encourage residents to adopt more climate-conscious modes of transport. We do not see the growth in bicycle use declining, and have included it in our Lifestyle Index for the first time to reflect this.

Our Lifestyle Index shows overall that purchasing a high-quality road bike costs the most in São Paulo, where import duty has long been high, and the least in Mumbai, where attractive levels of goods and services tax and strong domestic production are driving sales. The Asia Pacific region is the cheapest in our Index for purchasing a road bike, even though Manila is the second most expensive city despite a relatively low level of sales tax. Many of the most expensive cities for purchasing a road bike are in Europe, the Middle East, and Africa.

TECHNOLOGY PACKAGE

The ability to stay connected remotely has become increasingly important over the past year as people have found themselves separated by the pandemic. There were an estimated 4.5 billion internet users globally in 2020, spending almost a third of each day online, with more than 80 per cent using social media. As the demand for constant connectivity is only likely to increase, we have included a technology package – smartphone, tablet, and personal computer – in our Index for the first time to reflect this lifestyle change.

Our Index places São Paulo as the most expensive location to buy our chosen technology package, reflecting the high cost of imported electronics in Brazil. Jakarta is the cheapest location in our Index, possibly reflecting the importance of digital connectivity to the world's third largest mobile market. We see Asia Pacific as the most affordable region for this new item and Europe the least affordable, with many of the most expensive cities for the technology package, including Milan in second place, behind São Paulo.

TREADMILL

In this year's Index, a personal trainer has been replaced by a treadmill, to reflect the increased demand for fitness at home. While fitness regimes are nothing new, with global measures to combat the pandemic closing gyms and fitness centres worldwide, many have taken their regimes home. In the US alone, sales of treadmills soared 135 per cent between March and October 2020, and revenue from health and fitness equipment sales doubled during the same period. Now, with flexible schedules and many fitness providers offering on-demand services, the trend for keeping fit at home is here for the long run.

> The Americas prove to be by far the cheapest region for treadmills, with Mexico City the most affordable city overall. Even expensive São Paulo is only middle-ranking in this category. Europe is firmly the most expensive region for this item globally, with five of the 10 dearest cities, including Moscow and Zurich at 3 and 4 respectively. The two top spots, however, are occupied by Shanghai and Tokyo respectively, reflecting the high cost of living in these urban centres.

HEALTH INSURANCE

The provision of healthcare and health services has not been far from anyone's mind in the past year, and as global medical infrastructure is tested to its limits, individuals and families want to secure the best possible support should a medical emergency befall them. With the global health insurance industry predicted to grow at a compound annual growth rate of 4.7 per cent between now and 2027, including this service gives an accurate reflection of the priorities of the wealthy in years to come.

> The rankings for this new item show large regional differences in price, which may depend on an individual country's medical infrastructure and whether there is state-provided healthcare. The most and least expensive locations – Bangkok and Shanghai – are both in Asia Pacific. Overall, the region is the most affordable for these services by a significant margin, with Bangkok a stark outlier. The Americas are the most expensive region for health insurance. Europe, the Middle East, and Africa is on average less costly than the Americas for health insurance, but the diverse quartet of Johannesburg, Milan, Monaco, and Paris join Bangkok and Vancouver as the most expensive cities for this item.

MOVERS AND SHAKERS

+11.4% Business-class flights

+9.9% Whisky

+6.6% Watches

BIGGEST RISERS

BIGGEST FALLERS

–5.6% Wine

–9.3% Hotel suites

–11.7% Ladies' shoes

All changes in USD terms

THE JULIUS BAER LIFESTYLE INDEX: REGIONAL INSIGHTS

While currency fluctuations and changes to our goods and services basket both influence the Index, the long-term trend of a rising Asia remains the key factor.

As noted in the Index key findings, the big story of this year's Index is how Europe, the Middle East, and Africa (EMEA) and the Americas have switched places, with the former becoming appreciably more expensive and the latter cheapening considerably. This has been largely driven by a fall in the value of the dollar against other currencies between our data collection periods. But this is not the whole story. All the cities in the Americas have fallen in the rankings, many steeply. The Americas now have a single city in the top 10 – New York – a situation that would have been unimaginable 20 or even 10 years ago.

EMEA, by contrast, is mostly composed of rising cities, with two exceptions. London has remained static, probably due to Brexit-related uncertainty and because sterling is down approximately 20 per cent on its pre-2016 levels. The one city that has fallen is Johannesburg. This is the single African city in the Index, the cheapest city globally, and may reasonably be considered an outlier both economically and geographically. The distance from Zurich to Johannesburg is not much less than the distance from Zurich to Shanghai.

TEMPORARY GLITCHES

Asia presents a more mixed picture, with both risers and fallers. The falls are more modest than those in the Americas, although appreciable in the cases of both Bangkok and Singapore. This is probably down to the former's exposure to tourism and the latter's reliance on international trade and status as a regional travel hub. According to Singapore's Ministry of Trade & Industry, the country's economy is expected to bounce back strongly in 2021, and Fitch Solutions predicts Bangkok will experience a decent but slightly more modest recovery.

A CHANGING BASKET

When looking at how the regions have changed, it is also worth examining the changes in the goods and services in the basket. This switch has largely favoured those living in Asia Pacific countries, where the new items tend to be cheaper.

> "The changes in the goods and services in the basket have largely favoured those living in Asia Pacific countries."

For three of the four new items in the Index – bicycles, tech packages, and treadmills – the Americas and Asia Pacific are cheaper. This will be a familiar picture to many Europeans who are used to visiting the US and being amazed by how affordable consumer goods are. (For full details on the new Index items, see page 50.)

By contrast, the older items that have been replaced were more mixed in terms of cost ranking. Europe was far and away the best place to buy a piano. It was also fairly competitive for weddings and personal trainers. In the new world, though, the Euro-bargains are few and far between.

However, the Americas have gone from reasonable to cheap. The one new item where the Americas are uniformly pricey is healthcare. Collectors of economic trivia may also be interested know that Shanghai is the most expensive place in the world to buy a high-end treadmill.

ASIA'S LONG BOOM

Yet, despite these changes, Asia remains expensive. Why? Some of it is currency-related. But most of it is down to the greatest underlying factor of all: such is the strength of Asian economies in general, and China in particular, that the addition of some more mainstream consumer goods is not enough to offset the high prices caused by the long boom.

That said, some Asian cities are still affordable. Jakarta is one – and this makes sense. Indonesia may be the world's fourth most populous country, but it is somewhat peripheral to the Asian economic miracle. Moreover, its geography makes it a special case – 17,000 islands mean development is tough and modern Jakarta is thousands of kilometres from the isolated jungles of Indonesian Papua, where some tribes live an existence virtually untouched by modern life.

Mumbai is perhaps more surprising, as it is the commercial capital of rising India. According to the Index, it is one of the places where wealth goes the furthest. Residential property costs less than half the global average, and the only truly expensive items are cars. In most ways, it contrasts sharply with Shanghai, the commercial competitor of India's great rival.

Of course, this tells a story in itself. While India's recent growth has been impressive by developed world standards, it has generally lagged China's by around 3 per cent a year. As a result, the latter's economy is now four times the size of India's.

If India can start to close this gap we could, over time, see a significant change, with cities like Delhi and Bangalore (India's tech capital, which has seen huge inward investment) presenting strong cases for joining the Index.

WESTERN WANE

Finally, we should turn our eyes west. The US is one to watch. Battered by Covid-19, and feeling uncertain of its place in the world due to an ever more bullish China, the US can feel a bit like the UK did in the 1930s, with spending cuts, tax hikes, and high levels of unemployment. Indeed, it is notable that both the US and China have two cities in the Index.

> "While India's recent growth has been impressive by developed world standards, it has generally lagged China's."

However, it is a big mistake to write the US off, even if we are well into in the 'Asian century'. Its nominal GDP is still more than 50 per cent greater than China's; per capita, it is more than six times higher. Measured per head, the US is the eighth richest country in the world, while China is 68th. From natural resources and the global reserve currency to tech know-how and the world's best universities, the US still has the edge on China in almost every field.

CITY PORTRAITS

INTRODUCTION

In this year’s report, we have chosen 12 cities from our Index to look at in closer detail. The following city portraits combine testimonials from local residents, market analysis from our Julius Baer regional experts, and research data to give you a better idea of the atmosphere, attitudes, and market conditions in a diverse range of cities around the world.

BARCELONA

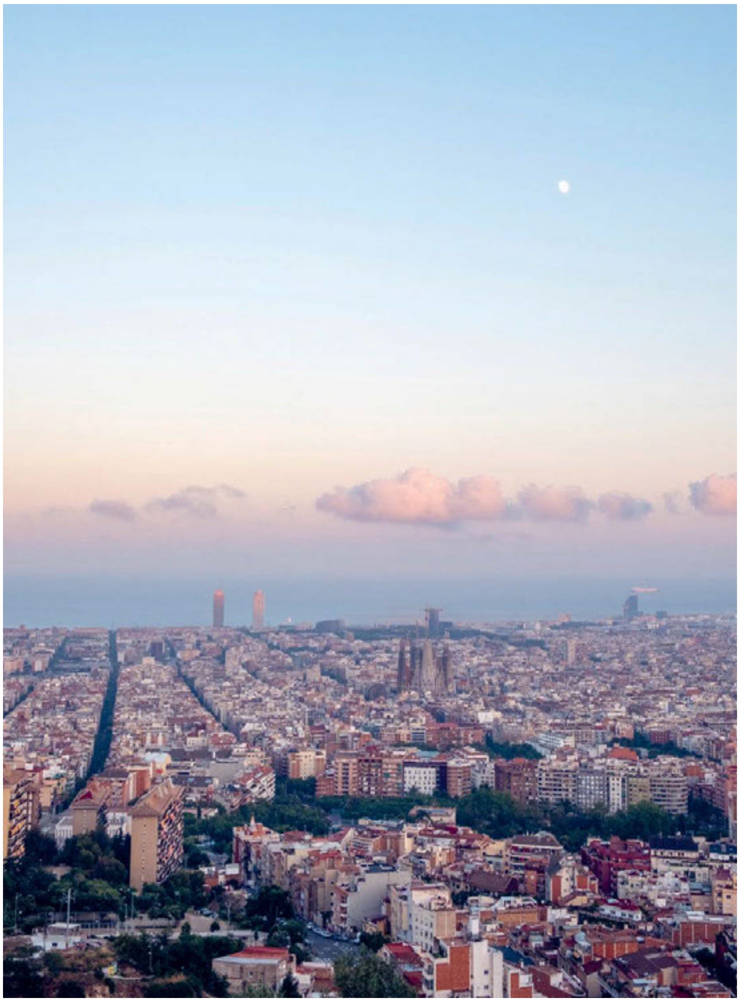
Spain's second largest city, with its Mediterranean coastline and copious sunshine, ranks 15th in this year's Index.

CITY OVERVIEW

Barcelona offers just about everything that people look for in a city: art, culture, wow-factor architecture, great shopping, lots of sunshine, and, to top it all, a beachfront. It also has another major plus-point: despite all these attractive features, the city continues to be moderately priced, ranking 33rd out of 68 European cities in the January 2021 update of Expatistan's Cost of Living Index.

Despite rapid price growth over the past year, Barcelona remains relatively affordable compared to other European cities when it comes to real estate. According to Knight Frank, homes there are the most popular with overseas buyers. There is growing demand for high-quality, energy-efficient, and smart new apartments. The city is also looking to improve liveability by creating 'superilles' or superblocks within existing neighbourhoods by redirecting traffic within designated nine-block areas, returning streets to residents and increasing green spaces.

Barcelona also offers compelling value for select luxury goods and services. Compared to 2019, the city is now more expensive, climbing to the 15th spot in Julius Baer's Lifestyle Index. This is attributable to a greater increase in prices across the board (except business-class flights) compared to the global average price change. On a weighted-average basis, prices in Barcelona increased by 2 per cent in euro terms and 7 per cent in USD terms owing to the strengthening of the euro against the dollar.



Barcelona's location, weather, and architecture make it an attractive destination for HNWIs

The beach at La Barceloneta is within easy reach of the city centre

The city boasts a wide range of cultural attractions

RESIDENT INTERVIEW

Miguel Vicente, Chairman and Co-Founder of Antai Venture Builder

The lifestyle that Barcelona guarantees is probably one of the best in Europe. The city is very well connected with other major cities in Spain, but also with the Pyrenees and some of the most beautiful bays in the country. The leisure facilities and infrastructure are well organised, and there are some great international schools. All these factors also make it a great place to raise a family.

One of the surprising things about Barcelona is its amazing diversity: we have an incredible local and international culture here. And it's one of the few cities in Europe where the authenticity of the locals mixes with the international people the city attracts. That makes visiting and living in Barcelona a unique experience.

What also needs to be said is that Barcelona is currently one of the best places in the world to start a business. It is attracting a wide range of international talent, investors, and entrepreneurs. The growth of the tech ecosystem in particular has been important and consistent. We are witnessing a key development in this direction that will put Barcelona on the map as a tier 1 city for start-ups and investors worldwide.

JULIUS BAER EXPERT COMMENT

Almudena Benedit, Head of Portfolio Management Iberia

We have seen that our clients increasingly expect to receive holistic advice, wish to be more involved in portfolio construction, and are less willing to accept standardised solutions.

Growing interest can be seen in trending topics with greater long-term secular growth prospects such as technological disruption, life sciences, and digital health. We have also observed that our clients are becoming more open to greater international portfolio diversification through increased investments in the US. There is also a bigger appetite for investments in China with a view to de-correlating asset allocation.

Over the past year, there has been a significant increase in the assets that are invested according to sustainability criteria. Responsible investing is something that the Catalan (and Spanish in general) investor is increasingly aware of and that has gained further momentum because of the coronavirus crisis.

Due to persistently low or even negative interest rates, clients are also seeking alternatives to fixed-income investments. These primarily include investments in private equity, venture capital, real estate, and infrastructure assets. Although alternative assets still account for a small proportion of clients' portfolios, they are one of the segments that Julius Baer expects to see the highest growth in.

RESIDENT INTERVIEW

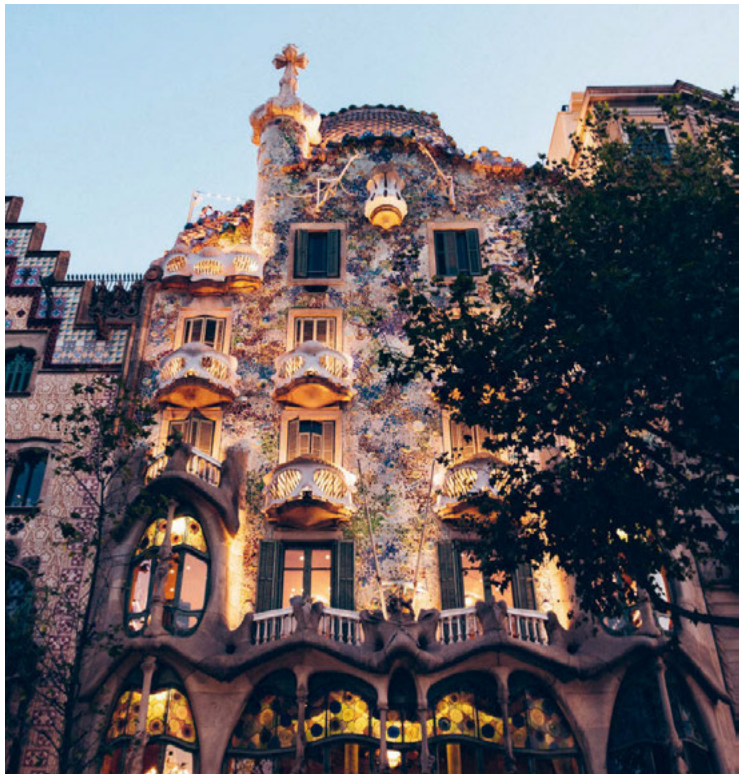
Rosa Clará, Designer and Founder of eponymous Rosa Clará brand

I have travelled the whole world and, for me, Barcelona is one of the best cities to live in. It is cosmopolitan, with all the advantages of a large global capital. The hotel accommodation is very noteworthy, with many five-star establishments, and the cuisine serves as a reference for the whole world. Also, Barcelona always has something new to offer: an exhibition, a sports tournament, or cultural and music festivals.

The city is very entrepreneurial, so it attracts talent and is one of the best places for promoting sustainable fashion, for example. Professionals working in design, fashion, photography, music, and other artistic disciplines are the main protagonists in terms of setting Barcelona's dynamic rhythm.

Barcelona never fails to surprise you, even if you live here. It perfectly combines history with modernity. The gothic and El Born neighbourhoods co-exist with the uniqueness of Gaudí's buildings, and with the emblematic infrastructure that transformed the city for the 1992 Olympic Games, as well as the numerous examples of contemporary architecture in 22@ – Barcelona's innovation district.

The Catalan capital welcomes the most demanding visitors because it knows how to anticipate their needs and desires. It caters to visitors who are looking for very high quality, whether it is in their accommodation, gastronomy, or leisure activities.



Casa Batlló is one of Antoni Gaudí's true masterpieces

Tapas feature strongly in the city's cosmopolitan food scene

CITY BAROMETER

81	72	70
LIVEABILITY	SUSTAINABILITY	HAPPINESS

Sources: Mercer, Arcadis, World Happiness Report

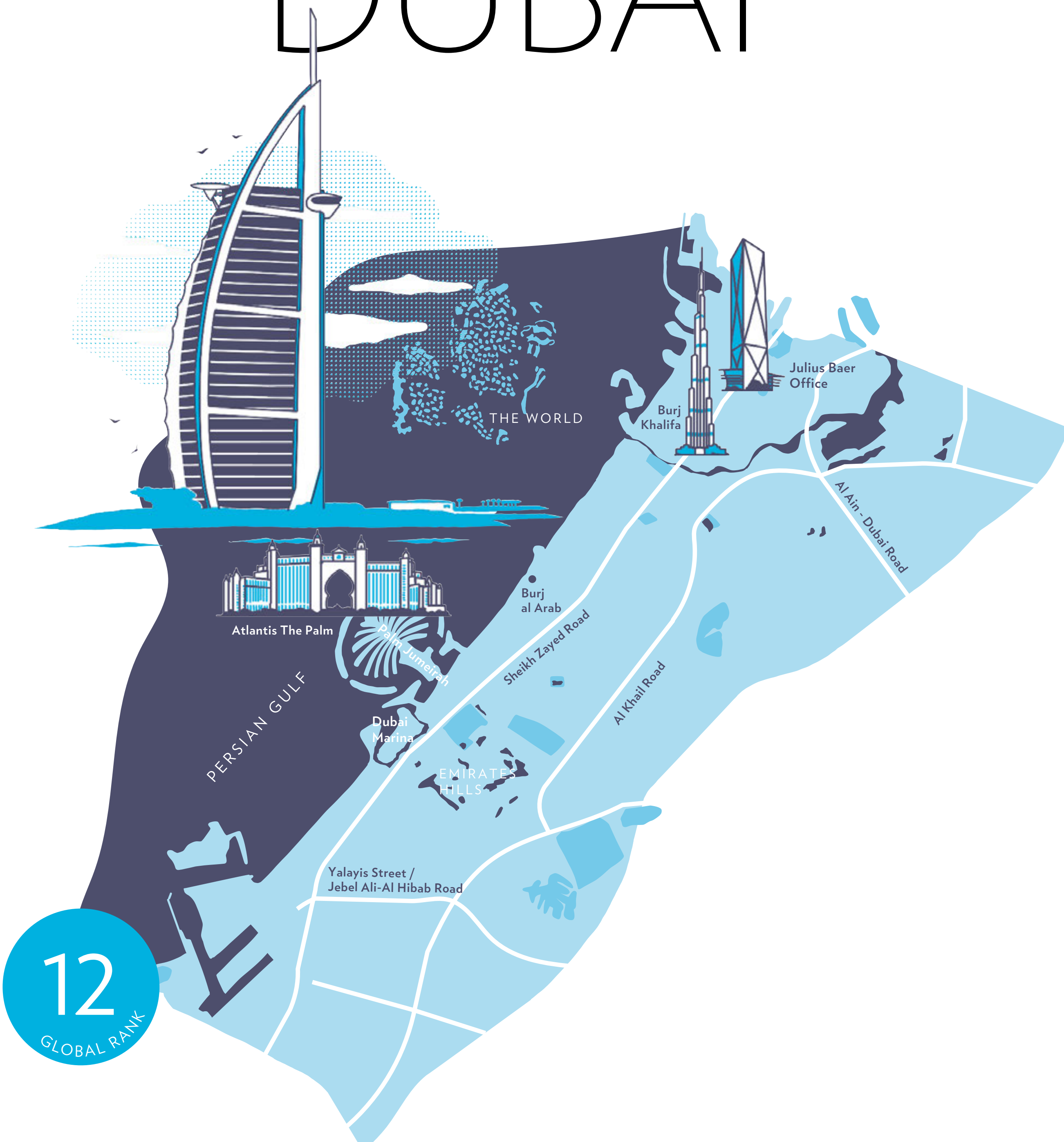
Scores out of 100

45.6 GDP/capita (USD thousands)[1]

5.0 POP (m)

[1] 2019 real USD figures in PPP

DUBAI



An economic and luxury hub, and the most populous city in the United Arab Emirates, Dubai takes 12th place in this year's Index.

Dubai is sandwiched between sea and desert

Sheikh Zayed Road is a tourist attraction in its own right

CITY OVERVIEW

Dubai has two different, but connected, identities – it is a commercial powerhouse with an aggressive economic growth strategy and a determination to attract businesses and start-ups, as well as a sought-after tourist destination. Today, it is using technology to drive its vision of becoming a smart city. It is now third in the FDI Global Cities of the Future 2021-22 rankings, and fourth in the Global Entrepreneurship Index 2020. The city remains an international luxury and business hub, inching up our Index ranking this year to take the 12th spot. On a weighted-average basis, prices in Dubai increased 1 per cent in AED terms, and 1 per cent in USD terms.

Although the city's early economic growth was based on oil, its boast today is that its economy is now among the most diversified in the world, with oil accounting for less than 1 per cent of GDP. Very limited corporation tax, and VAT at just 5 per cent, are additional selling points for Dubai, as is the UAE's position in the top 20 in the World Bank's Ease of Doing Business rankings in 2020. New regulations allowing for complete foreign ownership of onshore companies in certain sectors, as well as 10-year visas for investors, professionals, and retirees, are set to further contribute to Dubai's appeal as a global hub.

The UAE's open economy has taken a hit from coronavirus. However, with its growing emphasis on research and development, technological advancements, and innovation, there seems little doubt that the country will bounce back as it prepares to celebrate its 50th anniversary in 2021.

JULIUS BAER COMMENT

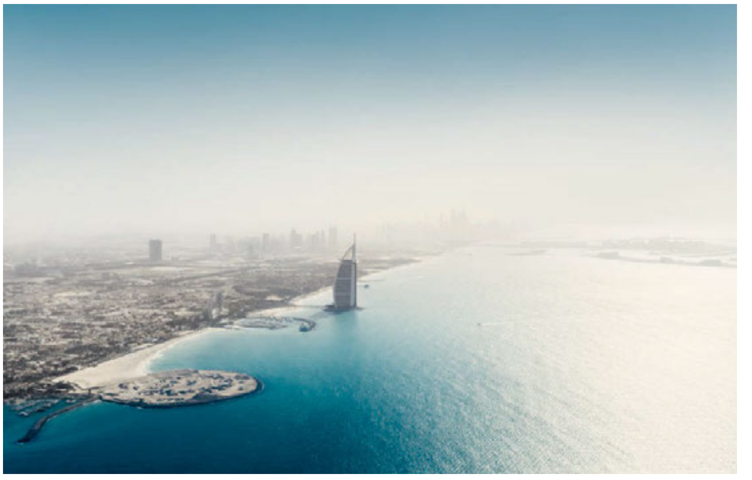
Omar Barghout, Head of Investment Advisory, Middle East

Dubai has been a pioneer in efforts to combat Covid-19. With the aid of a fiscal stimulus, it has managed to bolster finances amid the weak economic backdrop and low oil prices. The reopening of commercial activities has attracted tourists and investors back to Dubai, raising hopes that the much-anticipated Expo 2020 (rescheduled to 2021 due to the pandemic) will be a success.

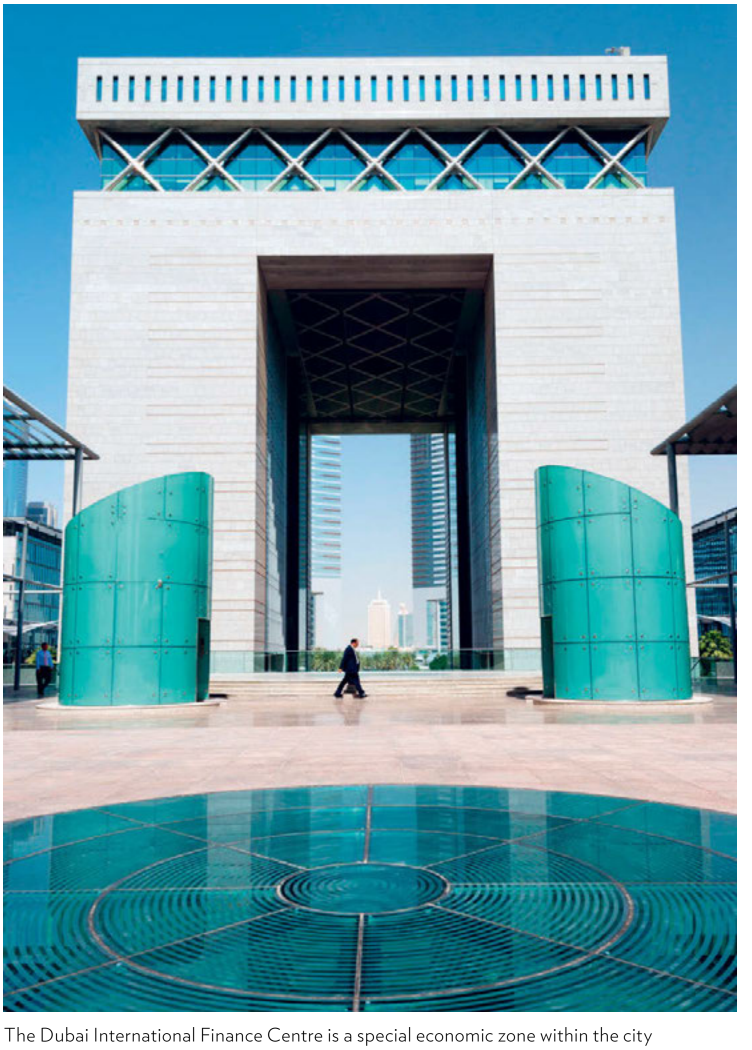
This optimism has been reinforced by an improved geopolitical situation in the Middle East, which has opened a plethora of opportunities for investors across different sectors. in addition, Dubai is emerging as a vibrant hub for tech start-ups, drawing significant early-stage investments in the fintech space.

Last year, investors were very active in the international equity markets, witnessing a shift away from fixed income into equities with a high interest in thematic sectors, such as digital health, fintech, electric vehicles (EVs), and beneficiaries from 'stay at home' equity baskets. In addition, clients built their gold positions and sought FX solutions because of the weaker US dollar environment.

Appetite increased among yield-hungry investors for structured notes and fixed maturity products to secure an income stream due to a low interest rate environment.



The Burj Al Arab hotel stands out prominently on the Gulf coast



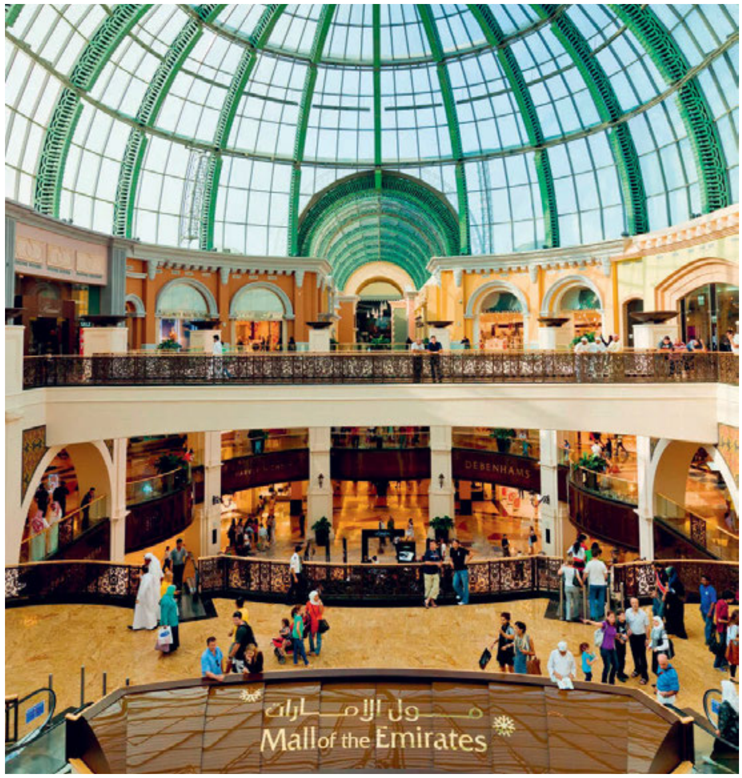
The Dubai International Finance Centre is a special economic zone within the city

CITY CHARACTER

Over the past 20 years, Dubai has become known for its host of smart shops, grand, modernist apartment blocks, and vibrant leisure and nightlife scenes. A substantial influx of HNWIs has bolstered the luxury goods market, which continues to be buoyant, with a value of just over USD 1 billion in 2020.

As well as the man-made Palm Jumeirah Island, neighbourhoods favoured by wealthy residents include Emirates Hills, with its vast mansions and extensive golf courses, and Dubai Marina, where residents can wander down from their apartments to their yachts. The residential property market in Dubai stabilised in 2020 as a result of a strong Emirati dirham and changes to mortgage regulations. However, it is likely to be subdued for the next couple of years as the city recovers from the pandemic.

With its collection of Michelin-starred chefs, the city offers visitors and locals a variety of international cuisine, with an increasing fusion of cosmopolitan influences, be it a Chinese-inspired burger on the waterfront or classic northern Italian dishes in a formal business restaurant.



Mall of the Emirates includes the Middle East's first indoor ski resort

Dubai boasts one of the largest suspended aquariums in the world

CITY BAROMETER

79	68	58
HAPPINESS	LIVEABILITY	MOBILITY

Sources: World Happiness Report, Mercer, IESE

Scores out of 100

47.5
GDP/capita (USD thousands)[1]

5.2
POP (m)

[1] 2019 real USD figures in PPP

FRANKFURT

Germany's financial centre, Frankfurt is a highly liveable and sustainable city, and takes 17th place in this year's Index.

CITY OVERVIEW

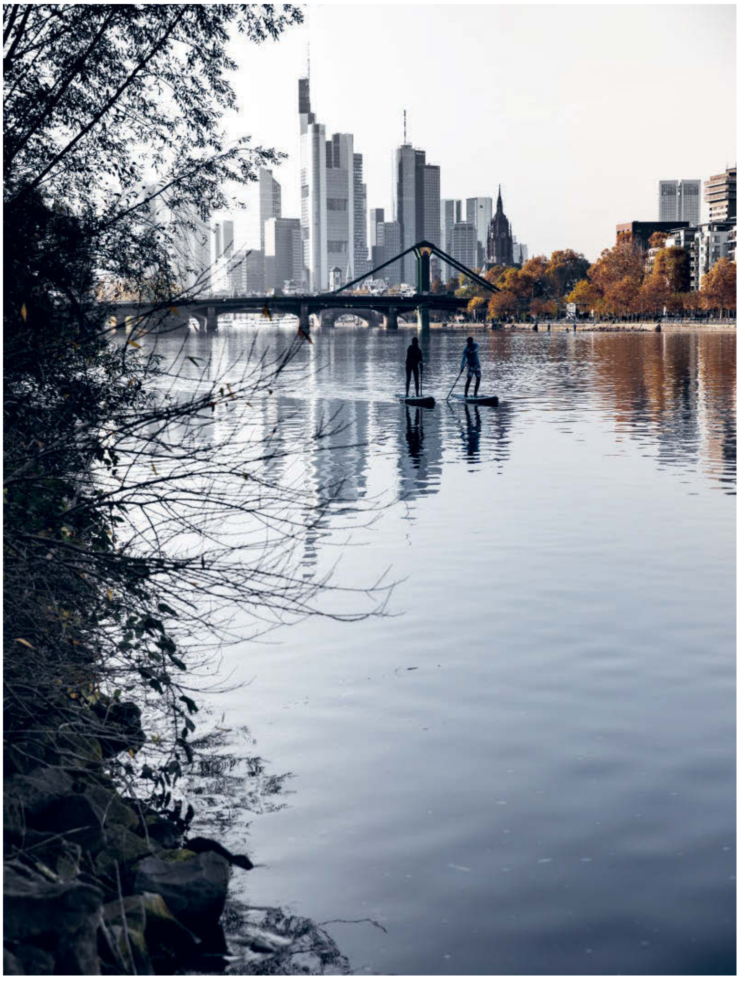
Ranked 17th for cost of living in the Index, Frankfurt provides good value for its HNWI residents. It is the most affordable and undervalued city in Western Europe. Hotel suites and fine wine represent particularly good value in the city.

Regarded as Germany's financial centre, Frankfurt is comfortable with its wealth. The city comes seventh in the Mercer quality of living ranking and fourth among European cities for personal security, according to 'The Economist'. It's widely considered to be one of the best-placed cities in Europe to recover from the impact of Covid-19.

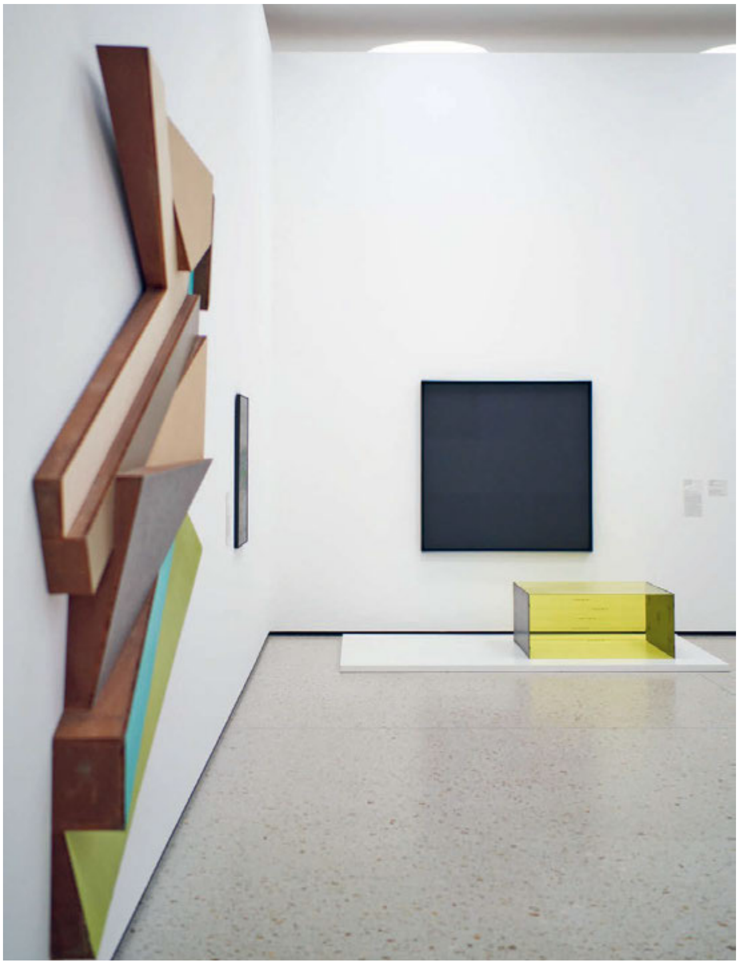
Frankfurt is traditionally regarded as a commercial centre – its airport is the country's busiest for cargo – but its residential property market is now experiencing rapid growth.

The population has been increasing by an average of 11,000 per annum since 2013, according to Knight Frank, while the area between Westend and the River Main is undergoing major regeneration, attracting both local and overseas buyers who find Frankfurt's continuing prosperity and quality of life appealing.

Water fountains at the Waldspielpark playground



The River Main is a key component of the city of Frankfurt



The 200-year-old Städel Museum has a significant collection of artworks

A distinctive sintered stone façade by architect Hadi Teherani

JULIUS BAER COMMENT

David Kohl, Chief Economist

Frankfurt am Main is constantly growing as both the financial centre of Germany and the centre of the Frankfurt/Rhine-Main metropolitan region. Its airport – the fourth busiest in Europe and located just 20 minutes out of the city – attracts local and international travellers.

The decision to locate the European Central Bank in Frankfurt has further accelerated the city's multicultural diaspora and its importance as an international financial hub. This is expected to increase as Brexit has led many firms to move away from London.

Naturally, this trend has been accompanied by significantly rising house prices over the past decade, underpinning Frankfurt's attractiveness for citizens as well as investors. In addition, smaller towns in the nearby Taunus region such as Bad Homburg, Kronberg, and Königstein enjoy great popularity and have seen similar increases in house prices and rents.

When it comes to investor preferences, we see similar trends as across Germany as a whole, with increased interest in ESG investments in particular.

CITY CHARACTER

Affluent Frankfurters spend their money with discretion, but the city also has a strong artistic life. Alongside the 200-year-old Städel Museum, with one of the most important collections in Germany, are a growing number of independent, modern galleries offering regularly changing exhibitions by emerging and well-established contemporary artists.

The city's collection of boutiques do a brisk trade among locals and business visitors, while younger, affluent shoppers are more likely to head to Berger Strasse, with its vintage stores and boutiques featuring pieces by less well-known designers. Frankfurt's restaurant scene is also increasingly innovative, driven by the city's many visitors and residents who embrace new ideas and cuisines.

Higher education in Frankfurt draws international students to the city, with many company headquarters also offering good employment prospects. Around half the urban area is made up of natural landscapes, however, and for relaxation and recreation a vast green belt surrounds the city, including one of Germany's largest inner-city forests. These all help the efforts to make Frankfurt one of the world's most sustainable cities.

Frankfurt's striking central station dates back to 1888

The city has a vibrant restaurant scene

CITY BAROMETER

LIVEABILITY	SUSTAINABILITY	SAFETY
97	90	73

Sources: Mercer, Arcadis, The Economist

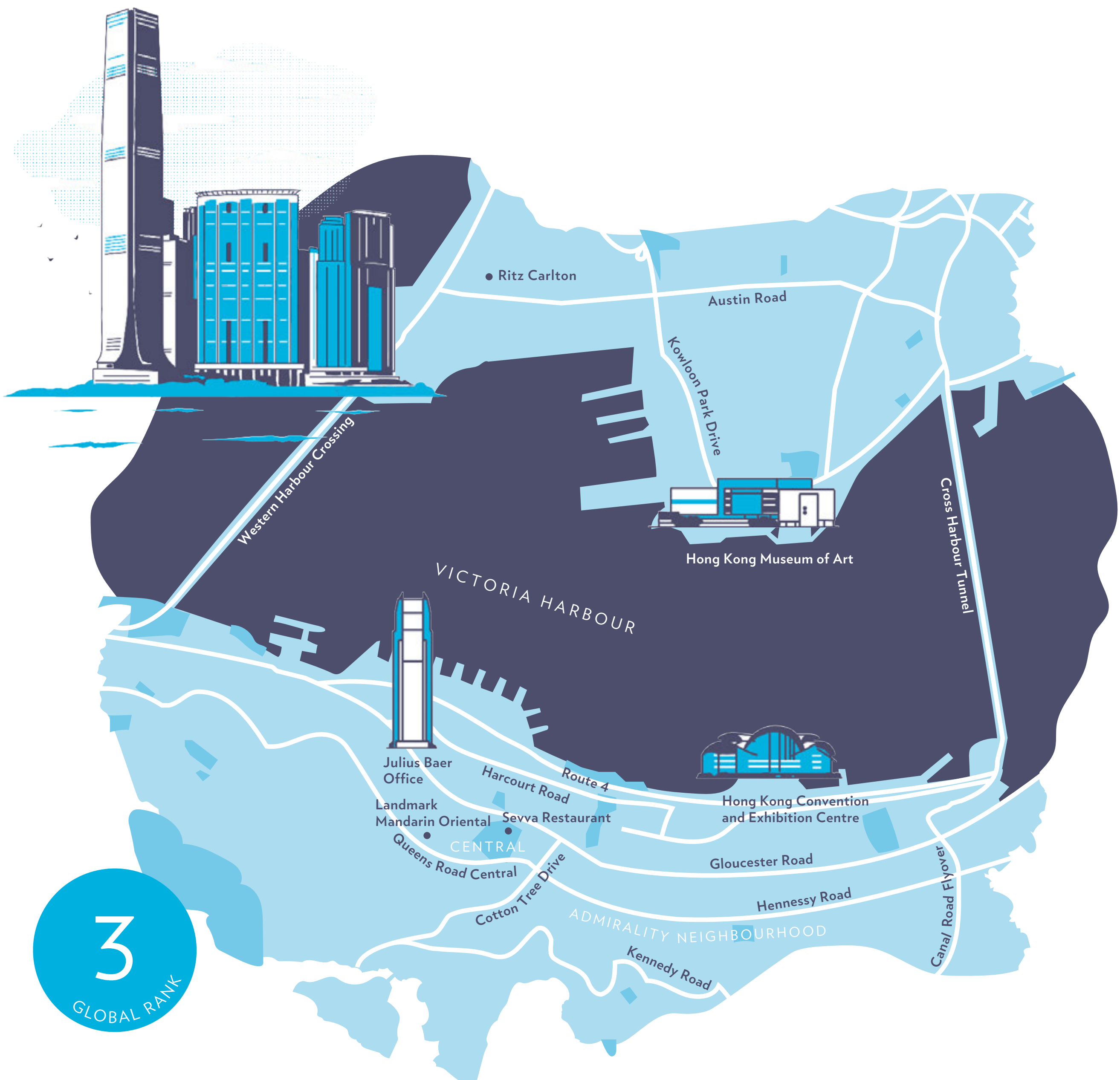
Scores out of 100

70.0 GDP/capita (USD thousands)[1]

2.7 POP (m)

[1] 2019 real USD figures in PPP

HONG KONG



A global centre for both finance and commerce, Hong Kong is ranked third in this year's Index.

The view from Hong Kong Island across Victoria Harbour

CITY OVERVIEW

Hong Kong has been overtaken by Tokyo and Shanghai and is now the third most expensive city in our Index. With its energy, diverse culture, and entrepreneurial buzz, it continues to appeal to HNWIs from around the world – its wealth is more conservative, discreet, and well established than is the case with mainland China. HNWIs in Hong Kong tend to be male professionals and entrepreneurs, although more women are joining this demographic.

Prices for luxury goods and services have generally changed little over the past year, according to research by Julius Baer, although the price for a hotel suite has fallen by nearly a quarter, making it an appealing destination for wealthy travellers when tourism resumes in earnest.

Consumers in Hong Kong spent less than half the amount on luxury goods of their mainland counterparts last year. They're less interested in high-profile labels as indicators of status and more concerned about the quality of products, with an appreciation for subtle and understated design.

The Economist Intelligence Unit (EIU) liveability survey 2019 awarded the city a score of 83.1 for culture and environment, while the Knight Frank Global Cities Index ranks Hong Kong fourth for lifestyle.

A number of the city's high-end goods and services are now more expensive than in many other parts of the world, with consumers paying more for cars, business-class flights, smart restaurants, and legal services. After two consecutive years of contraction in 2019 and 2020, brands are working harder to attract customers.

CITY CHARACTER

Hong Kong offers one of the most exciting and varied restaurant and nightlife scenes in the world. As you would expect from a city that is celebrated for its entrepreneurialism and varied cultural influences, it invests heavily in its high-end bars and restaurants in order to attract affluent customers amid fierce competition. Interiors feature striking statements and venues vie for the best views of skylines and seascapes.

Venues such as Sevva, with stunning views from Central and Admiralty to the harbour and Kowloon, and PDT (Please Don't Tell), a speakeasy secreted away within the Landmark Mandarin Oriental, cater to discerning residents and visitors alike. High-end hospitality in the city is equally impressive. The storied Peninsula hotel sits alongside newer arrivals like Rosewood Hong Kong and The Upper House to offer visitors an exemplary experience.

Long a centre of international trade, Hong Kong is one of the world's most significant financial centres and commercial ports. This status has resulted in one of the largest concentrations of skyscrapers in the world, making the city skyline and its daily Symphony of Lights show a major tourist attraction.

Although the urban centre may be densely populated and compact, the rest of the territory is a more natural environment; 75 per cent of Hong Kong's landmass is green. Residents appreciate the abundance of beaches, forests, and mountains, as well as the long established network of country parks, when time out is needed from their busy lives.

Transportation in Hong Kong is highly developed, with more than 90 per cent of daily trips made on public transport, one of the highest percentages in the world. Given its geography, water transport is also key, and the iconic Star Ferries carry nearly 30 million passengers annually across Victoria Harbour.

Hong Kong International Airport has long been a key transport hub and is one of the world's busiest, handling around 70 million passengers a year. These numbers have dropped sharply since the emergence of Covid-19, but the Southeast Asian travel market is regarded as one of the first to begin recovering from the pandemic.

The Peak Tram carries passengers to the top of Victoria Peak

JULIUS BAER COMMENT

Richard Tang, Head of Research Hong Kong

Hong Kong is still some time from fully reopening compared to mainland China, which has impacted retail businesses in the city. However, while the commercial property market is pressured, the residential property market remains strong given the pent-up demand and low interest rate environment.

Outside property, investor interest in the financial market was particularly strong in 2020. There was greater allocation of assets from bonds to equities, and from old economy to new economy within those equities.

Recent market corrections have not dampened sentiment and most investors are keen to buy on dips to build core positions in secular trends, including cloud computing, electric vehicles, new energy, and biotechnology.

Food is a huge part of Hong Kong life, from high-end restaurants to street vendors

A traditional junk boat in Victoria Harbour

CITY BAROMETER

91	75	69
SUSTAINABILITY	COST OF LIVING	LIVEABILITY

Sources: Arcadis, Expatistan, Mercer

Scores out of 100

59.5 GDP/capita (USD thousands)[1]

7.5 POP (m)

[1] 2019 real USD figures in PPP

LONDON

The capital of the United Kingdom is a global business and tourism centre, and takes eighth place in this year's Index.

CITY OVERVIEW

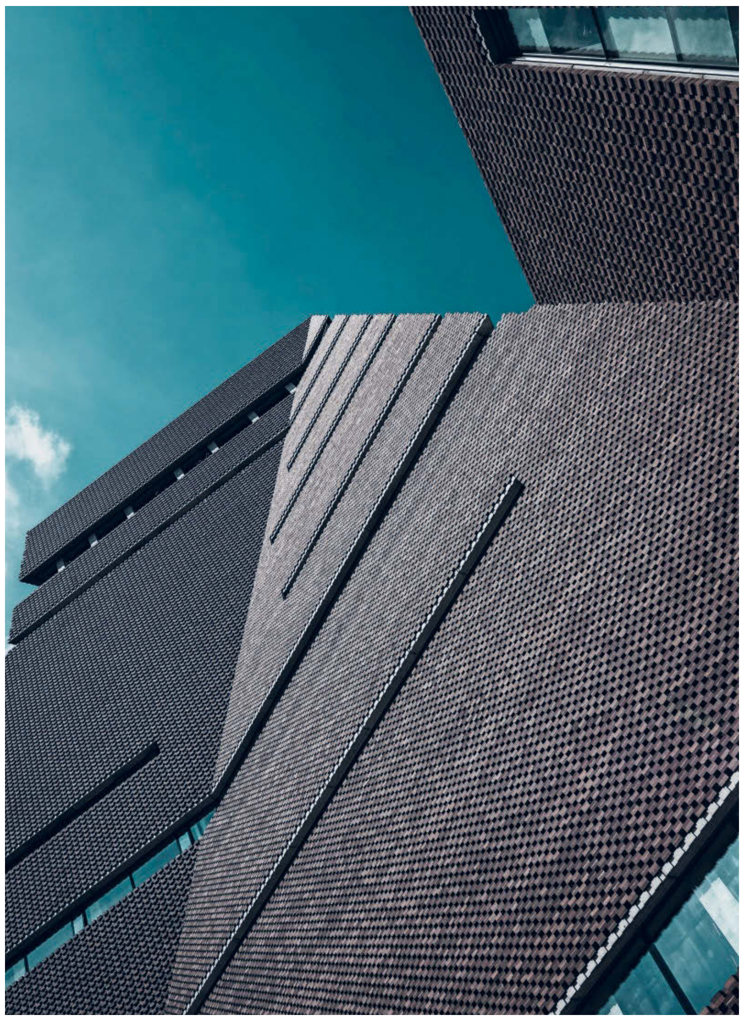
Londoners were able to breathe a sigh of relief when a Brexit deal was reached at the end of December 2020. The city remains a leading global hub and has significant influence in a number of areas, including financial and fintech services. However, changes to immigration rules are likely to have a negative impact on the numbers of internationally mobile families that move to the UK.

Compared to the same period in 2019, prices in London fell 2 per cent on a weighted-average basis in 2020, but a stronger pound reversed this decline, leading to a 2 per cent increase in USD terms. In Julius Baer's Lifestyle Index rankings, London now occupies 8th spot and is no longer the most expensive European city.

As the pandemic took hold, London residents flocked to the city's 3,000-plus public parks to enjoy some fresh air and exercise. This search for green spaces was also reflected in the property market: after the UK's first lockdown, demand for outdoor space surged in prime London real estate, with areas that have access to green spaces benefiting from this trend. However, while property prices have remained resilient outside the capital since the market reopened in mid-May 2020, prime London has seen a less marked rebound.

London generally receives good overall marks in city rankings for liveability, safety, and happiness, among others. Of particular note, however, is its first-place finish in Arcadis's most recent Sustainability Index (2018), which examines factors relating to social, environmental, and economic criteria. The city also placed first in the IESE Business School of Navarra's 2019 Cities in Motion Index, which compared the level of development of 174 cities around the world.

Tower Bridge and the Thames retain their places at London's heart



Tate Modern has breathed fresh life into the city's arts offering

JULIUS BAER EXPERT COMMENT

Alan Hooks, Head of Private Clients, Julius Baer International Ltd.

Investor preferences in London and the UK are varied, and depend greatly on the type of client, their experience, and their requirements. Many clients have opted for a strategy that delegates investment decisions via a discretionary mandate, often paired with an advisory solution centred around thematic ideas or specific sectors or areas where they have a particular interest or expertise.

Investments in real estate, equities, and private equity remain dominant in UHNWI investment portfolios, most often in the form of individual securities, funds, or direct investments. Many business owners and entrepreneurs prefer to be actively involved in private businesses as a way of complementing a more diversified portfolio.

Demand for sustainable investments continues to grow, with investors also interested in understanding the social and environmental purpose of the companies they are invested in. This trend clearly took hold in 2020 and can be seen among younger investors in particular.

Currently, it is not surprising that one major concern families are grappling with is potential changes to the personal and corporate fiscal environment following high levels of government borrowing to manage the pandemic. Cyber-security is also an area of concern and is seen as a real threat, while another important topic that many families are dealing with is how to best transfer their wealth to the next generation.

Harrods is a major attraction for many HNWI visitors

RESIDENT INTERVIEW

Tom Chamberlin, Editor of 'The Rake', a men's fashion and lifestyle magazine

The ecosystem of London is set up to cater perfectly to the HNW and UHNW lifestyle. There is a well-known rubric for living a good life here – the private members' clubs, the museums, the right roads to shop on – all of this makes living in London incredibly user-friendly. This is especially the case in areas such as Knightsbridge, Kensington, and Mayfair, where you have everything you need – your children's school, the greengrocer, good bars and restaurants, beautiful parks – in one small walkable area. You can always find a quiet corner even though you are in a heaving metropolis.

There is a romanticism that surrounds London: the history, the elegance, the enduring affection for old-fashioned British style. People travel from all over the world to get their suits made on Savile Row; it isn't about flashy designer labels, it's about quiet luxury and the best hand-made suits money can buy. People in London are still spending money on bespoke items despite the Covid-19 crisis. Just as with the financial crisis, the money doesn't just disappear, but people spend it in a more considered way to preserve their lifestyle and funds.

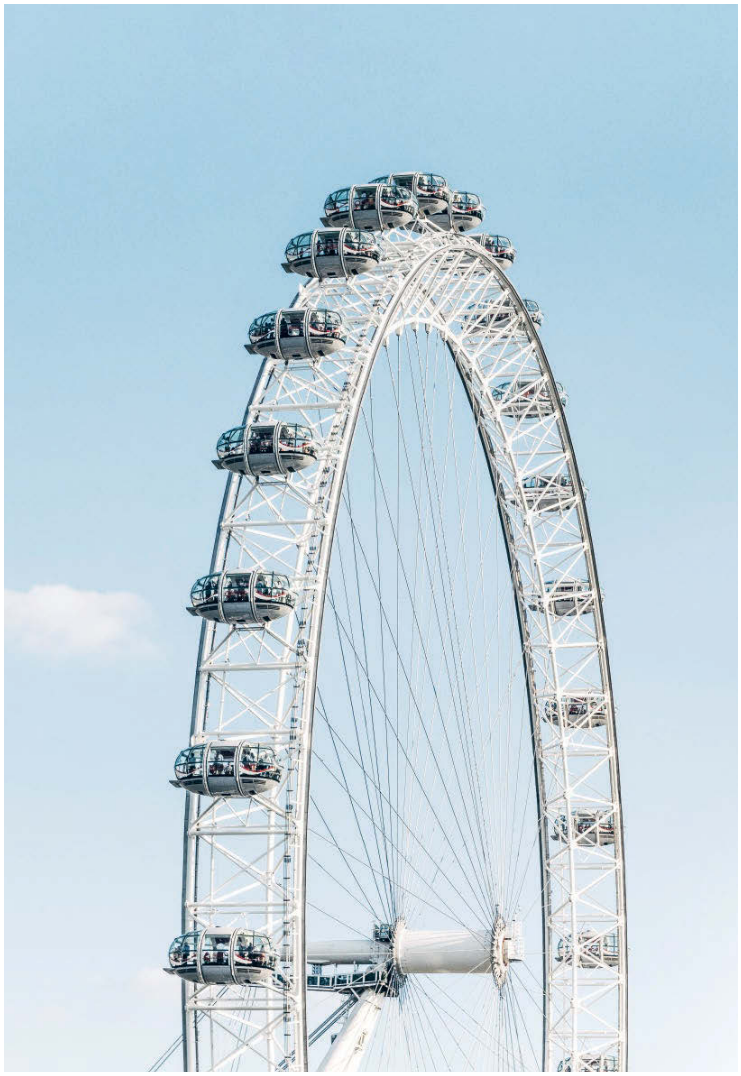
RESIDENT INTERVIEW

Roger Wade, CEO and Founder of BoxPark, the world's first pop-up retail and hospitality destinations, and entrepreneur

Your first thought when you are looking to relocate your family, or if you are wealthy and looking for a new home, is to look for a place that is safe to live in, secure. London ticks all those boxes. But what makes London 'London' is the people.

The city accepts all races and cultures, which creates an incredible melting pot and makes it very vibrant. It's an exciting city, where things happen. It might not have the best weather, but I would suggest that maybe it has some of the best people in the world.

For businesses, London offers the total package: access to finance, a favourable tax environment, a fantastic, motivated workforce, and more importantly, access to a great city that people enjoy living in. The city has changed dramatically from the London that I knew growing up, when going out was limited to the West End. Now the East End is thriving, South London has come from nowhere, and there are pockets of exciting things happening throughout the city.


The London Eye offers views of the capital from 135 metres up


The 'Gherkin' overlooks London's more historic buildings

CITY BAROMETER

99	82	81
SUSTAINABILITY	LIVEABILITY	HAPPINESS

Sources: Arcadis, Mercer, World Happiness Report

Scores out of 100

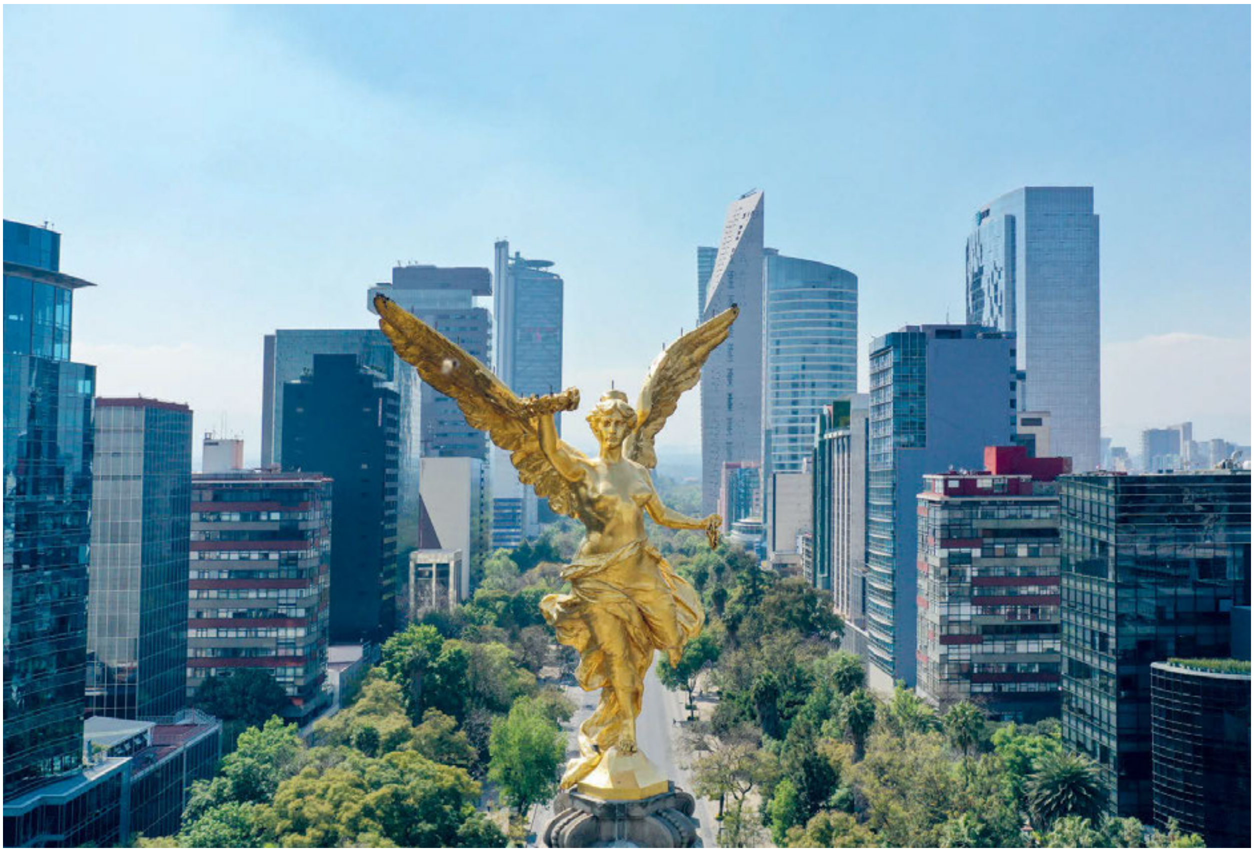
69.5 GDP/capita (USD thousands)[1]

12.2 POP (m)

[1] 2019 real USD figures in PPP

MEXICO CITY

One of the world's most populous urban centres, Mexico City is a cultural hotspot that ranks 23rd in this year's Index.



El Ángel de la Independencia dates back to 1910

CITY OVERVIEW

Mexico City has suffered an economic slowdown that took effect even before Covid-19 and is heavily exposed to the fortunes of the neighbouring US economy. However, Mexico's own economy, the second largest in Latin America, is expected to rebound in 2021.

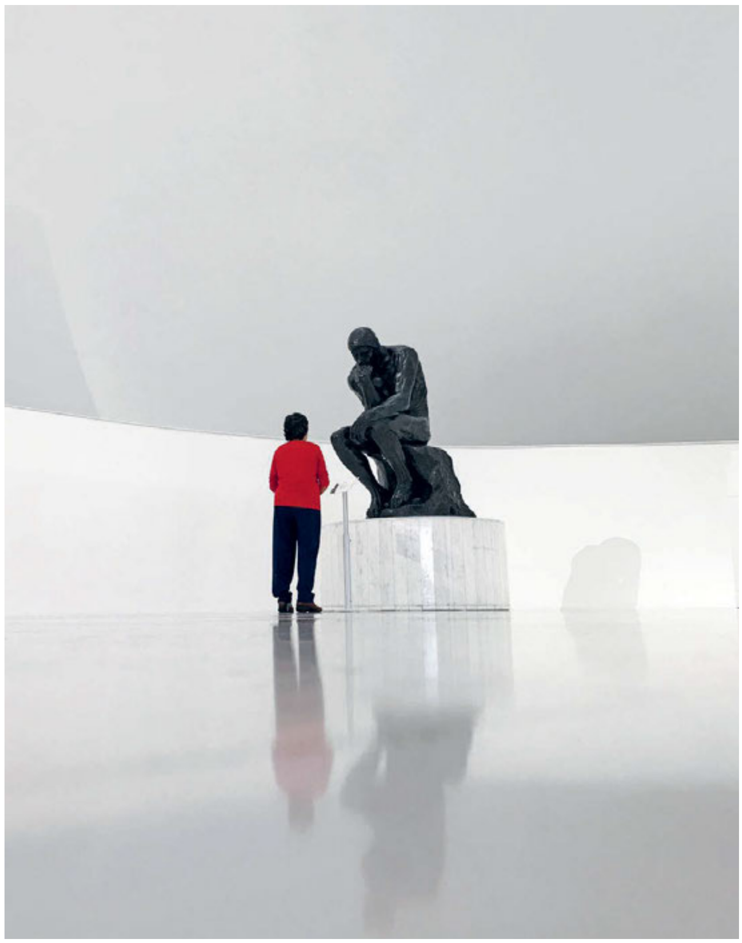
Placing 23rd, Mexico City is one of the least expensive cities for luxury goods and services in our Index. High-end wellness and related services offer good value, but other top-of-the-range products are relatively expensive here.

Restrictions on foreign property ownership keep a lid on residential property prices even at the upper end of the market. Polanco, with its mansions, celebrated designer label shopping, and Michelin-starred restaurants, continues to be the most sought-after neighbourhood in the city.

The proximity of, and familiarity with, Mexico's northern neighbour, its stable and predictable regulatory environment, and ample availability of financial products are some of the drivers of this property price trend. A fall in the value of the Mexican peso has been encouraging wealthy people in the city to consider new currency strategies.

Many wealthy residents of Mexico City have been making more of their homes in the countryside and by the sea as a result of coronavirus. These days, they are also more likely to send their children to private schools outside the capital and to invest in private jets.

The Zocalo, or Plaza de la Constitución, is the major hub for events in the city



The Museo Soumaya houses more than 66,000 artworks

CITY CHARACTER

The design, culture and food scenes are undergoing something of a transformation in the city that was World Design Capital in 2018, while its energy and rich blend of cultures continue to appeal to visitors and expats.

Mexico City features some of the grandest architecture in the Americas and much of it is undergoing refurbishment. With its lively contemporary arts scene, the city now offers a host of exciting new galleries, such as Lulu Gallery, featuring work by artists from Mexico and Latin America, alongside cultural institutions such as the Museo Soumaya and the National Museum of Anthropology.

The continent's rapidly growing audience for luxury goods has inspired the growth of home-grown fashion houses and local high-end labels. Alongside its own culinary traditions, Mexico City is attracting innovative chefs from around the globe, who use the finest examples of traditional ingredients and local produce to incorporate culinary influences.

One of the world's largest modern metropolitan areas, Mexico City is home to around 20 per cent of Mexico's entire population and is the country's commercial powerhouse, but it is also rich in history, being the oldest capital city in the Americas.

JULIUS BAER COMMENT

Esteban Polidura, Head Americas Advisory and Products

Mexico is the second largest economy in Latin America, with an estimated GDP of USD 1.2 trillion in 2020. As a result of the Covid-19 pandemic, Mexico's economy contracted by 9 per cent in 2020. However, 2021 should see a recovery of approximately 5.5 per cent.

The Mexican economy will benefit from the strong economic rebound of its main trading partner, the US. Furthermore, higher oil prices should contribute positively to government finances. Mexico enjoys strong international reserves, broad access to markets, and relatively low foreign currency debt. However, political uncertainties and limited fiscal stimulus could weigh on investor confidence.

Real estate investments, especially in the US, are increasingly of interest to Mexican investors. Structured products are becoming mainstream, backed by a general desire to limit risks while maintaining some upside potential. As wealthy Mexican families take a more global perspective, there's growing interest in professional advice for managing wealth. In turn, HNWIs are increasingly seeking family office services.

The National Museum of Anthropology is Mexico's largest and most popular museum

CITY BAROMETER

80	44	33
HAPPINESS	LIVEABILITY	SAFETY

Sources: World Happiness Report, Mercer, The Economist

Scores out of 100

27.0 GDP/capita (USD thousands)[1]

20.4 POP (m)

[1] 2019 real USD figures in PPP

MOSCOW

18
GLOBAL RANK

Europe's largest capital city, entrepreneurial yet historic Moscow takes 18th place in this year's Index.

CITY OVERVIEW

Developments in the restaurant and retail offering over recent years are evidence of a new and exciting entrepreneurial spirit evolving in Moscow, which is ranked 18th in this year's Index. In and around the former Imperial and Soviet buildings, new stores and eateries are appearing as the city responds to the growing wealth of a number of its residents.

HNWIs are aware of the need for security, but there are more and more discreetly positioned venues for them to enjoy their wealth. The recently refurbished grand hotels include the celebrated Metropol, overlooking the Kremlin. With Art Deco accommodation, it has probably one of the grandest dining rooms in the world, while the Art Nouveau interiors of the Hotel Savoy Moscow feature chandeliers, oil paintings, and cherubs.

Not tied to any great culinary traditions, the most exciting chefs working in the city's restaurants and hotels are now pushing culinary boundaries and blending cultures.

Moscow's property market has cooled slightly over the past few years, but it remains solid thanks to steady demand from a growing number of entrepreneurs. Often referred to as the city's Golden Mile, the residential area between the banks of the Moscow river and Ostozhenka Street is home to some of the most expensive property.

High-end homes in the smart suburb of Rublyovka, where properties can cost as much as USD 80 million, are usually set back behind high walls, as affluent residents, like other HNWIs in Moscow, prefer to keep their wealth well hidden.

The Zhivopisny Bridge is the first cable-stayed bridge over the Moskva River

RESIDENT INTERVIEW

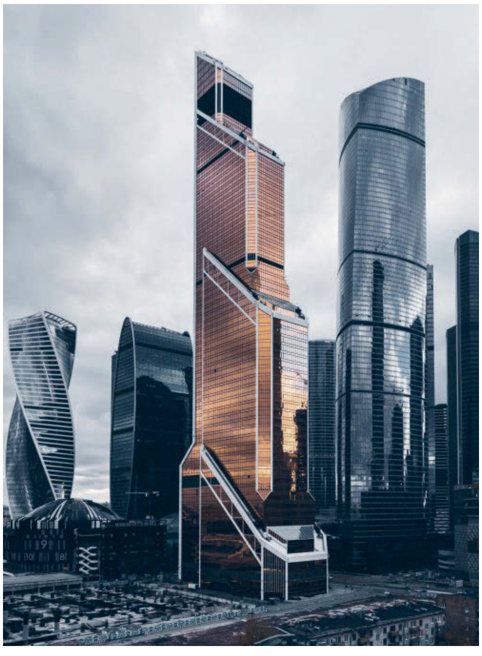
Maxim Kashirin, 53, is Founder and CEO of Simple Group, a wine, spirit, and soft drink distribution and retail company. Simple Expo and Simple Congress are the largest wine events in Russia, and the group's last White Truffle charity dinner raised more than RUB 11 million (USD 150,000) for children's medical treatments.

From a business perspective, Moscow is a big and promising market. It remains the economic and political centre of the country. It's a modern metropolis, with a wide range of cultural, economic, and political events. Restaurant life is changing, sports are changing, and everything is changing. The young generation is growing up and that's bringing a different spirit to the city.

I like the changes that are happening. New neighbourhoods are being created with innovative architecture. Moscow's consumers are now at the forefront of global trends. They are very demanding and clearly understand what's good and what's bad in terms of taste and price/quality ratio. Moscow is also a very fashionable city. You don't have to lead an affluent lifestyle here to dress well.

We've seen an influx of modern stores and more modern restaurants. Even the simplest places to eat are becoming more attractive, and the standards of service and hospitality in consumer businesses are constantly improving. The arrival of the Michelin Guide only confirms that we are ready to be judged by such a respected institution.

I love the way Moscow is open now to new ideas. In Russia, we don't have any of that tradition that says: "We have to do it this way because our fathers or our grandfathers did it like that." We're making these changes and improvements from scratch and so we can experiment and set new standards of comfort and luxury. We have no psychological constraints – and that's very good for business.



Mercury Tower shows off the modern side of Moscow

JULIUS BAER COMMENT

Ewgeni Smuschkovich, Subregion Head, Russia, Central and Eastern Europe

The Russian economy has struggled to rebound from the effects of Covid-19. The economic recovery in Q3 2020, supported by both the fiscal and monetary policy of the Bank of Russia, has slowed due to the second wave of the pandemic. The central bank anticipates a reduction in consumer activity until spring 2021.

Despite falling incomes, Russians are trying to save more during the crisis. Investors are still quite conservative, with a defensive approach to investment: their main goal is to preserve capital. They are also looking towards hedging in addition to their equities strategy.

Historically, Russians have tended to prefer investing in dollars. But with the weakening of the dollar they are now looking to alternative sources of returns such as equities and bonds, structured products, and collateralised loan obligations.

Wealth planning is important for Russian clients. As a growing number have now reached an age where they are considering retiring, succession planning and family governance are important topics.

More generally, disruptive technologies are driving the market and online banking is booming.

RESIDENT INTERVIEW

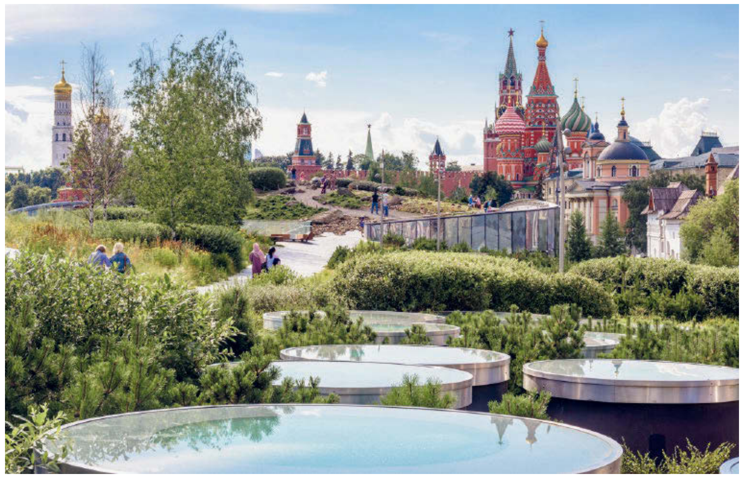
Olga Zhukova is the CEO of Zaryadye Hall. The international cultural and educational music centre was opened in Moscow in 2018 and is renowned for its superb acoustics.

Fast tempo and round-the-clock work are the distinguishing features of our city. If you're used to this daily routine, then Moscow is nothing new to you, it's just like any other megalopolis.

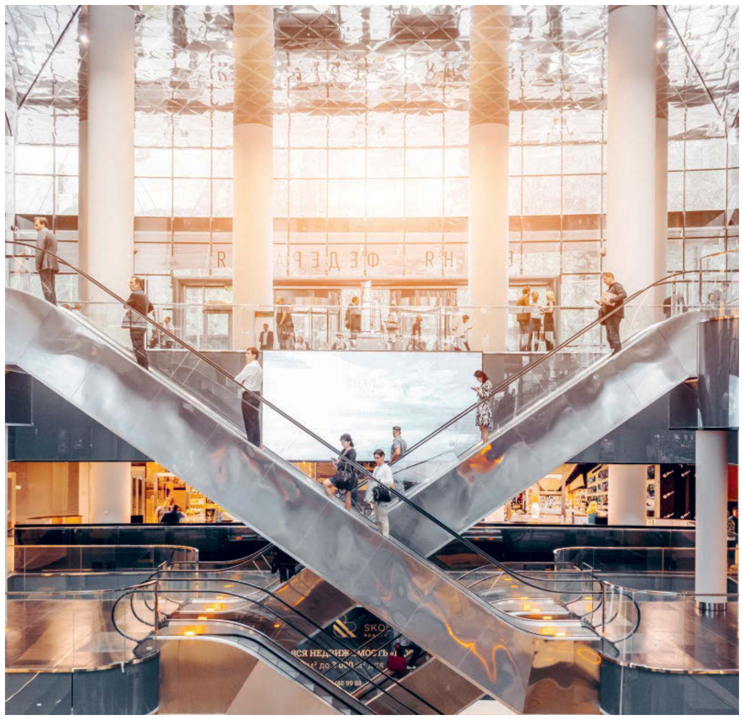
Moscow is a city that can offer something for every taste and budget – hotels, world-famous brands, theatres and museums. For me, one of the most attractive features of the city is its cultural heritage: museums, concert halls, and architecture.

The lifestyle here has changed radically over the past five years. New parks have appeared, while old ones have been renovated with modern infrastructure. People don't hurry to leave the city for the countryside at the first opportunity any-more – they prefer to stay and spend their free time here. New tourist areas have appeared, with palaces and museums, while concert halls and theatres now offer educational programmes for families.

In Moscow, there are more and more festivals and performances, and new artists are discovered and promoted. We also see world premieres of newly composed pieces. Covid-19 has been a challenge for us at Zaryadye Hall. Here we try not to cancel a concert but reschedule it instead. We always have a plan B and even a plan C.



Zaryadye Park brings nature close to Red Square



Modern shopping centres and restaurants are appearing all over Moscow

CITY BAROMETER

59	42	38
HAPPINESS	SUSTAINABILITY	SAFETY

Sources: World Happiness Report, Arcadis, The Economist

Scores out of 100

61.5 GDP/capita (USD thousands)[1]

12.7 POP (m)

[1] 2019 real USD figures in PPP

MUMBAI

Overlooking the Arabian Sea, India's dynamic and diverse financial hub ranks 22nd in this year's Index.

Mumbai's position overlooking the Arabian Sea has made it a key trade destination for centuries

CITY OVERVIEW

Known as the 'Maximum City', Mumbai is one of the most densely populated cities in India, and one of the most dynamic places in the world for business, restaurants, nightlife, and shopping.

Centuries of international trade have created a city that is open and welcoming to new arrivals keen to make their living – and their mark – in this energetic commercial metropolis.

Mumbai is a centre for luxury products and services in a country where this market is expected to continue growing in the coming years. Part of the city's appeal is that it offers a level of lifestyle that is more affordable than in many places around the world. Other than cars, many high-end items are priced either below or close to the global average.

Mumbai celebrates its success, from the self-conscious modernism of Bandra Kurla Complex business and residential hub, or Nariman Point, the commercial centre at the tip of Marine Drive, to high-end shopping centres such as High Street Phoenix.

Mumbai has a strong artistic and creative sector, which sits comfortably alongside its business hubs. As well as the National Gallery of Modern Art, Nehru Centre, and the Jehangir Art Gallery, which celebrate local and international talent, the city is also the home of Bollywood, India's thriving globally recognised film industry.

JULIUS BAER COMMENT

Unmesh Kulkarni, Head Markets IWMS India

India's stringent Covid-19 lockdown resulted in a second-quarter 2020 GDP contraction of 23.9 per cent, with its cities experiencing an even sharper decline. However, the economy has improved consistently over the past few months with gradual easing of the lockdowns and growing demand.

The investment/CapEx cycle is expected to pick up over the next 12–18 months. This comes on the back of a gradual improvement in capacity utilisation and the government's increasing focus on infrastructure spending, plus low interest rates and improving corporate balance sheets.

Following a contraction of 38 per cent in the first quarter of 2020, the Indian equity market, the NIFTY 50, had rebounded handsomely from its March lows by the end of the year. Real estate, another popular asset class among most affluent investors and HNWIs, has started to attract investors again.

Thanks to an increasing risk appetite among investors, as well as a better returns, higher understanding, and a more bottom-up focus in markets, there is an increasing preference for direct equity investing as well as portfolio management schemes, managed by specialists.

Although ESG investing is nascent in India, its growth in the West has recently caught the imagination of the Indian mutual funds, with some managers launching schemes focused on ESG-friendly companies.

RESIDENT INTERVIEW

Sandeep Goyal, 58, is a businessman, media entrepreneur, and author. He is the Founder and Chairman of the Mogae Group, an integrated marketing and communications agency.

Mumbai is a cauldron of many cultures, languages, ethnicities, and regional flavours. Almost all of India's diversity as a country is represented in ample measure in the city. Mumbai has everything you look for in a city – the food is good with abundant choices, and there is culture and theatre.

Business in Mumbai is a well-oiled machine – the talent is plentiful and the work culture is positive. Dreams become realities here. The business climate of 'never say die' provides the right atmosphere for you to do your best.

The city allows everyone to just be. Things like the brand name of your car are not important because a lot of the wealthy still hail a kaali-peeli (black and yellow) taxi. As a HNWI, you're never under social pressure of any kind to keep up with the Joneses – in Mumbai you don't care about them.

Technology and digitalisation are forcing businesses to modernise, which means that new leaders are being born. This state of turmoil is redefining existing business hierarchies. The affluent families of yesterday may not stay rich as times change. So, a new social order is emerging.

RESIDENT INTERVIEW

Shobhaa De, 73, is one of India's most popular writers. Her column, 'Politically Incorrect', which appears in 'The Times of India', offers sharp observations on politics, society, economy, and relationships. She is the author of 21 books.

It's Mumbai's incredible energy and dynamism that appeals to me. It's a city of limitless opportunities. It rewards enterprise and raw talent. With all its multiple fault lines, Mumbai remains a magnet for all those looking for breaks in whichever field – business, trading, movies, sports. Mumbai is driven by commerce, but it has a huge heart.

As a business hub, it's vibrant and throbbing with ambition. As the financial hub of India, Mumbai understands the rules of commerce and enterprise. I advise people to come with an open mind – and to have deep pockets.

Mumbai has a cosmopolitan, liberal, and sophisticated ambience. It's the most international city in India. It's for the gutsy, the risk takers. It encourages competition and can be pretty savage. But, it's a live-and-let-live metropolis. It's edgy, creative, and neurotic. Mumbai is truly a melting pot, culturally speaking.

Luxury shopping is a huge turn-on. Investments vary, but real estate is still considered sexy. Second homes in Alibag are the ultimate dream for the well heeled and socially ambitious. To experience the buzz of Mumbai, one has to become a Mumbaikar in spirit.

Bollywood is a major presence in the city

Today's Mumbai is growing upwards

CITY BAROMETER

33	26	25
LIVEABILITY	HAPPINESS	SAFETY

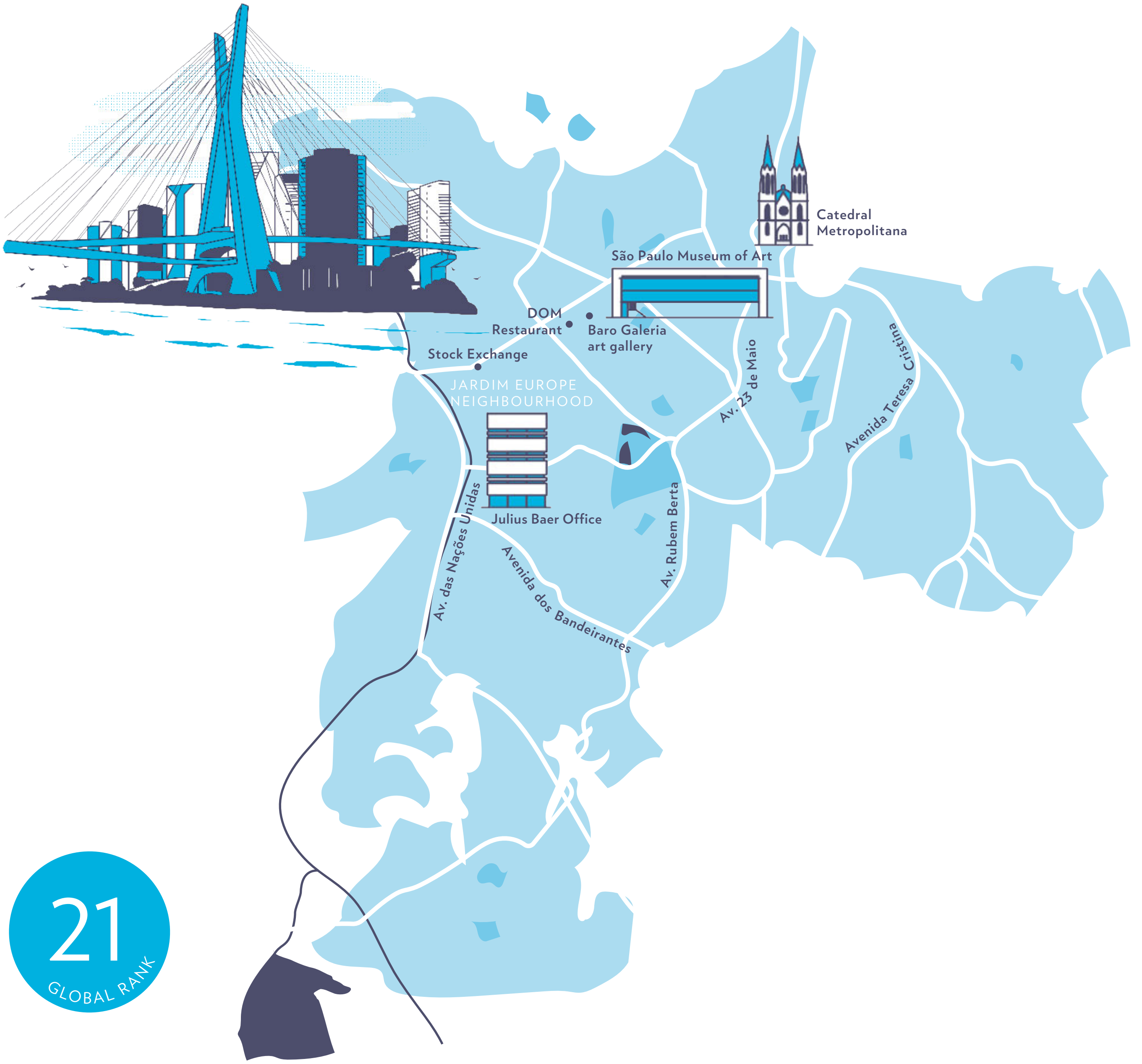
Sources: Mercer, World Happiness Report, The Economist — Scores out of 100

17.4 GDP/capita (USD thousands)[1]

20.3 POP (m)

[1] 2019 real USD figures in PPP

SÃO PAULO



The financial and commercial heart of Brazil also offers an appealing lifestyle, and takes 21st place in this year's Index.

São Paulo has hosted a major biennial art exhibition since 1951

The city's food scene is developing as international influences arrive

CITY OVERVIEW

Regarded as the financial and business capital of Brazil, São Paulo has the largest economy by GDP in Latin America. It's home to the São Paulo Stock Exchange, the fourth largest by capitalisation in the Americas, and ranks 21st in our Index.

With a population of nearly 15 million, the city is home to half the country's billionaires and represents nearly a fifth of Brazil's GDP. However, most affluent Paulistanos are increasingly discreet with their wealth, preferring to spend on items for their homes.

Hosting the local offices of tech giants such as Amazon, Netflix, and Spotify, the business district has a growing buzz thanks to its role as an innovation hub. There are thought to be around 50 accelerator programmes in the city – a significant increase over the past few years. There are calculated to be around 10 unicorns now based in São Paulo, which is sometimes described as the Latin American answer to Silicon Valley.

The city's tech millionaires and other emerging entrepreneurs are driving the expansion of its exciting arts and design landscape, as well as opening the culture and food scene to more international influences.

Paulista Avenue is at the heart of the city's political and financial power

CITY CHARACTER

São Paulo is often overshadowed by its more glamourous neighbour further up the coast, but the economic powerhouse of the country has a vibrant cultural, restaurant, and shopping scene that can easily compete with Rio de Janeiro.

Although most visitors to the city come for business, São Paulo offers so much more. Within the concrete and glass structure of the São Paulo Museum of Art there are paintings by Renoir, Monet, and Picasso, as well as works from Africa and China. Baró Galeria, meanwhile, is the place to find pieces by both established and emerging Brazilian artists.

São Paulo's restaurant scene is innovative and sophisticated, with notable Italian, Japanese, and Lebanese influences that reflect the diverse makeup of residents. Venues also celebrate Brazilian culture and ingredients; Alex Atala, head chef of DOM, has been named one of 'Time' magazine's 100 most influential people for his use of native Brazilian ingredients in haute cuisine.

Sprawling São Paulo, one of the world's most populous cities, will focus forthcoming infrastructural development on transportation, with plans for coastal highways, railway lines, and regional airports destined to increase mobility in the urban area and wider region.

Those able to escape the buzz of the city head to their homes in Jardins and, in particular, neighbourhoods such as Jardim Europa, with its collection of European-style houses and striking modern villas. Paulistanos and visitors have access to stunning beaches such as Ilhabela and more near Iguape, while relatively unspoilt Cananéia is just a short distance away – something that very few of the world's centres of commerce can offer.

JULIUS BAER COMMENT

Esteban Polidura, Head Americas Advisory and Products

Brazil is Latin America's largest economy and number nine in the world, with an estimated GDP of USD 1.8 trillion in 2020. Economic activity has been recovering faster than anticipated, backed by improving, although still soft, domestic consumption. GDP contracted 4.5 per cent in 2020 and is expected to recover by 4 per cent in 2021.

Increased borrowing aimed at counteracting the economic slowdown has increased the budget shortfall year-on-year to 10 per cent of GDP. This could eventually push the country's debt-to-GDP ratio above 100 per cent.

The service sector, which consists largely of tourism (accounting for 8 per cent of GDP), should take longer to recover as spending trends and unemployment are yet to normalise. However, investors' attitudes could improve swiftly if the government resumes its ambitious structural reform agenda and privatisation plans. It aims to raise USD 70 billion through privatisations and public-private partnerships in 2021.

There is growing interest among affluent investors in private markets, both equity and debt. Long-short investment strategies through hedge funds are often part of a diversified portfolio. Dynamic investment strategies through vehicles such as actively managed certificates, particularly in the local corporate debt market, are also of interest. Digitalisation is quickly gaining ground in the financial sector and is increasingly demanded by investors.

The Monument to the Independence of Brazil houses the remains of Emperor Pedro I

Colourful treats abound at the city's Mercado Municipal

CITY BAROMETER

72	48	30
HAPPINESS	LIVEABILITY	SAFETY

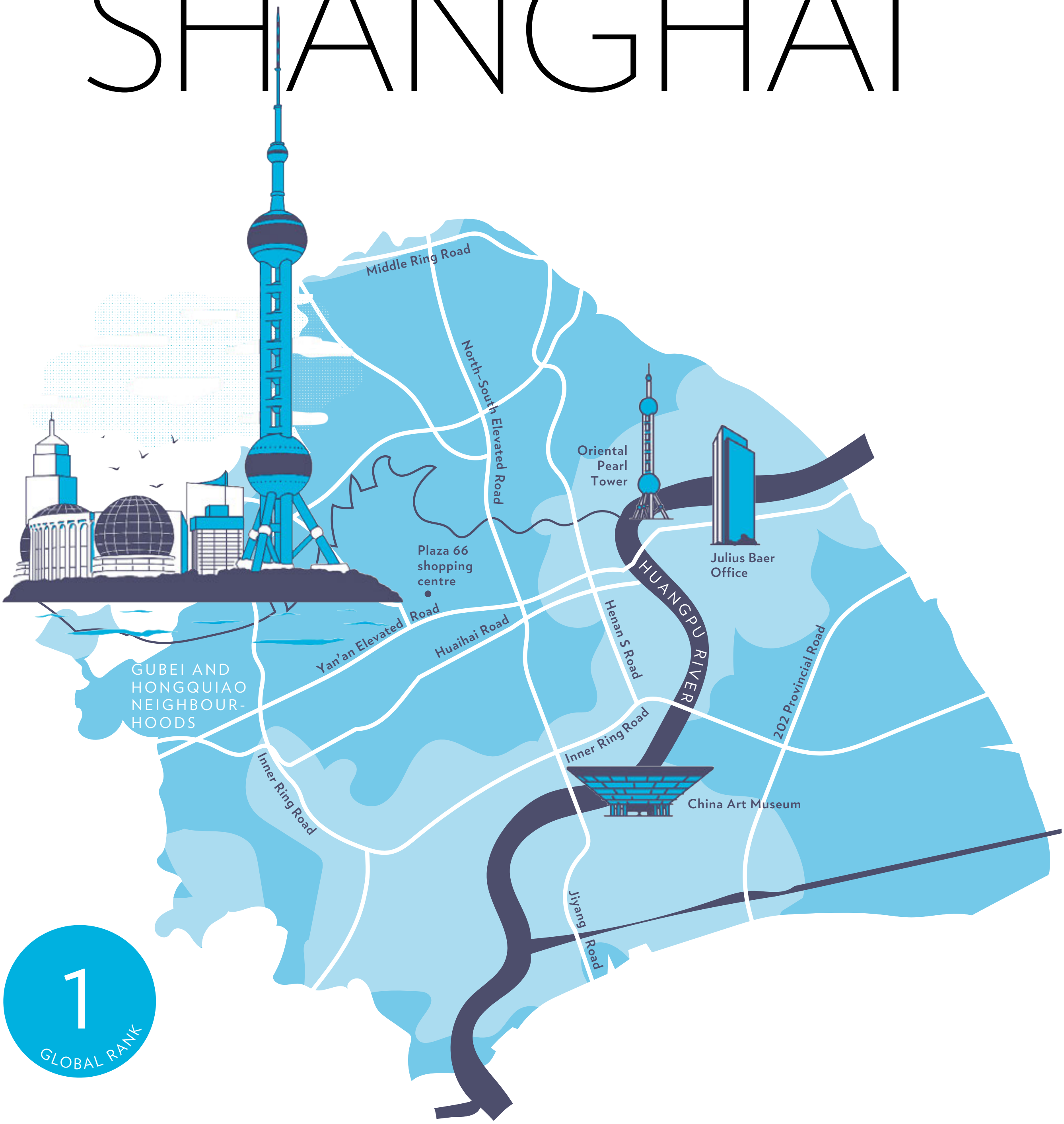
Sources: World Happiness Report, Mercer, The Economist — Scores out of 100

22.7 GDP/capita (USD thousands)[1]

21.8 POP (m)

[1] 2019 real USD figures in PPP

SHANGHAI



A centre for both commerce and luxury, China's most-populous city takes first place in this year's Index.

The 632-metre Shanghai Tower rises above the clouds

The Tianzifang district is home to many arts and crafts boutiques

CITY OVERVIEW

With its elegant and sophisticated skyline, vibrant and bustling Shanghai is the most expensive city in the Julius Baer Lifestyle Index. Its weighted average price change was 5 per cent higher than the global average in USD terms.

Visitors and residents can enjoy some of the finest international food prepared by chefs from around the world, but they'll pay around 12 per cent more for them (in USD terms) than they did a year ago. Similarly, business-class flights are expensive, with an upsurge of 82 per cent.

Its long history as an international commercial hub continues as Shanghai is fast becoming a centre of luxury shopping and a focus for premium brands, with China's market for these goods due to grow 8.5 per cent per year between now and 2025. The Chinese constituted around 50 per cent of all global spending on high-end brands in 2020, up from 37 per cent the year before.

According to Knight Frank, Shanghai's residential property market rose last year, to such an extent that authorities have put in place a scoring system and lottery for potential buyers, to prevent the market from overheating. Houses and apartments on the Bund remain perennially popular. However, wealthy Shanghainese are increasingly looking to neighbourhoods such as Gubei, Hongqiao, and Xintiandi, which offer access to new upmarket shopping centres, international schools, and green spaces – all of which form part of the latest chapter in the history of this dynamic, cosmopolitan city.

Shanghai's skyscrapers reflect its modern outlook and expansion

Food in Shanghai ranges from high-end restaurants to street markets

CITY CHARACTER

Shanghai's 19th-century charm is being refreshed and invigorated in the 21st century. China's most cosmopolitan city, it is reported to be home to around 160,000 millionaires and around 20 billionaires.

Alongside the 19th-century European buildings and vestiges of colonialism, a new energy and creativity are driving the city's economy in a very Chinese way. Beyond the glass and metal skyscrapers such as the Shanghai World Financial Center, there are quiet tree-lined streets with large, gracious houses that continue to appeal to affluent residents.

The former French Concession offers exquisite pâtisserie, but this long-established offering is now complemented by a range of up-and-coming luxury houses and edgier brands that draw on Chinese craftsmanship as well as European influences.

Shanghai's tradition of innovation and entrepreneurship means that shopping centres such as Plaza 66 are pushing the boundaries of haute cuisine while offering exclusive events and the latest in experiential luxury. This and other high-end hotels, boutiques, and malls are also great places for afternoon tea – the perfect mix of European and Chinese culture.

JULIUS BAER COMMENT

Sun Yan, Chief Representative Shanghai

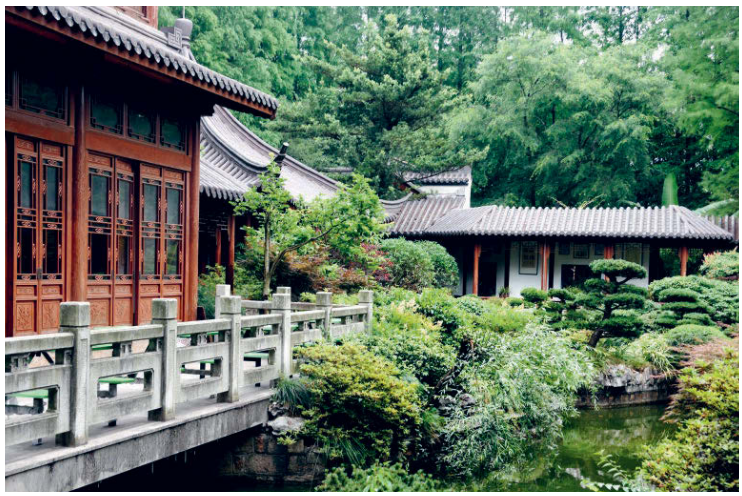
As Covid-19 appears to be under greater control, affluent Chinese have once again come to focus on wealth management issues. They are now more likely to accept higher-risk options for their savings and are increasingly interested in a wider range of investments, including art and even crypto-currencies.

That said, their main emphasis is on equities and, in particular, shares in 'new economy' companies. For example, around 25 new electric car models are being launched in China this year alone, some of which fall into the luxury category and are therefore particularly desirable.

Over the past three years, Chinese citizens have become more mature investors, and have moved a substantial portion of their financial assets from 'guaranteed products' to 'NAV-based products'. With a sharp rise in trading volume has also come a greater acceptance of using mobile devices to invest. Other drivers for this trend include the widespread adoption of virtual services – for example, all pre-IPO roadshows are now online. There has also been growing interest in mutual funds, no doubt a function of the strength of the equity market.

E-commerce is expanding rapidly. The number of online shoppers in China has risen from 110 million in 2009 to 750 million as of the end of the first half of 2020, with even luxury brands advertising on WeChat. Celebrity live stream video sales are also now a hit.

Luxury brands from West and East alike are setting up shop in the city



Shanghai Botanical Garden covers 82 hectares

CITY BAROMETER

Liveability	Happiness	Safety
55	55	47

Sources: Mercer, World Happiness Report, The Economist

Scores out of 100

35.5 GDP/capita (USD thousands)[1]

24.3 POP (m)

[1] 2019 real USD figures in PPP

SINGAPORE

This energetic and well-connected city-state, long a centre for both commerce and lifestyle, is ranked ninth in this year's Index.

CITY OVERVIEW

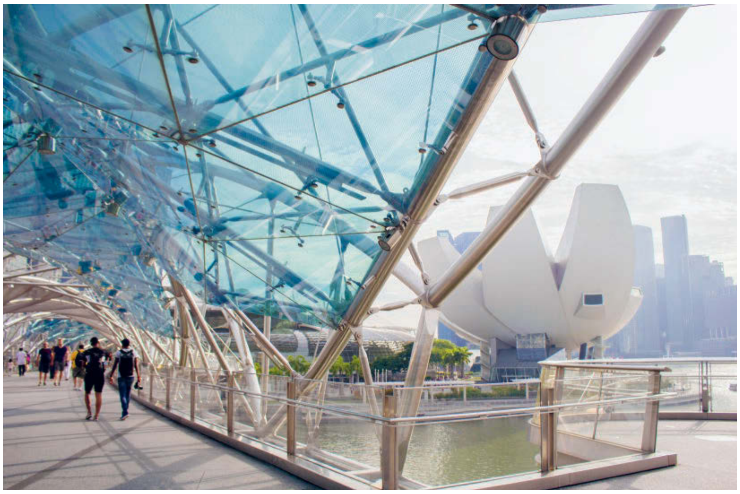
"It is like a big desk, full of drawers and pigeonholes, where everything has its place, and can always be found in it," wrote one visitor in the 19th century. In this respect, little has changed in Singapore, which takes ninth place in the Index. It is safe, well organised and surprisingly green for a city-state. However, this serenity belies its entrepreneurial energy, which is boosted by excellent connections and openness to those with drive and a talent for business.

Temples and colonial buildings contrast with striking modern architecture. As you would expect from such a cultural melting pot, many restaurants blend the best of Japanese and other Asian cuisines with those of the West. Singapore's extensive collection of smart bars offer innovative cocktails and great views across the city.

Wealthy Singaporeans are increasingly interested in the visual arts, both investing in and sponsoring them. As well as hosting an outstanding collection of Singaporean and South East Asian modern art, the National Gallery Singapore works with Tate Britain, the Musée d'Orsay, and the National Museum of Modern Art, Tokyo (MOMAT) to promote these works around the globe.

With its cinema, swimming pool, and butterfly garden, Changi Airport is regularly voted the best in the world. As well as extensive private jet facilities, the recently opened Jewel complex provides guests with a hotel, high-end shops, and the world's largest indoor waterfall – more evidence of Singapore's imaginative, entrepreneurial spirit.

Solar-powered 'supertrees' at Singapore's Gardens by the Bay



The ArtScience Museum, seen from the Helix Bridge

RESIDENT INTERVIEW

Mr Chavalit Tsao is Chairman of IMC Pan Asia Alliance Group and Permanent Honorary President of Family Business Network Asia. A Thai citizen and a Singapore permanent resident, he represents the fourth generation of a family business.

Singapore is ethnically diverse but it has stability, cohesion, and parity. You get the impression that the government is keen to ensure the welfare and security of the population. You have to save money for your old age and buy a house in order to have a roof over your head, but that creates stability and means that everyone is invested in the success of the city.

In some ways, Singapore is like a big company with three to four million employees and roughly an equal amount of associates providing additional services.

Singaporeans love to eat, and as well as an amazing variety of restaurants, there's a developing arts and cultural scene here. It's also a regional medical, financial, IT, and biotech hub – in fact, it's a hub of hubs, and so it has everything you want.

Singaporeans are seeing more opportunities to work with Chinese HNWIs – there are more family offices opening here. The government is keen to support family businesses, as it is with all enterprises. People sometimes think that family businesses are all about legacy and prudence but, more importantly, they also need to identify risks and opportunities and move quickly – like any successful business.

JULIUS BAER COMMENT

Kelly Chia, Deputy Head of Research Asia

Singaporeans take a traditional view of wealth management and so have an affinity for real assets. Property ownership remains high at 91 per cent, with many hoping to buy a second home when they can afford it. This is even true for the younger generation and most feel that paying rent is money down the drain in the long term.

However, with the advent of near zero commission stock trading and access to global online trading platforms, the younger generation has also taken to equity investments.

For older Singaporeans, a lack of expenditure on holidays has translated into bigger buys back home. In 2020, luxury cars took up almost 49 per cent of all car sales in Singapore. Families have taken to 'staycations' in and around the city as an alternative to foreign travel, and hotel room rates locally have tripled over the past three months.

The city plan suggests an increase of about 1,000 hectares of parkland and 'park connectors' to link them together. This and the city's other efforts to become greener, such as the increased Active, Beautiful, Clean (ABC) Waters Programme, will appeal to affluent Singaporeans looking for a healthier lifestyle and simpler way of living.

RESIDENT INTERVIEW

Beppe De Vito, 48, is Founder and Managing Director of Il Lido Group, which operates some of Singapore's most celebrated restaurants. Having learnt his trade in his native Italy, he arrived in Singapore, where he lives with his Singaporean wife and four children, in 1995.

One of the things I love about Singapore is the energy – it's palpable. The city is constantly changing, with new businesses opening. The government is very helpful to commerce, with agencies offering advice and support. It's all very accessible and transparent, rather than being about who you know.

Singaporeans love their wealth and they don't feel the need to be modest about it. On the other hand, there are billionaires living here that no one has heard of – it's your choice.

We have a wonderful range of food. Wealthy people will eat well for SGD 5 or SGD 500. One of my favourites is Odette in the National Gallery, and there are some excellent rooftop restaurants.

Casinos have really taken off over the past 10 years in Singapore, and the art galleries are some of the best in Asia. Travel is so easy here, too. We're a few hours from Japan, Hong Kong, and even India. Half an hour after landing you can be in your own home.

We have beaches and the beautiful botanic gardens. I can cycle from my home to one of the park 'connectors' that link up the city's parks and then cycle through parkland for two hours and feel perfectly safe.

The Marina Bay Sands dominates Singapore's skyline

The Rain Vortex in Singapore's Changi Airport Jewel complex

CITY BAROMETER

99	97	96
SMARTNESS	SAFETY	SUSTAINABILITY

Sources: IMD, The Economist, Arcadis

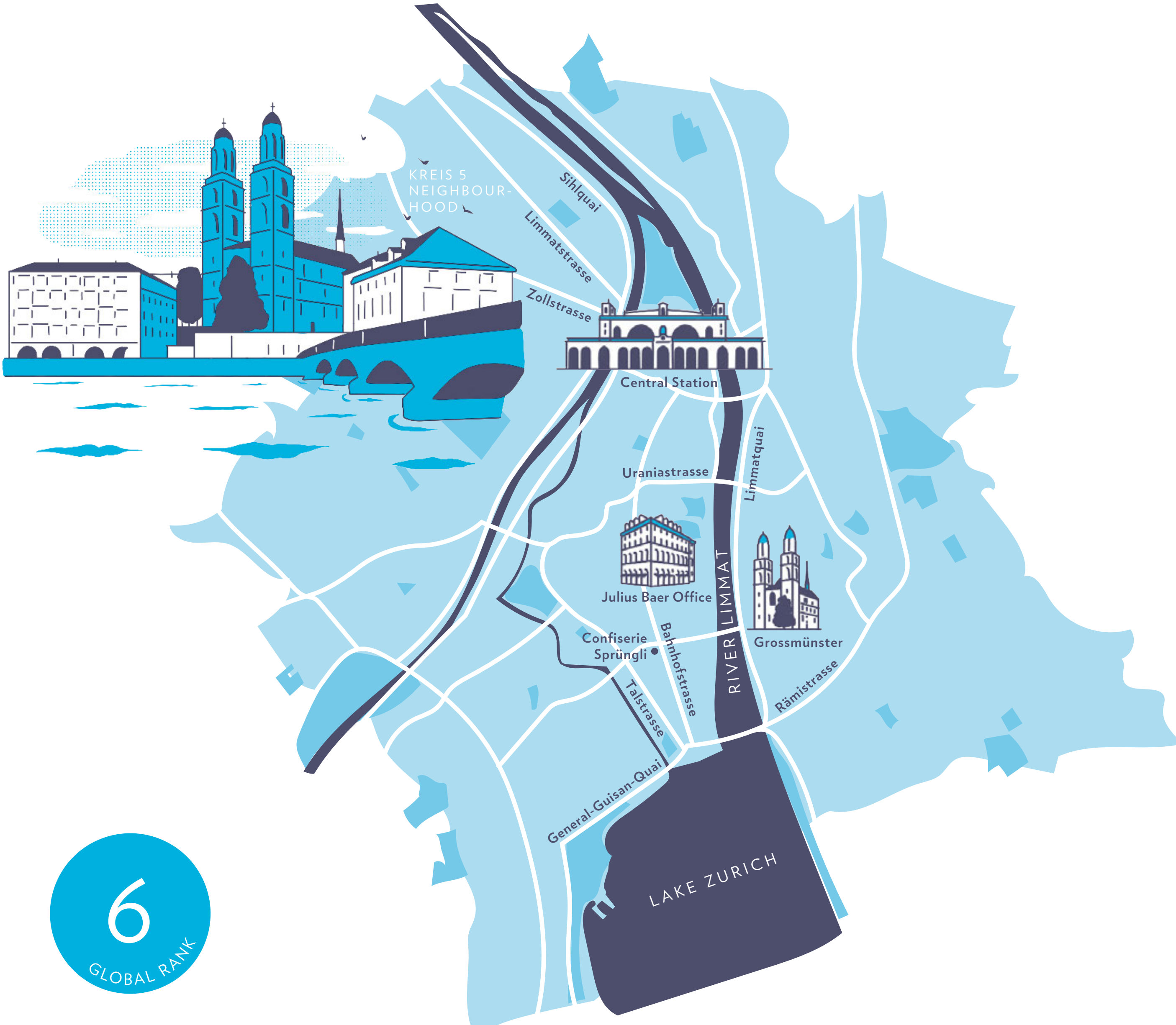
Scores out of 100

95.0 GDP/capita (USD thousands)[1]

5.7 POP (m)

[1] 2019 real USD figures in PPP

ZURICH



Switzerland's financial capital remains one of the world's most liveable cities and takes sixth place in this year's Index.

CITY OVERVIEW

Zurich's economy, and its reputation for steadiness and security, has survived despite Covid-19. More importantly, perhaps, the city continues to rank near the top of all indices for liveability, happiness, smartness, and sustainability – the last of these being a relatively new development. It recently topped the Prosperity & Inclusion City Seal and Awards (PICSA), adding to perceptions of Zurich as an inclusive, stable city at ease with itself.

Switzerland's largest city continues to be a centre for private banking and is home to a number of private banking powerhouses. The strength of the CHF has pushed up prices in US dollar terms, but they have remained flat in weighted average CHF terms. That said, whisky and haute cuisine have risen by 14 per cent in CHF terms.

The residential property market has benefited from low interest rates and a move to material assets this year, with the strong economy and attractive job market continuing to draw affluent expats, resulting in stable property prices.

Zurich is a city comfortable with its wealth, in the high-end stores along famous Bahnhofstrasse and in its smart restaurants and hotels. Leave the more traditional city centre for the industrial quarter, though, and you will find experimental bars, pop-ups, and urban gardens alongside creative hubs and start-ups.

Zurich is a city of contrasts; traditional banking sits alongside cutting-edge tech, and business suits are literally left on the shore in the summer, when the whole city descends on the lake and rivers to make the most of the vibrant waterside culture.

The centre of Zurich possesses plenty of old-world charm

The famous Luxemburgeli of Confiserie Sprüngli

RESIDENT INTERVIEW

Dr Karin Lenzlinger Diedenhofen's roles include President of the Zurich Chamber of Commerce. She is Vice-President of SV Group, a leading catering and hotel group, and an advisor to Übermorgen, a company that invests in start-ups that reduce greenhouse gases.

Zurich has attractive facilities and a diverse business base, as well as a pre-eminent cultural scene. There are different architectural spaces – the old town, the modern buildings, the parks and lakeside – and there's nice countryside not far away.

Even though the city is relatively small by international standards, you can connect easily with important people in business. Zurich is safe and clean, and the public transport is excellent. On the one hand it's very pleasant for leisure, but on the other you can also find good business opportunities, as well as consulting for wealth management.

The public school system is of high quality, with low fees, but there's a good range of international schools too. The universities are among the best in the world. Recently there's been a lot of investment in museums, transport, and road infrastructure, but there's also a vibrant alternative cultural scene.

There have been major public as well as private investments in tech-parks, co-working spaces, and spin-off initiatives from universities. Last but not least, Zurich is very well connected to the whole world.

JULIUS BAER COMMENT

Andreas Feller, Head of German-speaking Switzerland

As the pandemic has accelerated, Zurich has enjoyed more attention from international investors, attracted by the reputation of its institutions, its economy, and its lifestyle for security, stability, and reliability.

Traditional industries such as banking, insurance, pharmaceuticals, and firms focused on intellectual property have been relatively unaffected by Covid-19 compared to other sectors. Meanwhile, Switzerland generally and Zurich in particular have attracted a broader mix of businesses.

Recent years have seen the rapid growth of tech groups, especially start-ups. The tech start-up mindset of rapid growth and unpredictable outcomes has been fused with the Swiss traditions of prudence and assiduousness to good effect, producing a number of fast-emerging tech companies with solid foundations. The fintech sector has been particularly buoyant.

The Swiss franc continues to be strong and Labour costs remain high, as does the cost of living, but this is counter-balanced by the economic advantages that Zurich offers. The greening of the city, the efficiency of its transport, and its liveability with safe streets and short commutes have even greater appeal today to those thinking of relocating to start businesses.

RESIDENT INTERVIEW

Milan Prenosil, 58, grew up in Zurich, where he still lives. He is the Chairman of Swiss luxury confectionery manufacturer Sprüngli, which was founded in 1836.

Zurich is a 'little big city', a combination of a charming village and an international hub, and that's what makes it so fascinating. It's often been thought of as being nice but boring – that's been changing over the past 10 to 15 years, though. The Kreis 5 neighbourhood is being redeveloped and now it's full of smart restaurants, interesting shops, and great bars and clubs.

Transport in Zurich has always been excellent – if the tram is just three minutes late, people start to complain. Everyone uses it. One of Zurich's advantages is that you can easily reach many interesting places either by public transport or on foot. The city is becoming greener too. We have beautiful forests and parks around us for sports, walking and cycling. In two or three hours you're in the mountains.

Generally, people don't feel that they have to hide their wealth here, but they do not show off either. It's simply not the Swiss style. They're comfortable about looking discreetly wealthy because it's still a very safe place. A lot of expats are surprised that even small kids can walk to kindergarten. Wealthy people also like the fact that Zurich is very private and not intrusive – no one will stare at you in a restaurant or in the street.

Zurich's food scene is very exciting and cosmopolitan – there are up-and-coming chefs creating a new take on Swiss, Italian, Indian, or Thai food. It just shows how international the city is and how welcoming it is to new ideas.

Pavillon Le Corbusier is the architect's last work

Bahnhofstrasse is an exclusive shopping thoroughfare in central Zurich

CITY BAROMETER

99	98	98
LIVEABILITY	HAPPINESS	SMARTNESS

Sources: Mercer, World Happiness Report, IMD

Scores out of 100

73.9 GDP/capita (USD thousands)[1]

1.4 POP (m)

[1] 2019 real USD figures in PPP

HOW IS MY WEALTH CHANGING?


K

THE MIRAGE OF MONEY

The cost of living varies from wealth bracket to wealth bracket and from country to country. Julius Baer introduced its Lifestyle Index to gauge the price inflation of a basket of goods for our clients in cities around the world. By establishing an Index for their individual lifestyles, investors can estimate what it takes in terms of portfolio returns to preserve, or even grow, their purchasing power.

Christian Gattiker CFA, CAIA
Head of Research

My eldest son is a long-time follower of London-based Arsenal FC. If this year I give him GBP 50 to buy the 2020/21 official shirt, and next year I will give him GBP 60 – the club is a knowledgeable merchandiser and releases a new shirt every year – then my son will feel richer before entering the shop next year. He will expect to have an extra ten pounds to spend on other merchandise, only to find out that the price of the official shirt has risen to GBP 60, therefore negating his excess cash. His budget offers just enough money to buy only next year's shirt, despite the 20 per cent increase in his purchasing power.

Economists label my son's happy feeling before entering the shop as the 'money illusion'. He feels richer because he has more money, but in reality he can only afford the same shirt. This is what many – in particular high-end consumers in most recent years – encounter when they buy the items they would like.

Whatever the category of purchase, the prices may rise in line with, or even greater than, what they can afford. The discrepancy between what they could buy last year and this year with the same amount of money is known as a 'loss in purchasing power'.

In the case of my son, if he only had GBP 50 again next year to buy the official team shirt, he would experience a loss of 20 per cent in his purchasing power.

INFLATION IS INDIVIDUAL

Authorities try to capture changes in purchasing power by putting together a consumer basket that mimics average spending patterns. They then measure the prices year after year to estimate the exact loss, or gain, of purchasing power overall. This 'price tag to basket' measurement tool is called the Consumer Price Index, but it does not take into account individual preferences.

To stay with my example, my son's younger brother, who supports Tottenham Hotspur, may find the price of the 2021 version of his favourite team shirt remains unchanged. So, for him, the extra ten pounds would be no money illusion and his real purchasing power would indeed increase. As for the overall consumer basket, this personal preference will go unnoticed unless sporting goods as a category increase in price. The same principle applies to all the items and goods measured in such a 'one-size-fits-all' index.

A TARGETED BASKET

How, then, can we more accurately measure the changing purchasing power for a more specific segment of the population? The effect of purchasing power on private wealth was taken into account early on by 'Forbes' magazine, which has been collecting figures that represent the 'cost of living extremely well' (see chart 1) since the 1980s. This gauge is meant to capture the living cost of the wealthy, which differs very much from the average consumer and therefore also from the overall consumer basket.

> "A 'normal' consumer's purchasing power has halved roughly every 23 years, yet for the wealthy, halving their purchasing power has only taken 13 years."

> "For consumers interested in managing, maintaining, and indeed growing personal wealth, individual cost increases make all the difference to your budget."

When looking at the US experience over the past 40 years or so, the difference from official inflation statistics is stunning. While annual inflation was less than 3 per cent on average for the 'normal' consumer, for the wealthy it was almost 5 per cent. For consumers interested in managing, maintaining, and indeed growing personal wealth, individual cost increases make all the difference to your budget – regardless of how big your budget is.

The compounding of these price increases shows the staggering erosion of purchasing power. If a 'normal' consumer held all their money in cash over the past 40 years, their purchasing power would have halved roughly every 23 years on average. Yet for the wealthy, halving their purchasing power has only taken 13 years, so the USD 100 that bought the 'luxury basket' in 1982 would only buy a tenth of that today.

MANAGING MONEY AGAINST YOUR COST OF LIVING

In order to preserve and hopefully improve your purchasing power, you need to understand what is needed to achieve this goal. This is where both a good wealth management strategy and our Index come into play.

Our Index sets a benchmark for the portfolio returns individual clients need to achieve to meet or surpass their rising costs of living. We have been performing this task for our Asian clients over the past decade in the Wealth Report Asia, and take a closer look at the region in the next article. Last year, we extended this analysis to cities around the world to create the Global Wealth and Lifestyle Report, to help our clients worldwide to better understand their local inflation rate and factors that might affect their purchasing power.

For anyone looking to stem the constant erosion of their wealth in real terms, understanding their purchasing power is an important first step. By combining a good knowledge of local inflation rates with the right wealth management and wealth preservation strategies, they should be able to continue living in the manner to which they are accustomed far into the future, while preserving their wealth for the next generation.

RELATIVE WEALTH FACTORS
Besides universal wealth factors such as investment income and direct taxes, a range of other influences can affect an individual's purchasing power:

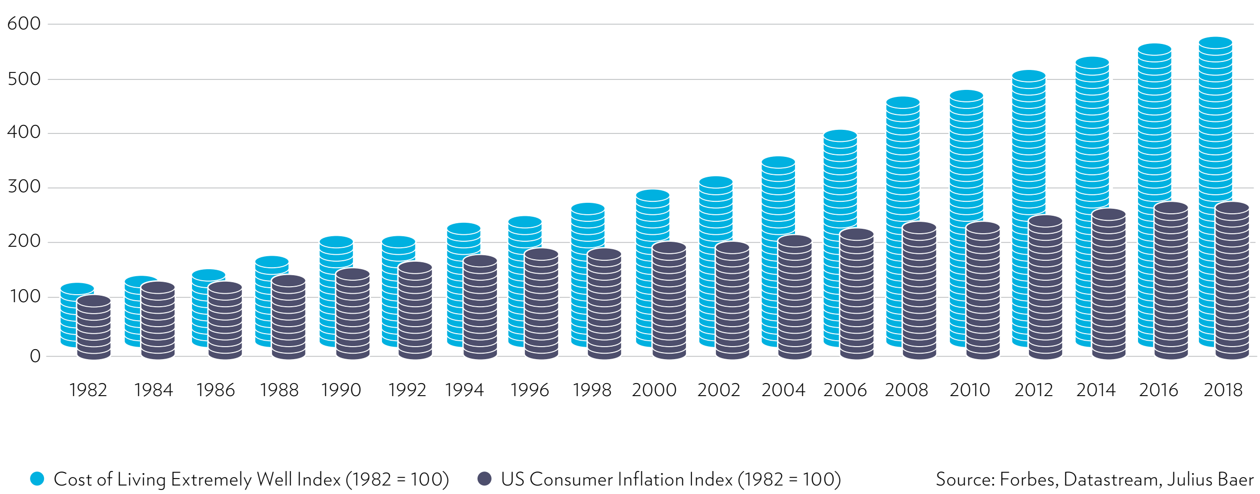
INFLATION
Inflation is the most obvious factor affecting the purchasing power of your money – though most of the developed world is living through a low-inflation era, making it slightly less significant than it was for much of the 20th century.

EXCHANGE RATES
Wealth in your local currency doesn't count for much if the currency's value crashes, pushing prices of many goods and services up dramatically. The biggest faller against the US dollar among currencies in our Index's featured cities was the Brazilian real (down 38 per cent), while the Swiss franc was the strongest performer (up 7 per cent).

TARIFFS/SUBSIDIES
Tariffs can heavily influence what consumers have to pay for goods in different jurisdictions. One recent example has been the US's 25 per cent tariff on imported single malt whisky, while the UK is now seeing shifts in the price of certain items in the post-Brexit period.

Chart 1

The 'cost of living extremely well' in the US vs the overall US Consumer Inflation Index



Source: Forbes, Datastream, Julius Baer

A CLOSER LOOK: ASIA

Julius Baer introduced its expanded Lifestyle Index in 2014 to track the cost of living for wealthy individuals in the world's fastest-growing region, Asia. Here we take a closer, analytical look at how costs in Asia have changed for the wealthy since the inception of the Index, and highlight the diversity of their experiences in the nine Asian gateway cities featured.

Jen-Ai Chua
Equity Research Analyst Asia

Contrary to the North American experience, the cost of a typical basket of goods and services consumed by wealthy individuals in Asia, as demonstrated by the Julius Baer Lifestyle Index, has trended well below the Asian Consumer Price Index since 2013 (see chart 1).

In nominal terms, as shown in chart 2, the cost of living for this segment has declined by the most in Mumbai and Singapore, with the Lifestyle Index for both cities down 9.2 per cent and 5.3 per cent respectively since 2013.

In real terms, taking into account changes in general inflation levels, Mumbai and Jakarta (chart 3) have experienced the greatest decline in the cost of living for (U)HNWIs, with the Lifestyle Index in both cities down an inflation-adjusted 40.6 percentage points and 10.6 percentage points since 2013. Tokyo is the only city in our survey where the Lifestyle Index has increased in tandem with national inflation rates, whereas Bangkok and Manila (chart 4) saw the Lifestyle Index outpacing national inflation rates.

Why has the Lifestyle Index lagged behind general price inflation in Asia? In short, because of a generally higher inflationary environment. For some markets like India and Indonesia, though, this may be because general price inflation is much higher to begin with.

This could also be due to a possible currency effect. With the exception of the Thai baht, the US dollar actually strengthened against Asian currencies between 2013 and 2019. Our city-by-city findings are, however, mixed with local currency denominated indices outpeforming their USD equivalents in five out of the eight markets where the local currencies depreciated.

This suggests that there could be local factors other than currency at play. Take the case of Hong Kong, where the Hong Kong dollar is pegged to the USD. Despite this, the Hong Kong dollar-denominated Lifestyle Index (up 7.3 per cent since 2013) has increased by more than the USD-denominated Lifestyle Index (up 3.5 per cent), implying other local influences at work.

Although our data series in Asia spans less than 10 years, unpacking the various trends has nevertheless yielded useful insights into the cost of living for wealthy individuals in Asia. Over the past six to seven years, HNWIs in Asia have enjoyed a lower rate of price inflation for high-end items than their North American counterparts.

This would be cause for cheer for residents in attractively priced Asian destinations such as Mumbai, Bangkok, Manila, and Jakarta. For those based in higher-priced cities such as Shanghai, Hong Kong, Tokyo, and Singapore, on the other hand, this may make less of a difference.

Chart 1

The 'cost of living extremely well' in Asia vs overall Asian Consumer Price Index

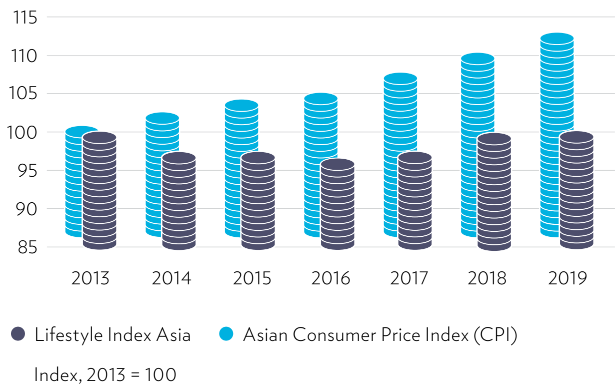
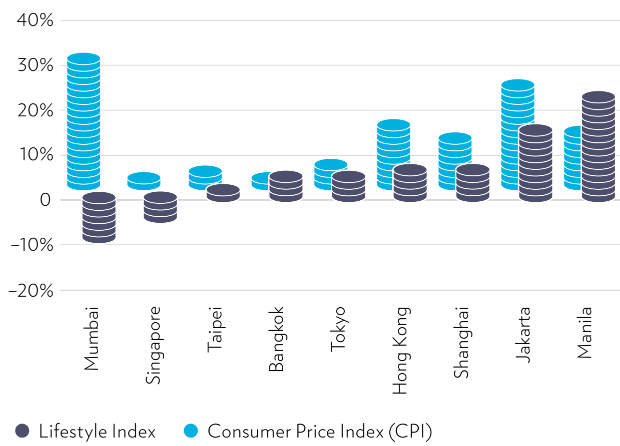


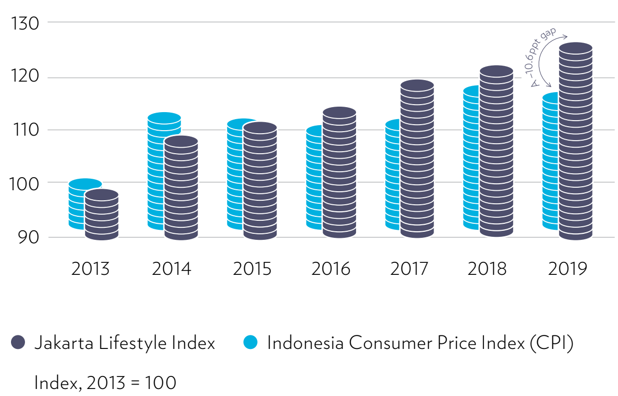
Chart 2

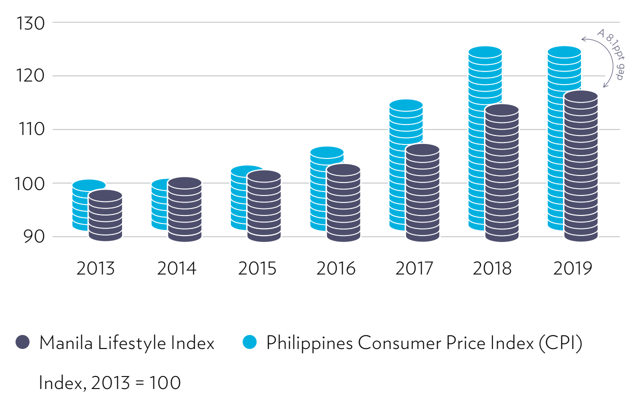
Change in the Lifestyle Index (in local currency terms) vs change in the national Consumer Price Index (2013–2019)



Charts 3 and 4

Lifestyle Index (in local currency terms) vs national Consumer Price Index in Jakarta and Manila





Source: Bloomberg Finance L.P., Julius Baer

LASTING LEGACIES

Great fortunes are often lifetimes in the making, so it stands to reason that one would want to preserve this wealth long into the future.

Roger Stutz
Head Wealth Planning

Vast amounts of wealth were created in Europe in the second half of the 20th century, accompanied by significant improvements in quality of life – a trend we are now seeing in Asia. But once wealth has been generated, the big question remains: how do we use and preserve this wealth?

While wealth generation and wealth preservation require two different skill sets, there are commonalities across both: thinking strategically and surrounding yourself with the right people.

COVID-19: RETHINKING LIFESTYLE AND PRIORITIES

The turbulence caused by Covid-19 has made people realise that perhaps they should take a fresh look at their asset portfolios and also their lifestyles. For example, we see people selling city properties in favour of houses in the countryside. There is a renewed focus on quality of life. Retirement planning is no longer driven primarily by age, but also by affordability: how much liquidity do I need to sustain my current lifestyle?

Not only that, Covid-19 is also making people much more conscious of their own mortality, which is leading them to carry out not just medical but also financial 'health checks', rebase their financial position, and get their affairs in order. All these factors are likely to have a lasting and positive impact on wealth preservation.

COMMON PITFALLS

Beyond diversified investment strategies to combat wealth attrition, there is one major wealth planning consideration: intergenerational wealth transfer. According to research firm Wealth X, individuals with a net worth of USD 5 million or more are expected to collectively transfer USD 15 trillion of wealth by 2030. It's worth keeping in mind that wealth preservation is about not just safeguarding assets, but also preserving family values and lifestyles.

Even with so much at stake, we repeatedly see common errors that lead to missed opportunities and frustration. There are those who simply start planning too late, waiting for the perfect time to maximise benefits. They typically avoid short-term risks but increase risk in the medium and long term. Experience shows that the timing is never perfect and the only remedy is to make a start. There are also those who try to handle it themselves because they want full control or are unwilling to invest in expertise. Lastly, many people underestimate the power of family dynamics. For example, those who fail to disclose the extent of their wealth to family members can erode trust and unity over time.

GIVING THE NEXT GENERATION A FIGHTING CHANCE

Just like markets, families dynamics are hard to predict, so it's just as important to hedge against potential family disputes as it is against global events. When it comes to wealth erosion, there's truth in the old adage 'shirtsleeves to shirtsleeves in three generations'. More often than not, future custodians of wealth need guidance on how to preserve what their elders have accumulated. There are many steps families can take, but some are more important than others (see 'Key steps to preserving wealth').

WHEN FAMILY BUSINESSES RUN THEIR COURSE

It's important to remember that some inheritors are expected to manage not just cash but family businesses, too. For families whose primary source of wealth has been a family-run business, it's prudent to consider whether this business is the best reserve of wealth going forward. To preserve one's current lifestyle, it might be necessary to extract capital from the business or sell – fully or partially – to ensure adequate cash flow. If pursuing the family business makes sense, and if the next generation is unwilling or unsuited to taking over the reins, seeking external leadership such as a CEO may be appropriate.

PAVING THE WAY FOR FUTURE GENERATIONS

Preserving wealth for one or more lifetimes requires long-term, strategic thinking. With the largest ever intergenerational wealth transfer on the horizon, there has never been a greater need to plan how future generations will carry on their families' legacies, preserving not only wealth but also values that have the power to stand the test of time and create positive impact. Philanthropy is increasingly important for families that wish to have a purpose and align their values with their wealth, by focusing on one or various sectors such as conservation, the environment, wealth inequality, or culture. In particular, in light of the pandemic, the desire to use wealth to support those less fortunate may have become more relevant than ever.

KEY STEPS TO PRESERVING WEALTH

Encourage open dialogue
Some things in life are difficult to discuss, such as death, divorce, and remarriage. Still, they are relevant for wealth preservation. Additionally, in cases where large-scale wealth generation has ceased, future generations may need to adjust their lifestyle as funds become diluted through inheritance. This kind of dilution is close to impossible to offset through investment strategies, so getting a realistic grip on what's in store by involving all family members is the only way forward.

Be open to different views and values
More and more, we see upcoming generations driven by different values. Younger family members are increasingly interested in making a positive social impact, for example through philanthropy or investments focused on environmental, social, and corporate governance (ESG) topics. Wealth preservation then becomes a discussion about values and family legacy. Often, two to three generations are involved and this could lead to conflict if not handled delicately.

Professionalise your wealth management
A strong family governance framework can go a long way towards professionalising a family's approach to managing its wealth – for example, through family charters, councils, or a wealth education programme. A clear succession strategy is also imperative, taking into consideration wealth structures such as trusts and foundations, wills, letters of wishes, and powers of attorney, depending on your jurisdiction.

Keep taxation top of mind
Managing one's tax situation is a cornerstone of wealth preservation – for example, understanding the intricacies of inheritance tax, particularly where multiple jurisdictions are involved.

Build family expertise to tackle complexity
As shown in the 2020 Julius Baer Family Barometer, complexity is on the rise for global families. It has therefore never been more essential for families to have access to expertise. It's not uncommon to see family offices form organically around families, including legal, taxation, wealth planning, and investment specialists, not to mention doctors and concierge services.

GLOBAL FAMILIES

"A surge in populism and political instability, not to mention the current pandemic, means that movement between countries is less fluid than in recent decades. This has shown to be a big challenge for international families with business interests in multiple countries, loved ones scattered worldwide, and complex family constellations. That said, there are plenty of measures that can be taken to deconstruct complexity into manageable chunks and gain a clear overview of one's affairs, including taxation and residency topics, all of which contribute to a strong wealth preservation strategy."

Guy Simonius, Head of Family Office Services, Julius Baer

THE GLOBAL WEALTH AND LIFESTYLE REPORT: CONCLUSION

The turbulence of 2020 reminded us of the importance of having a sound wealth preservation strategy. It has also left us with a changed world in which conscious consumption is now a significant presence.

Nicolas de Skowronski
Head Wealth Management
Solutions

Looking at the key findings of the Julius Baer Lifestyle Index 2021, we see the continuance of many of the underlying financial trends of recent years. While there were regional differences, overall the price of our basket reflecting the lifestyle of wealthy individuals around the world showed an increase of just 1.05 per cent. Asia continues to be the most expensive region in the world for high- and ultra-high-net-worth individuals – a pattern we expect to continue in the coming years.

As in previous years, the data points to two clear conclusions for those looking to preserve their wealth. The first is to be invested; inflation and other factors such as exchange rates and local regulations can play a huge role in the purchasing power of your wealth. In order to maintain the same level of relative wealth, you have to do more than just keep the balance topped up to the same amount. Developing a greater understanding of your purchasing power, through a combination of good knowledge of local or even personal inflation rates and the right wealth management strategies, can stem the erosion of wealth in real terms. The second is to actively engage in wealth planning to ensure that your wealth provides not only for your future but also for generations to come.

However, there is a bigger conclusion to be drawn from the data gathered in 2020. The significant fluctuations in the price of certain services and items, such as flights, demand that we look at the broader impact of Covid-19 on consumer behaviour.

BACK DOWN TO EARTH

The pandemic brought the fragile relationship we have with our planet and within our societies into sharp relief, and while it did not create new trends, it certainly accelerated existing ones.

In last year's report we commented on the rise of conscious consumption. This year it has gone mainstream, becoming a central theme in nearly every sector. The way we consume is not just about the things we buy and the lifestyle we wish to have, it affects the economy on a very fundamental level. Consumption creates jobs and fuels development, but 2020 has shown us that thriving economies and sustainable choices should not – and cannot – be mutually exclusive.

> "In order to maintain the same level of relative wealth, you have to do more than just keep the balance topped up to the same amount."

What's more, demand for a more responsible approach to every aspect of our lives is becoming increasingly louder. A more considered approach to living, doing business, and investing will not only help us to build back after the pandemic, but will also help us to build better. Where and how we invest, and the choices that we make as consumers, can have a significant positive impact on the world around us.

FUTURE-PROOFING

We have seen first-hand that our clients are increasingly looking to make their assets work not only for them but also for future generations – their own descendants, but potentially also for the world at large, be it through foresighted planning, impact investing, sustainable solutions, or philanthropy. It is our role as a wealth manager to support this positive shift by helping our clients to make educated choices and better understand the broader implications of their investments.

As we look to the next few years, we envisage that a push for a more conscious approach to consuming, living, working, and investing will only grow. We also believe that the realignment of priorities towards health, family, and preparedness will remain as we work to recover from the pandemic.

In complex times like these, the requirement for trusted and holistic advice when it comes to understanding the challenges ahead and your family's financial future is more important than ever. Whether you are considering your priorities anew or taking concrete steps to plan your financial future for the first time, we are here to support you in protecting what matters to you most.

THE INDEX

METHODOLOGY

The 2021 Julius Baer Lifestyle Index is based on a basket of 12 consumer goods and eight luxury services that represent discretionary purchases by HNWIs globally in 2020. The Index is not intended to represent the comprehensive spending patterns of HNWIs, but rather to provide an indication of how selected goods and services are priced around the world. This is used as the basis for further analysis of developments in HNWI consumption patterns and lifestyle considerations.

The Index is based on the prices at the time of data collection from brand-owned boutiques or authorised vendors for items in 25 major cities. This year there was a change in the items included: grand pianos, wedding banquets, beauty services, and personal trainers were replaced by road bikes, health insurance, treadmills, and technology packages. These changes reflect shifting lifestyle trends and the reality of the retail situation during the pandemic. The list of cities also changed: Vienna, Istanbul, and Los Angeles were not included, and Rio de Janeiro was replaced by São Paulo. This was done to more accurately reflect the distribution of Julius Baer's clients and business worldwide.

The data was gathered between July and September 2020. Prices included all taxes and ancillary fees and were converted from the local currency to USD on a fixed date. Weighting was applied proportionally to some items in the Index. Residential property was weighted at 20 per cent and cars at 10 per cent. This reflects the relatively high price for these items and the fact that a purchase represents an important milestone. The remaining 70 per cent was distributed evenly across the rest of the items.

Data for residential property was based on the average price per square metre for three top-end properties in each city in the first half of 2020, and was provided by Knight Frank. Data for cars was based on the price of a top-end electric or hybrid BMW, depending on specific model availability, and was provided by the manufacturer.

The data for the degustation dinner was based on the top two restaurants in a city. Where possible, restaurants with two Michelin stars were chosen; failing that, restaurants in The World's 50 Best Restaurants or the top-rated restaurants with a degustation menu. Wine was listed separately based on the price of a 750 ml bottle of Château Lafite Rothschild 2009. For cities where no data for this specific product could be found, the weighting for wine was evenly distributed across the other items.

For flights, the data included ticket prices from two Star Alliance airlines per city. The fares were for travel from the city to the main regional hub – Singapore, Zurich, or New York. The lowest published non-stop business-class fare was taken. Where non-stop routes were not available, one stopover was permitted. The hotels were five-star properties from the Marriott group or highest category hotel per location. Prices were for two guests staying for one week in an entry-level suite. An average price was taken over two periods: 13–19 July and 16–22 November 2020.

For executive MBAs, the data was based on the average of the fees for the Oxford Business School Executive MBA programme and the Harvard Business School Executive MBA programme. Boarding school was based on the fees for a year's full boarding in the sixth form at Eton College.

The cities were ranked based on the weighted-average sum of all 20 items in USD.

HOW COVID-19 AFFECTED DATA COLLECTION

The collection of data during 2020 was impacted significantly by Covid-19.

Where products and services were not available in certain cities, the weighting for those products or services has been evenly distributed across the other items. Where flight routes were disrupted, two stopovers were permitted as an exception to allow for full data collection. Finally, for the hotels that were closed during the chosen periods, an average price was taken across the two weeks.

The decision was taken to include all data despite significant variations – flights, for example – to maintain a historical record of the data and to accurately show how the HNWI basket of goods was affected during the pandemic.

GLOBAL RANKINGS

	BANGKOK	HONG KONG	JAKARTA	MANILA	MUMBAI	SHANGHAI	SINGAPORE	SYDNEY	TAIPEI	TOKYO	BARCELONA
BICYCLE	16	15	24	2	25	17	14	19	18	13	3
CAR	7	3	8	6	5	2	1	12	4	11	13
JEWELLERY	21	20	19	–	23	9	18	13	15	2	4
LADIES' BAG	10	9	2	1	13	14	5	16	6	4	19
LADIES' SHOES	2	10	5	1	7	13	14	15	4	3	19
MEN'S SUIT	2	9	6	1	22	5	4	3	8	7	17
RESIDENTIAL PROPERTY	17	2	21	22	18	6	8	9	7	4	19
TECHNOLOGY PACKAGE	16	19	25	10	20	9	17	12	18	23	5
TREADMILL	8	14	22	16	23	1	24	18	7	2	17
WATCH	8	20	18	9	24	7	23	19	2	21	4
WHISKY	5	20	3	1	24	2	10	11	21	6	15
WINE	–	16	–	–	1	–	12	–	6	10	4
BUSINESS FLIGHT	17	5	7	6	19	2	14	1	13	8	20
DEGUSTATION DINNER	8	3	20	22	17	5	2	15	13	7	10
HEALTH INSURANCE	1	17	17	23	22	25	24	21	17	8	17
HOTEL SUITE	22	5	9	16	24	13	17	23	7	2	8
LASIK	5	10	20	17	22	6	9	3	19	15	21
LAWYER	7	2	20	25	24	1	6	19	17	10	14

1 = most expensive 25 = least expensive

	DUBAI	FRANKFURT	JOHANNESBURG	LONDON	MILAN	MONACO	MOSCOW	PARIS	ZURICH	MEXICO CITY	MIAMI	NEW YORK	SÃO PAULO	VANCOUVER
	12	3	22	9	11	3	7	3	8	10	20	20	1	23
	9	22	18	21	16	15	19	16	10	14	25	23	20	24
	17	8	–	7	3	5	10	5	11	16	14	12	1	22
	12	19	24	15	19	19	25	19	11	18	7	7	3	17
	11	19	12	18	19	19	25	19	9	6	16	16	8	24
	10	17	23	13	17	17	14	17	16	15	11	11	24	25
	20	13	25	3	15	1	14	10	11	24	16	5	23	12
	13	6	15	8	2	3	11	3	7	14	21	21	1	24
	6	12	13	11	9	5	3	10	4	25	21	20	15	19
	14	12	25	16	3	5	15	5	17	11	13	10	1	22
	4	13	22	19	8	23	25	7	9	14	16	12	18	17
	2	14	9	11	5	–	3	8	15	–	7	13	–	–
	11	21	18	15	24	25	3	23	16	9	4	12	22	10
	16	12	25	11	14	6	18	1	4	19	21	9	24	23
	15	8	1	16	1	1	8	1	8	8	8	8	7	1
	11	21	10	12	15	3	20	6	4	18	14	1	25	19
	7	13	23	1	16	11	24	13	8	18	4	2	25	12
	8	12	22	3	21	15	11	13	9	23	5	4	18	16

ASIA PACIFIC

Jimmy Lee
Head Asia Pacific

Until recently, the luxury goods market has predominantly been used as a way to highlight one's status. While it is still a status symbol, today's Asian buyer also recognises this category as an investment that may offer them an avenue to secure and grow their wealth.

The rapid rise of Asian economies has generated vast amounts of wealth and, with that, greater expectations of quality of life. This economic growth has also created overcrowding and pressure on the supply of quality homes. The well-heeled seek out properties and investments beyond their regions, notably in 'smart addresses' that help to open the door to better opportunities for future generations of their families.

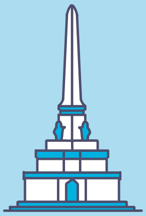
For some years now, Asian demand has been a significant factor in the business strategies of Western companies. For many brands, this has meant introducing bespoke limited editions with hints of Asian flair to collections and launching flagship stores in these markets where demand often outpaces supply.

All of this has led to an obvious outcome: our research over the past decade shows a higher inflationary environment in Asia than in the rest of the world. In this year's Index, some Asian cities continue to be the most expensive to live in. Shanghai usurped Hong Kong for the top spot, pushing it to third, with Tokyo in between. Unsurprisingly, all three cities are among the most densely populated in the world when it comes to millionaires and billionaires.

Beyond these rankings, we believe the Asia Pacific region has great potential for further growth. It offers good value for the production of consumer goods and services where high-quality output attracts a global clientele. The relative 'affordability' of a younger qualified workforce will continue to fuel growth in Asia Pacific. This economic growth is, conversely, also propping up the region as the world's most expensive.

Asian cities have shown resilience and resolve during this past challenging year and we enter this new one with an optimistic, albeit cautious, outlook.

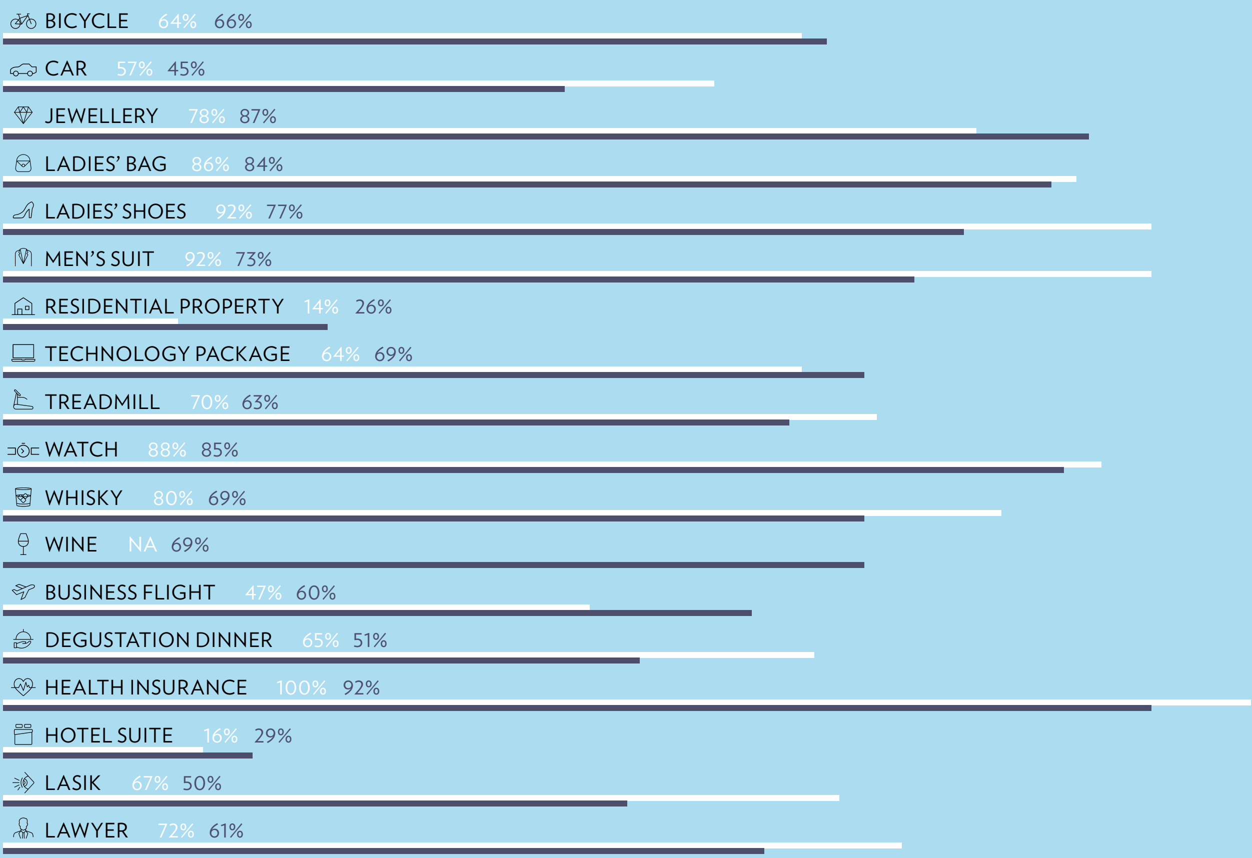
BANGKOK



Tourism industry to strengthen in 2021.
Bangkok remains one of the most expensive cities in the world for apparel: a good suit here will cost you a fifth more than the international average. However, the rise in the price of ladies' shoes is at an end: women buying designer heels here will pay around 17 per cent less this year compared to 2019.
Jewellery, handbags, and watches are all priced around the international average, and with the cost of business-class flights and hotel suites hovering below global levels, Bangkok remains a hot shopping destination for international visitors. Fashion is the standout sector from the city's luxury goods industry, worth USD 400 million in 2020. Investors can buy high-end property in the city for a relative bargain: it is priced at almost half the global average. In Bangkok it is a buyers' market, with ample stock. Unsurprisingly, this has prompted many wealthy citizens to purchase second homes in the area.
Bangkok, like many cities around the world, has been hit hard by the pandemic. The slowdown of Thailand's tourism industry contributed to a 6.2 per cent contraction in the nation's economy. However, its fortunes are set to change in 2021, with analysts forecasting an economic uplift of 5 per cent: they believe tourists will flock back to these sunny climes once restrictions are lifted. The Bank of Thailand is taking no chances and has already implemented a strategy to keep the price of the baht low enough to tempt international travellers.

6
Regional Rank

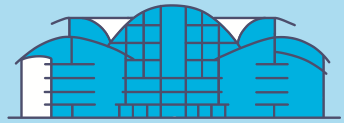
11
Global Rank



● All city average ○ Bangkok

All percentages are based on the price of each item's highest price being equal to 100 per cent.

HONG KONG



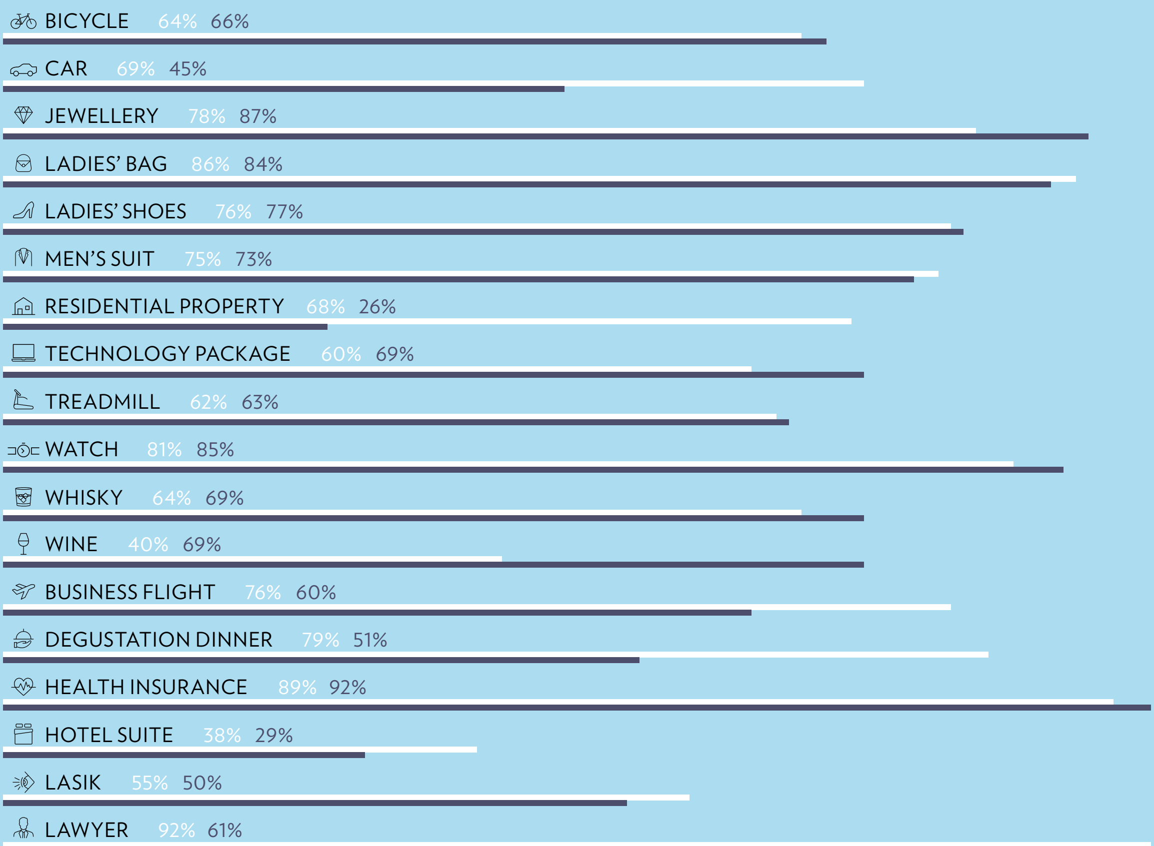
3
Global Rank
Regional Rank

Property prices continue to build.
Luxury lovers still pay more in Hong Kong, a city where one in seven people is a millionaire. Whether buying property, business-class flights, fine dining or cars, this city is significantly more expensive than elsewhere in the world. Legal advice also comes at a premium: lawyers cost almost 50 per cent more than the global average.

But Hong Kong has not been immune to the cost pressures created by the Covid-19 crisis. Hotel suites, while still expensive, experienced price dips of around 25 per cent compared to 2019 in USD terms. Ladies' shoes are also 17 per cent cheaper, while wine and whisky cost considerably less than the international average.

Hong Kong's residential property sector, however, has had a bullish year. Prices here are the second highest in this year's Index. Whether property can remain resilient in the face of high unemployment, muted wage growth, and economic stagnation remains to be seen. However, in February 2021 a 1.25-acre plot of land in Victoria Peak sold for USD 935 million and an apartment in Mid-Levels sold for USD 59 million, both breaking price records. Economists forecast two more years of economic strife before Hong Kong returns to 2018 levels of prosperity in 2023.

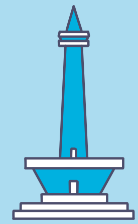
In 2021, the city remains a global centre for arts, culture, and cuisine. The city's restaurants received seven new Michelin stars in January this year, despite the ongoing pressure on the hospitality industry. A new museum dedicated to preserving and showcasing China's cultural heritage is due to open in the city in 2022: some 800 Chinese national treasures will go on display in the Hong Kong Palace Museum, from 1,500-year-old paintings to modern art.



● All city average ○ Hong Kong

All percentages are based on the price of each item's highest price being equal to 100 per cent.

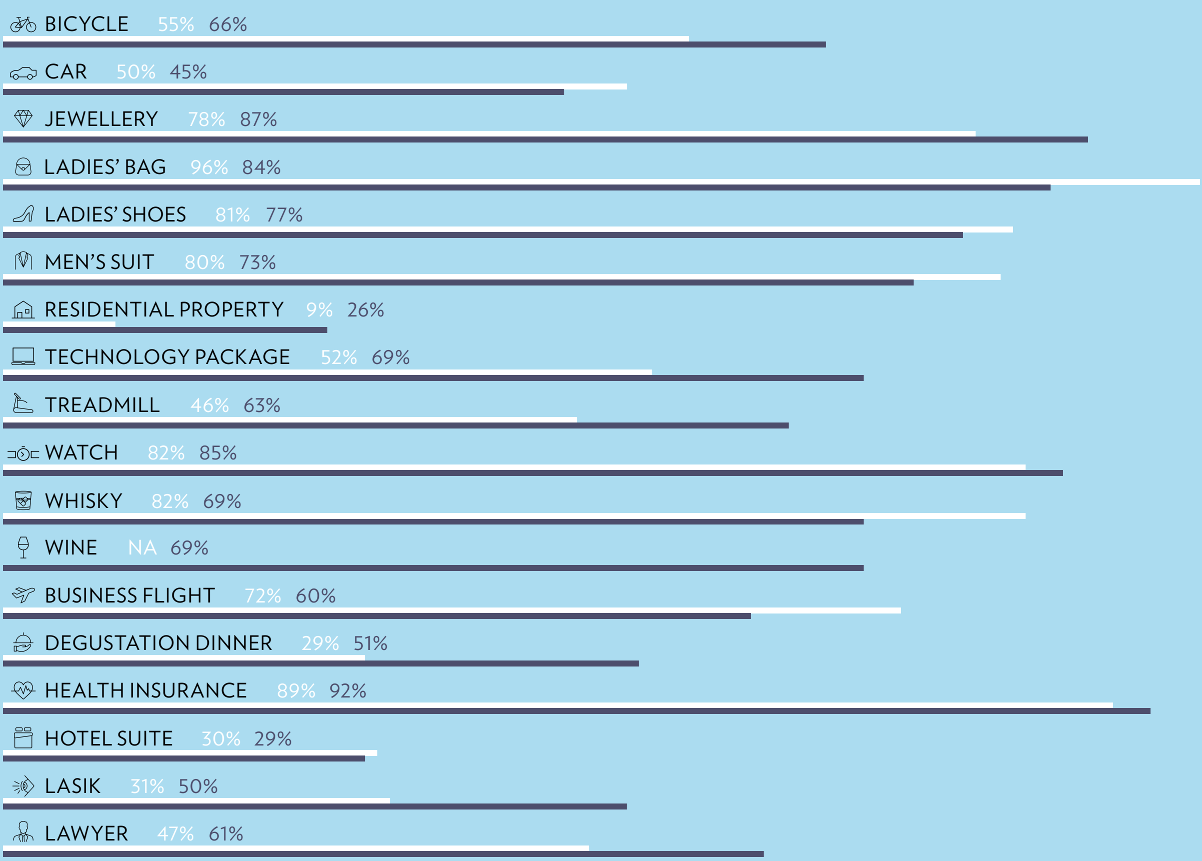
JAKARTA



An affordable city for technophiles.
Tech fans, take note: this is the cheapest place in the Index for top-of-the-range iPhones, MacBooks, and iPads. Fine dining, exercise equipment, Lasik eye surgery, and lawyers' services are also very affordable here. However, items such as handbags, ladies' shoes, and men's suits are more expensive than the global average.
Business-class flights have experienced the steepest price increase here, up 38 per cent in US dollars. The cause is pandemic-related: the global aviation industry has been hit hard by travel restrictions. Cars are also more expensive in Jakarta, up 11 per cent on 2019.

Residential property in Jakarta is very affordable, with prices around a third cheaper than the global average. There is an excess of supply, which is depressing property prices, and the ongoing impact of Covid-19 has also reduced demand.
Asia is one of the most sophisticated markets for cosmetics and this is Indonesia's biggest industry, worth USD 600 million in 2020 out of a total luxury goods market of USD 2 billion. The cosmetics and fragrance sector will be worth USD 7 billion by 2023, according to estimates.
Early signs seem promising for the Indonesian economy, which is forecast to grow by around 6 per cent in 2021.

9
Regional Rank

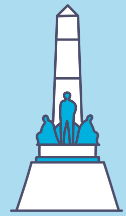


20
Global Rank

All city average Jakarta

All percentages are based on the price of each item's highest price being equal to 100 per cent.

MANILA



A rapidly digitising property market.
Prices in Manila jumped by 9 per cent (in US dollars) overall during 2020 – 8 per cent faster than the average of the cities in our Index. It is the most expensive place to buy exclusive fashions, such as ladies' handbags and men's suits. It is not cheap to travel either: locals are paying over the odds for cars, bicycles, and business-class flights, which have seen a 63 per cent rise in USD terms. The prices of wine and whisky are also rising steadily, as the government slowly increases duty on all alcohol.

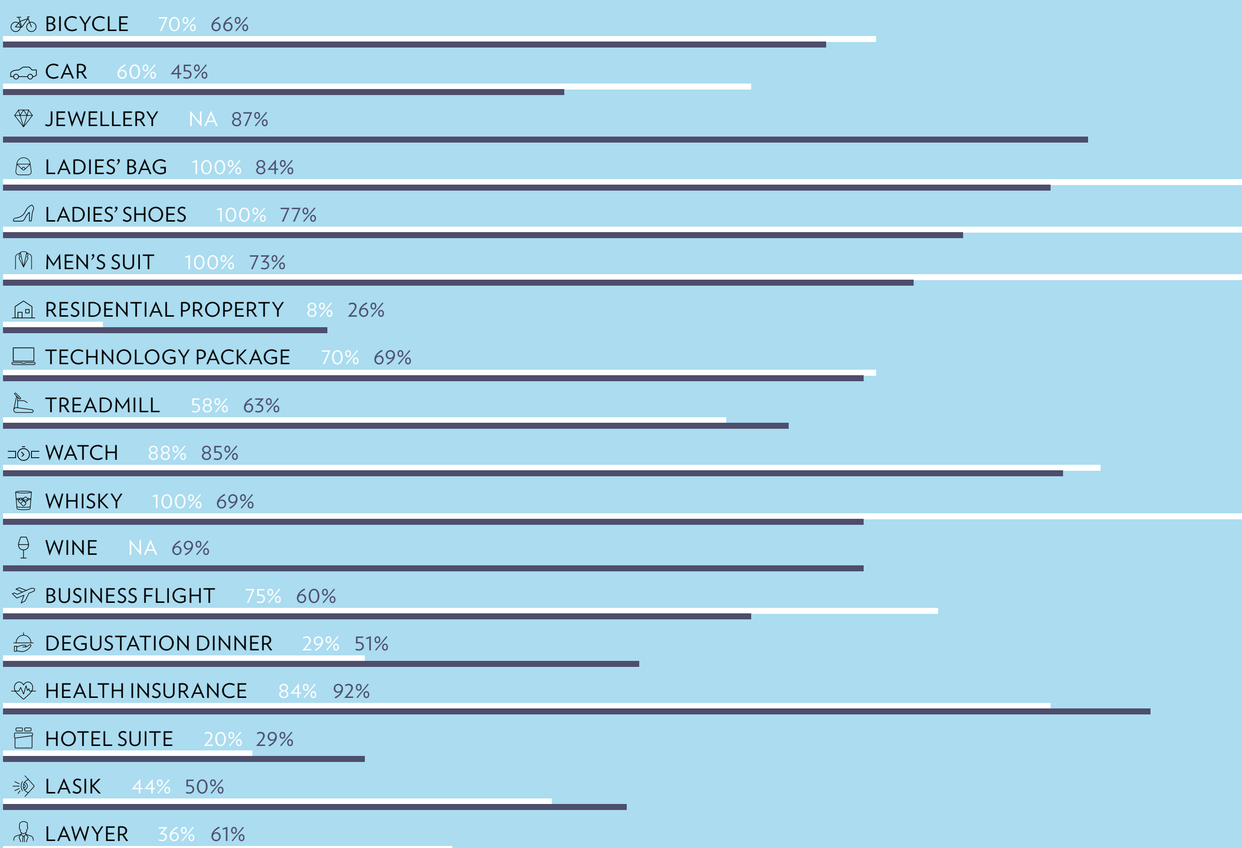
In contrast, this is the cheapest place in the Index to engage a lawyer, with the lowest fees. Property is also affordable. The residential sector has stayed relatively buoyant, despite the Covid-19 crisis, because of the high levels of digital inclusion in the Philippines. Estate agents moved swiftly to take advantage of online viewings and digital payments.

The World Bank has predicted the Philippine economy will grow by 5.9 per cent in 2021, having contracted by 8.1 per cent in 2020. The country is experiencing a cocktail of economic pressures because of the pandemic and strict containment measures, which have severely affected livelihoods and consumer spending, resulting in a deep recession last year.

As in many other cities across Asia, Manila's citizens are major consumers of cosmetics and fragrances: this sector is worth USD 600 million out of the overall USD 1.3 billion luxury goods sector in the Philippines. This healthy market will result in compound annual growth in luxury goods of around 8 per cent over the next five years.

8
Regional Rank

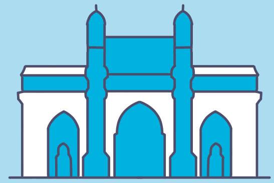
16
Global Rank



● All city average ○ Manila

All percentages are based on the price of each item's highest price being equal to 100 per cent.

MUMBAI



The place for affordable luxury.

Mumbai is the home of affordable luxury in this year's Index. Most items are priced either lower than or near the global average.

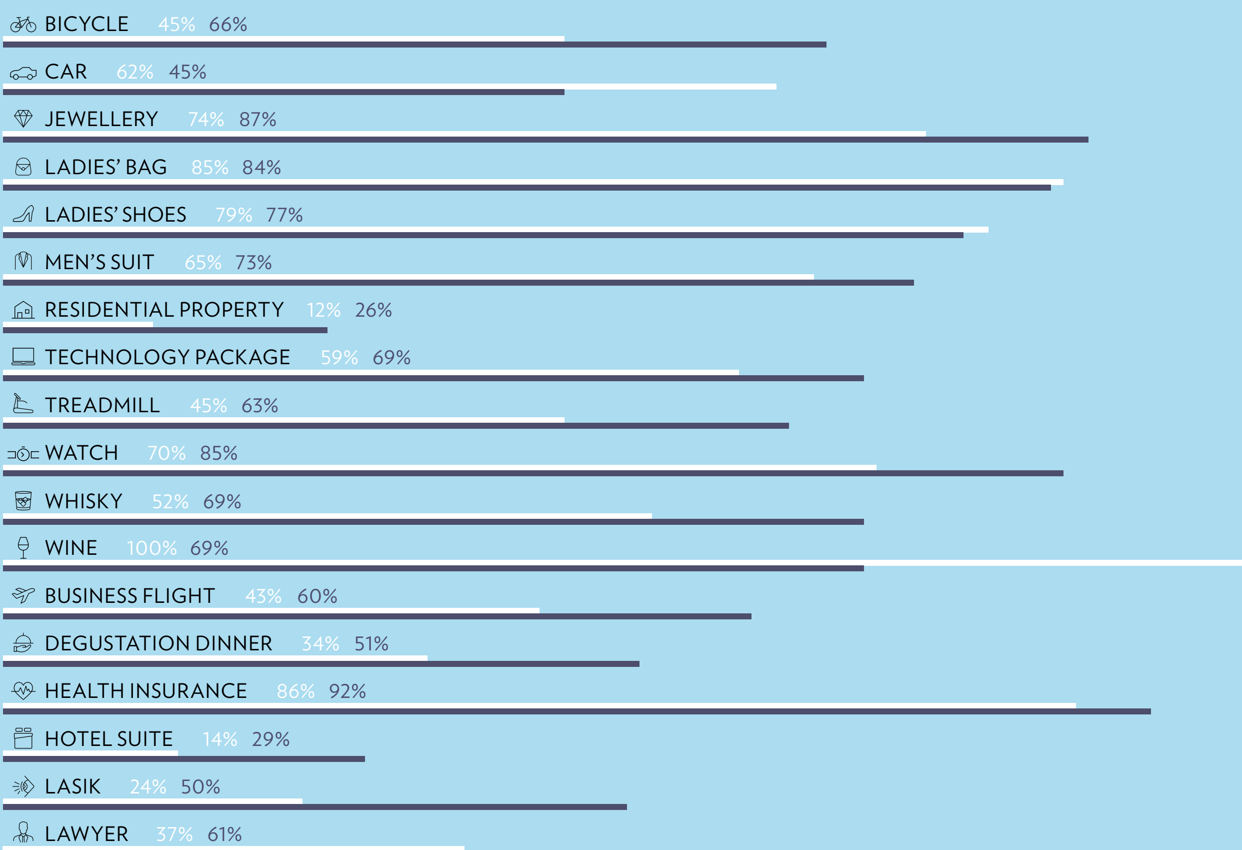
The biggest price drops here were in hotel suites (36 per cent in US dollars) and business-class flights (21 per cent). A few luxury items have appreciated, however: the price of men's suits has risen by 27 per cent (local currency) over the past year, and the cost of cars and fine dining are up by around a tenth in our Index in USD terms.

Despite the massive population size – roughly 22 million citizens – property remains affordable, priced at less than half the global average, with many unsold options on the market. Mumbai's property sector has been depressed for a number of years, prompting the government to temporarily reduce stamp duty on housing units, dropping the rate from 5 to 2 per cent until the end of 2020. This created a small uplift in high-end sales, but it is not clear how the industry will perform in 2021.

The luxury goods market in India is sizeable – worth USD 7.1 billion in 2020. The biggest segment, as elsewhere in Asia, is fragrance and cosmetics, which represents just under a third of the total.

India's economy experienced a sharp decline in 2020 due to the impact of the pandemic, contracting by 10 per cent. For the remainder of the 2021, the outlook is far more positive, with 9 per cent growth predicted. Indeed, India's economy is set to enter the 'Goldilocks zone' of low unemployment, low inflation, low interest rates, and strong GDP growth.

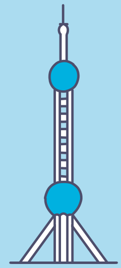
10
Regional Rank



22
Global Rank

● All city average ○ Mumbai

All percentages are based on the price of each item's highest price being equal to 100 per cent.



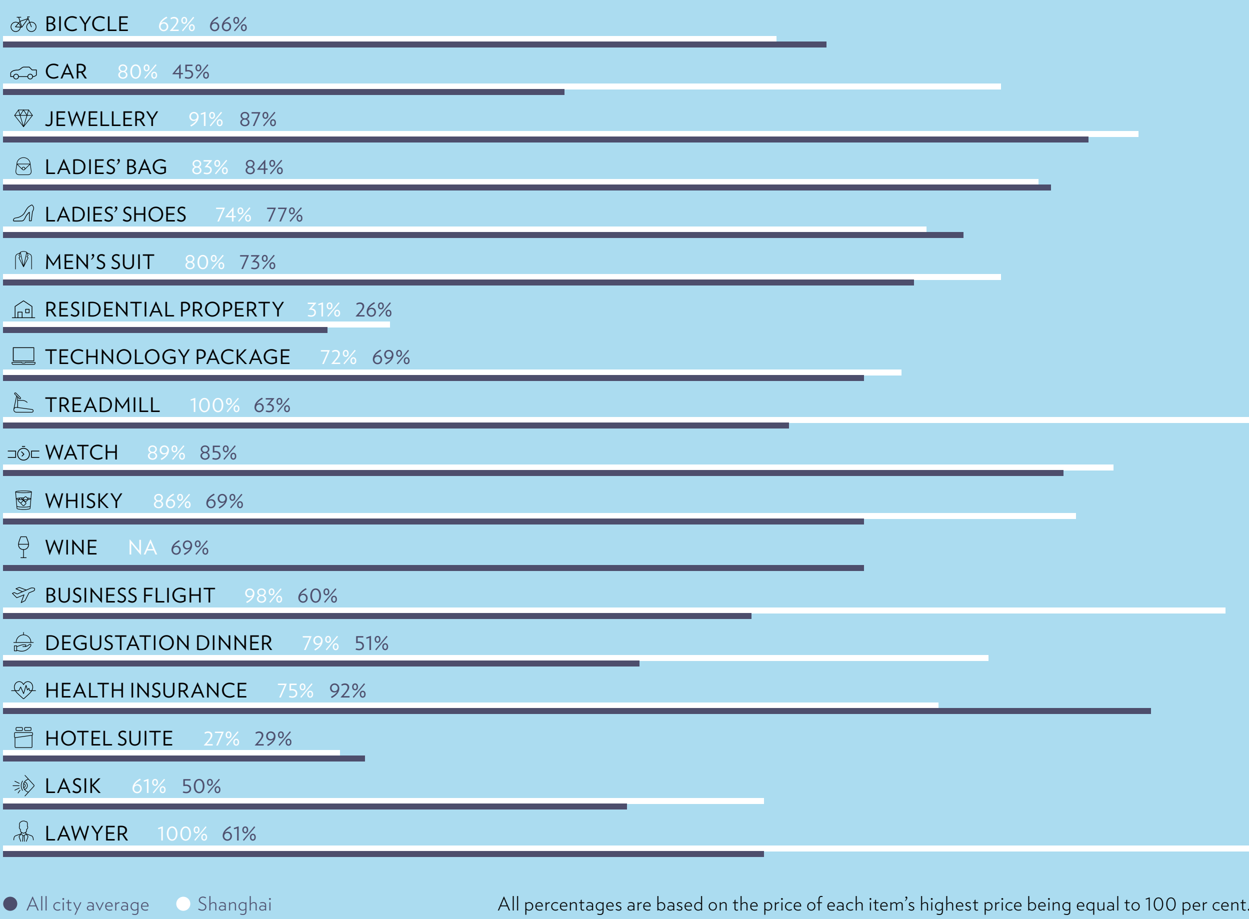
SHANGHAI

1
Global Rank
Regional Rank

Luxury shoppers pay a premium in Shanghai.
Shanghai is the most expensive city in this year's Index, with the cost of most items well over the global average. It's certainly the most expensive place to stay fit: to purchase a high-end treadmill in Shanghai you may need to pay as much as USD 20,000 more than elsewhere in the Index.

Overall, prices here have risen 6 per cent in the past year in USD terms – far more than the global average of 1 per cent. Business-class flights have seen one of the most extreme jumps in cost – up 82 per cent in USD terms – as the travel sector attempted to offset the effect of Covid-19 restrictions. One of the only affordable luxuries remaining in Shanghai is women's footwear: prices (in dollars) have fallen 12 per cent. According to Knight Frank, the residential property market in Shanghai remains buoyant, bolstered by stimulus packages and low borrowing costs. Property here is priced slightly higher than the global average and prices are set to increase in 2021. It is believed that Shanghai (alongside Cape Town) will be the most prosperous high-end property market in the world in 2021, with prices rising 5 per cent.

China was the first major economy to recover from the Covid-19 crisis, bouncing back to growth in the latter half of 2020. The luxury market here has also proved resilient over the past year. China remains the biggest consumer of premium timepieces, for example. Here, demand has contracted by just 4 per cent, compared to 50 per cent in nearby Hong Kong. Domestic Chinese consumers spend an estimated USD 38.1 billion every year on luxury, and that is set to increase by more than 8 per cent over the next five years.



All percentages are based on the price of each item's highest price being equal to 100 per cent.

SINGAPORE

The Lion City is still one of the world's more expensive cities.

Singapore takes the ninth spot in this year's Index, with prices of premium goods remaining high. This is the most expensive city in the Index to own and run a car. The government has levied high taxes on vehicles to discourage use because of limited road space.

Those seeking fine dining, men's suits, ladies' handbags, and lawyers' services might pay more here, compared to neighbouring cities. However, ladies' designer shoes have become an affordable purchase in Singapore in 2020; prices have dropped by a fifth since 2019 in dollar terms.

Fashion in this city is worth just under a third of the whole luxury market, and it is projected to grow by an estimated 8 per cent a year on a compound basis between 2020 and 2025.

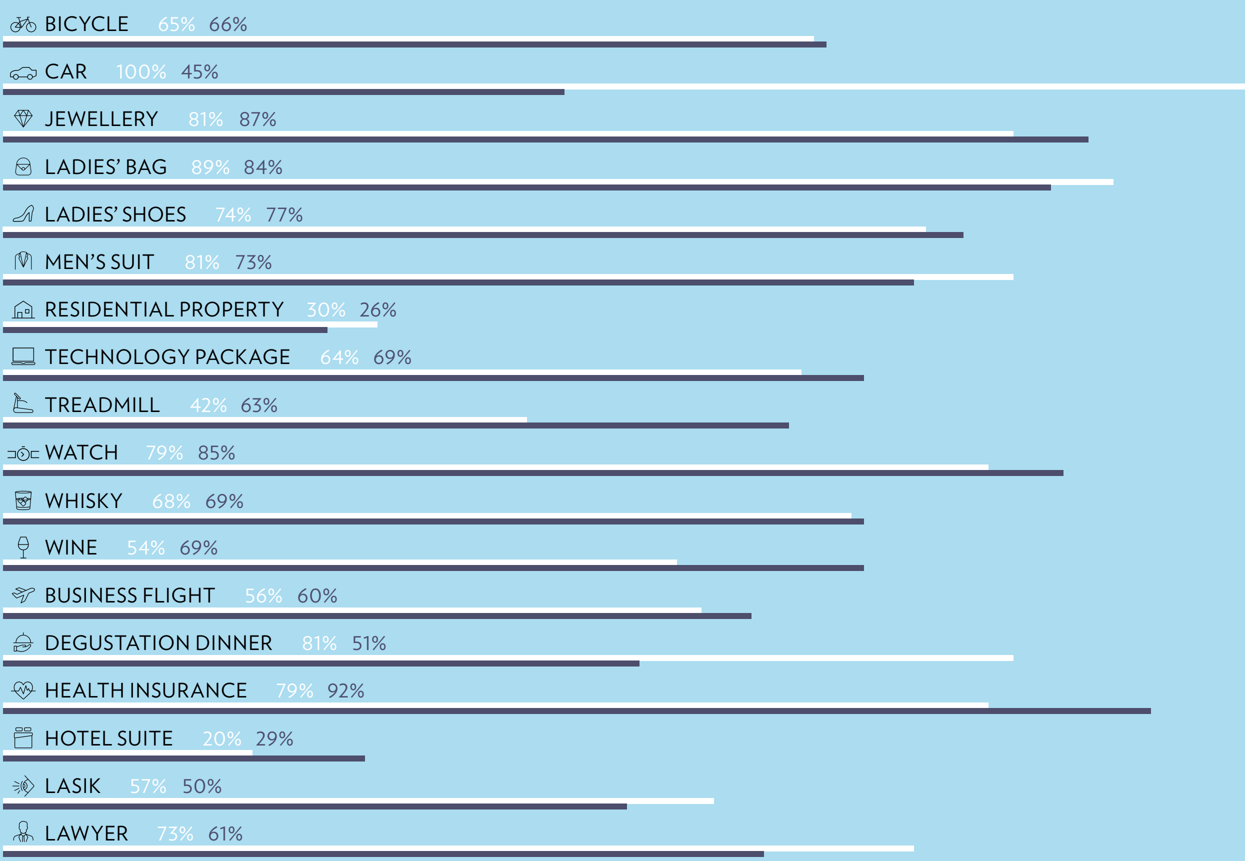
The property market in Singapore has been healthy, buoyed by local demand and a steady stream of investors from other countries. Despite entering a full-year recession in 2020, sales of private homes remained strong, according to the Urban Redevelopment Authority.

Singapore's economy has weathered the impact of the Covid-19 crisis better than many. The Singapore Government and the Monetary Authority of Singapore took decisive action in response to the pandemic, offering a package of measures to support individuals and organisations. It has underwritten 90 per cent of loans to struggling small businesses, for example.

The city-state's economy ended up contracting by 5.4 per cent in 2020, but it is expected to bounce back strongly this year: early estimates point to 5.5 per cent growth for 2021.

5
Regional Rank

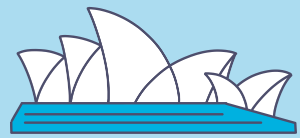
9
Global Rank



● All city average ● Singapore

All percentages are based on the price of each item's highest price being equal to 100 per cent.

SYDNEY



A mixed picture for Australia.

Luxury lovers can expect to pay a fair price for many of their favourite items in Sydney. Whether buying a treadmill, a meal, or ladies' fashions and jewellery, prices are near or below the international average.

However, the price of a business-class flight jumped 36 per cent in USD terms in 2020 as demand rapidly outstripped supply once lockdown restrictions were eased.

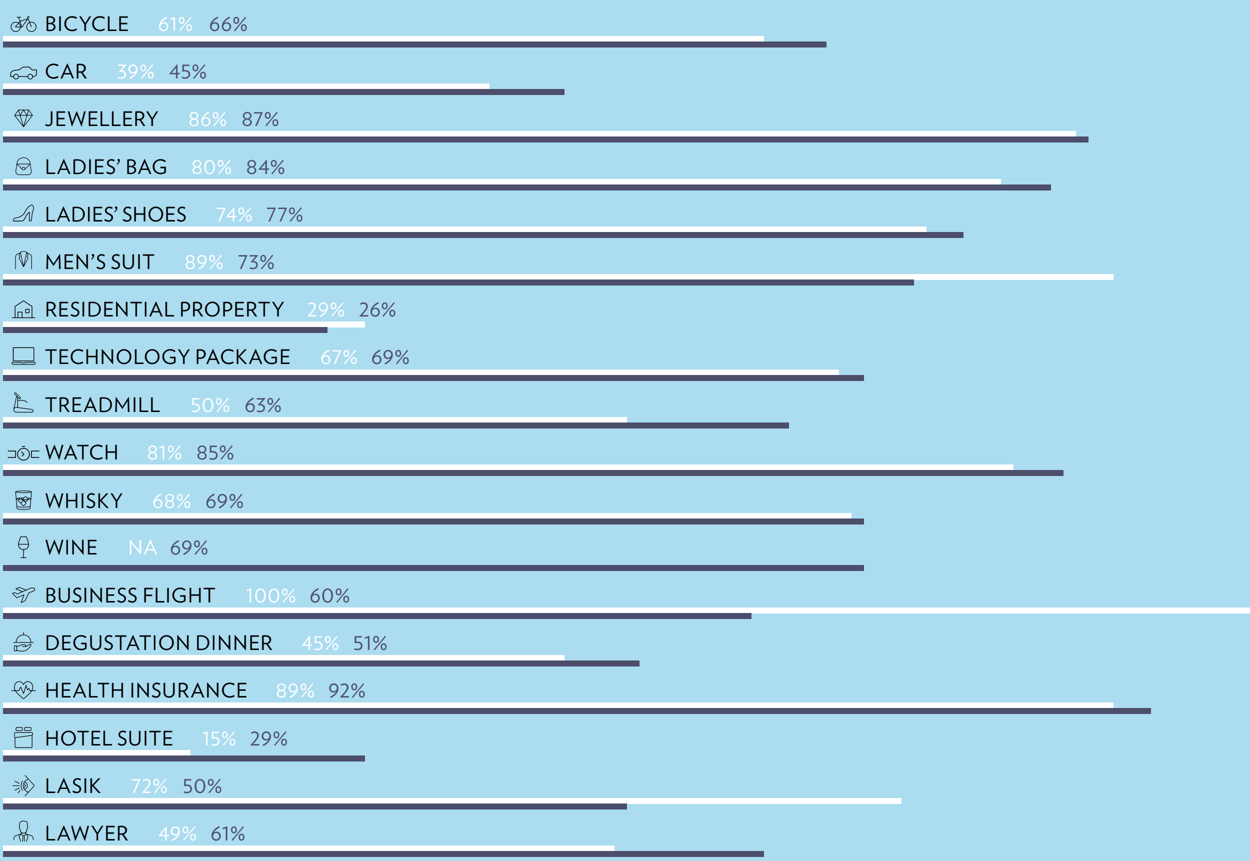
In Sydney, as elsewhere in this year's Index, ladies' shoes are less expensive. Cars, Lasik, men's suits, and watches, in contrast, are more expensive, helping to drive up Sydney's USD weighted average price by 7 per cent.

Australia experienced its first recession since 1991 in 2020 as the pandemic took hold. However, the government was successful in containing the virus, prompting a quick economic recovery. That said, exports fell 3.2 per cent in the third quarter of 2020 and growth in 2021 is likely to be muted, with much depending on Australia's relationship with China.

Sydney's property market has performed strongly because of the relatively low number of new listings and steady demand. The ultra-luxury segment was especially resilient: sales of properties at the top end grew 94 per cent in the third quarter of 2020 compared to 2019. In September, a home in Sydney suburb Vaucluse became Australia's most expensive home to be sold at auction, fetching AUD 24.6 million – AUD 10.6 million higher than its reserve price.

7
Regional Rank

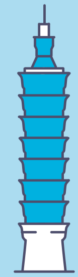
14
Global Rank



● All city average ○ Sydney

All percentages are based on the price of each item's highest price being equal to 100 per cent.

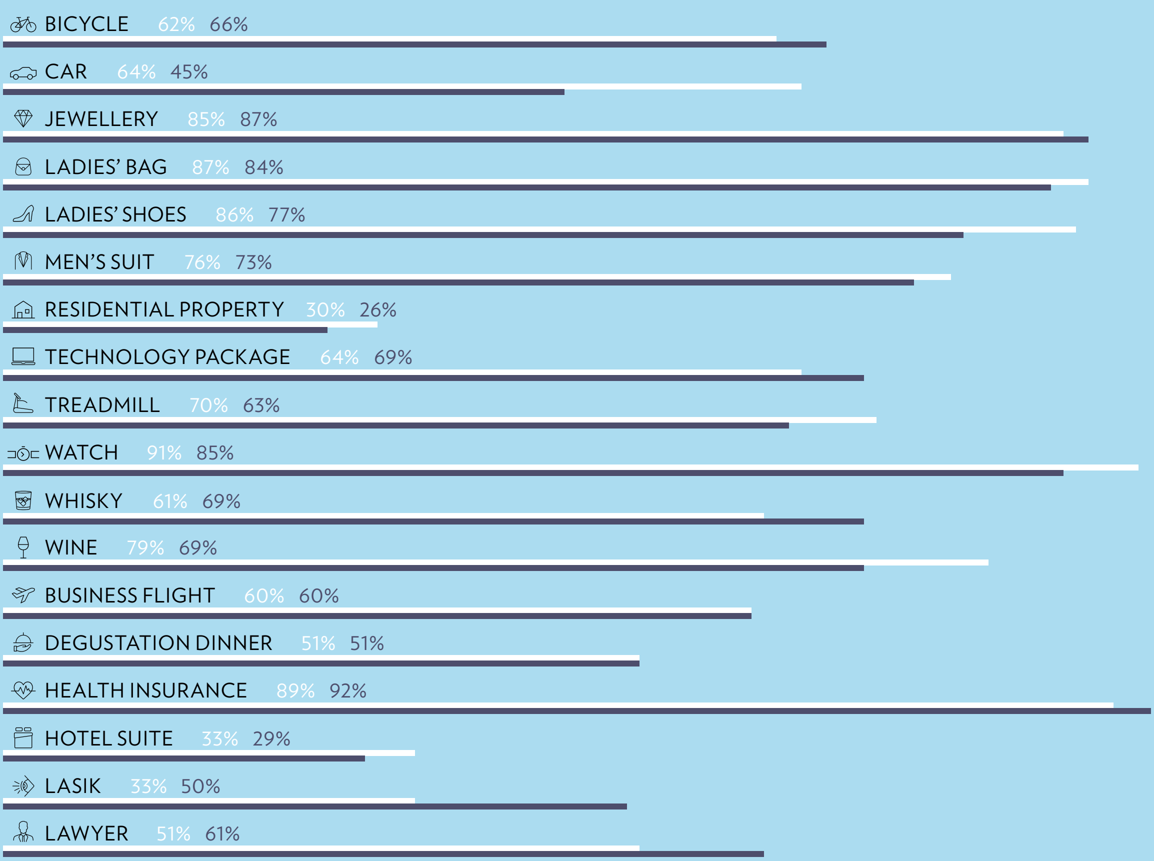
TAIPEI



One of the few economies to grow in 2020.
Cars are expensive in Taipei, a city now famous for its swarms of scooters. This is because the majority of cars are imported. Bicycles, once the principal mode of transport in the Bicycle Kingdom, are surprisingly only slightly cheaper than the international average.
In Taipei, shoppers will pay slightly more for high-end fashions, but Lasik is affordable. This is a great city for fine dining, with prices down 15 per cent on 2019 in USD terms (down 19 per cent in local currency).
Luxury residential property is slightly more expensive than the international average here, due in large part to a limited supply and the reshoring of many Taiwanese entrepreneurs over the past year. Many owned factories in China but chose to return home after former US President Donald Trump imposed high tariffs on imported goods from China.
Taipei is the culinary capital of Taiwan, drawing inspiration from both its own heritage and many neighbouring regional cuisines. The past decade has seen a boom in fine dining restaurants in the capital, and the city received six new one-star ratings from the Michelin Guide last year.
Taiwan is a major manufacturer of hi-tech products, which were extremely popular throughout 2020, boosting exports and creating a large currency surplus. These factors helped the economy to grow 3.1 per cent in 2020. Further growth of 3.5 per cent is expected in 2021.

Regional Rank 4

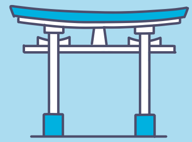
5 Global Rank



● All city average ● Taipei

All percentages are based on the price of each item's highest price being equal to 100 per cent.

TOKYO



2
Global Rank

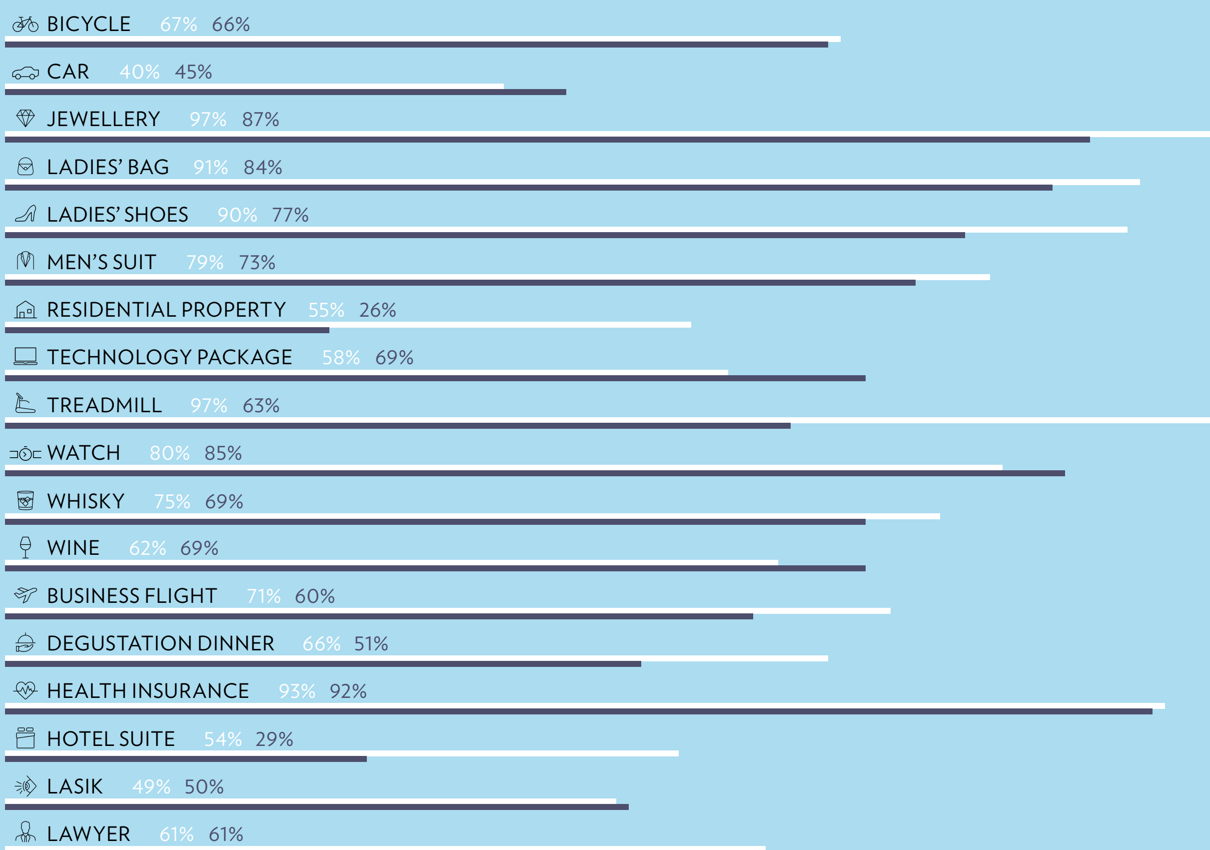
Regional Rank

The second most expensive city in 2020.
Buyers will have found that Tokyo took quite the toll on their wallets in 2020. The city is the second most costly in this year's Index, and more expensive than the international average for almost two-thirds of the items in the report.

Overall average prices in the city are up 2 per cent in USD terms, double the 1 per cent increase experienced on a global basis. Some of the biggest jumps in price were recorded in fine dining (up 28 per cent in USD terms), jewellery, and watches (both up by a tenth). In contrast, ladies' shoes and hotel suites experienced the biggest drops, down 14 per cent and 27 per cent respectively.

Japan's economy has been hit by softening demand from China and the US; exports have fallen 24 months in a row, the longest run since records began in 1979. This means recovery is likely to be slow. The world's third largest economy contracted by 4.9 per cent in 2020, and is expected to return to muted growth in 2021 with a 3 per cent rise.

However, the luxury residential market is still buoyant, fuelled by purchases by UHNWIs from overseas and healthy domestic demand from investors seeking a safe haven for their capital. Prices in Tokyo are almost double the international average. The market for luxury goods is also still growing: it was worth USD 27.4 billion in 2020 and will be worth USD 36.2 billion by 2025.



● All city average ○ Tokyo

All percentages are based on the price of each item's highest price being equal to 100 per cent.

EUROPE, THE MIDDLE EAST & AFRICA

Yves Robert-Charrue
Head Switzerland, Europe,
Middle East & Africa

The most important Index story this year for Europe, the Middle East, and Africa (EMEA) is that the region has switched places with the Americas to become the second most expensive region, behind Asia. The price increases in EMEA have primarily been driven by currency changes; as European currencies such as the Swiss franc, the euro, and the British pound gained against the US dollar, cities such as Zurich, Paris, and London became more expensive.

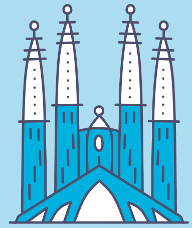
However, in the grand scheme of the past year, there are bigger stories shaping the financial and lifestyle decisions of our clients in the region. Despite the significant economic, political, and cultural differences between Europe, the Middle East, and Africa, Covid-19 has shaken many industries to their core and has deeply unsettled our day-to-day lives. While Europe remains attractive to global consumers who want to enjoy the heritage and craftsmanship of the cities and goods made here, ongoing travel restrictions have put the brakes on the usual flow of visitors.

At some point we will go back to a certain normality, but this crisis is sure to take a heavy emotional and economic toll, which could lead to a change in perception of what luxury is and a subsequent shift of consumer preferences and priorities. We see this already among our clients: health, family, and experiences have moved to the fore and traditional ideas of luxury have taken a back seat. We have also seen a much greater focus on succession planning and other wealth preservation measures, as families look to better prepare themselves for future uncertainties.

We have also seen a move towards sustainability and taking a more responsible attitude to consumption and business, but also to wealth. This is not a new trend, but the pandemic has certainly put a greater emphasis on our collective responsibility towards each other and the world that we live in. Investors increasingly want their financial decisions to align with their values, and, as a result, the interest in impact investing, as well as other forms of sustainable finance and philanthropy, is on the rise.

With nearly all the cities in the EMEA region becoming more expensive in this year's Index, we must remember that there are other factors that play a role when it comes to living well. The situation in EMEA differs from one country to another, but my sense is that for a while at least, no matter which city we live in, the cultural background, or the wealth status, we will all look at things differently, be more considerate, and appreciate our most essential needs and our highest values.

BARCELONA



7
Regional Rank

15
Global Rank

Compelling value for discerning shoppers.

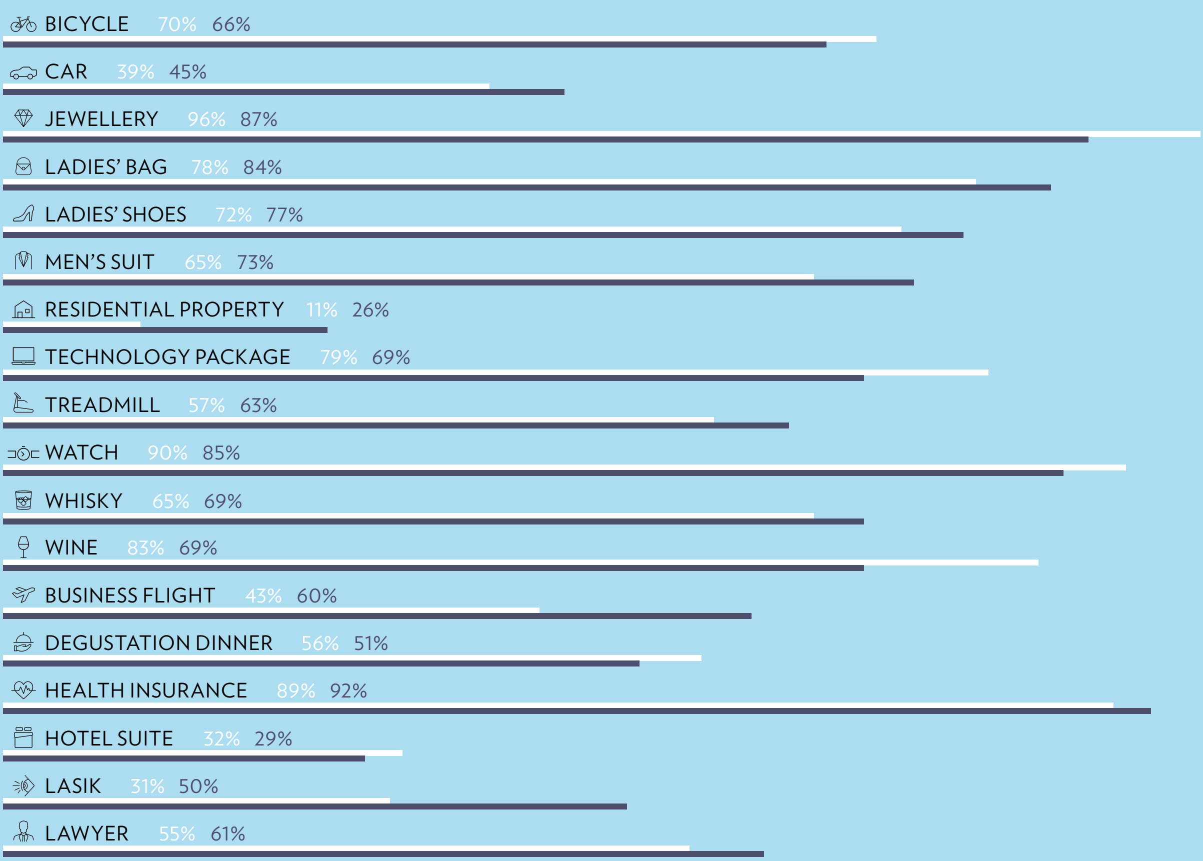
The city, memorable for Gaudí's colourful influence and architectural flourishes, has grown more expensive for almost every item barring ladies' shoes and hotel suites in USD terms. The Catalan capital has jumped up the ranking to take the 15th spot in the Index.

Fashion is Barcelona's biggest luxury industry, representing around 40 per cent of the total sector. It remains a haven for style-conscious shoppers seeking value – handbags, shoes, and designer suits are all more affordable here. High-end hotel suites were 9 per cent cheaper in USD terms in 2020. Gourmets, however, will pay a premium for fine wines and dining. Low inflation means the euro goes further here.

Like most cities around the world, Barcelona's tourism industry suffered in 2020. However, property here still remains attractive to overseas buyers. Prices come in at less than half the international average, but an ageing housing stock means there is rising (and as yet unmet) demand for new, energy-efficient, smart apartments.

Spain's economy was 11 per cent down in 2020. This was because tourism accounts for 12 per cent of its GDP, and there was muted domestic demand as a result of lockdown measures. Around 70 per cent of employment is sustained by small-to-medium-sized companies, which have been hit harder by the pandemic than large corporations.

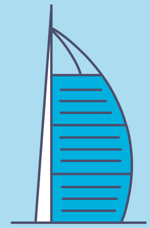
Until tourism rebounds, Barcelona's recovery from the 2020 crisis is likely to be slow.



● All city average ● Barcelona

All percentages are based on the price of each item's highest price being equal to 100 per cent.

DUBAI

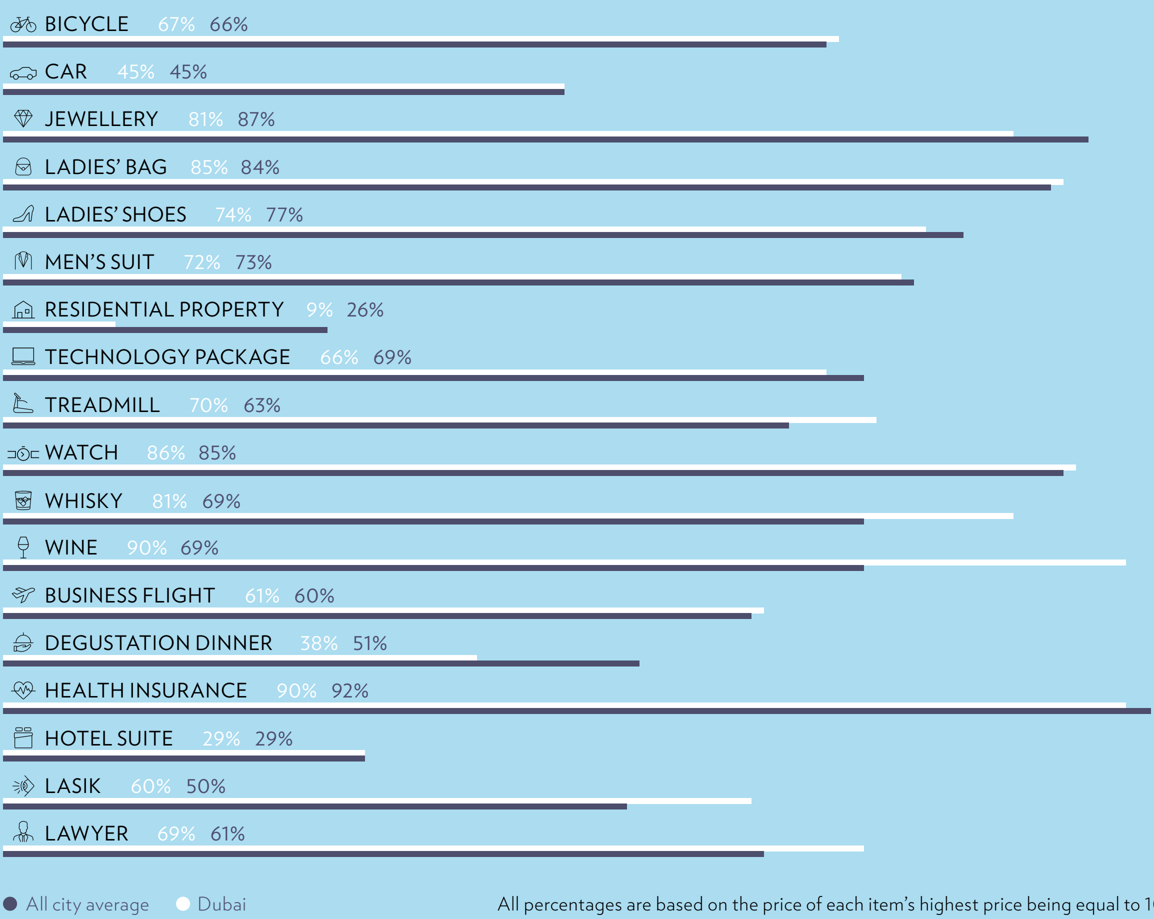


An expensive place for an exclusive lifestyle.
Visitors to the Gulf Tiger will struggle to find any significant bargains here. Most Index items are priced at the international average or higher. Looking at the total average, it's up 1 per cent on 2019 in USD terms. This has helped Dubai to move up the rankings to 12th place.
Jewellery is slightly cheaper than the international average; gold always tends to be cheaper in the UAE because it is subject to fewer taxes.
Property is affordable, ranking in the cheapest 25th percentile in this year's study. The residential market has experienced a boost in recent years because of a strong Emirati dirham and favourable changes to mortgage rules.

The UAE economy struggled during 2020, declining by 8 per cent. Employment dipped to the lowest level since records began during 2020, but the situation is beginning to stabilise.
The future looks rosier for the UAE now that the Abu Dhabi National Oil Company has pledged to inject more than AED 160 billion (USD 43.5 billion) into the region's economy over the next five years.
The UAE's non-oil economy will expand by 4.2 per cent in 2021 and return to pre-crisis levels by the middle of 2022.

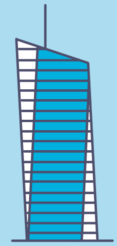
5
Regional Rank

12
Global Rank



All percentages are based on the price of each item's highest price being equal to 100 per cent.

FRANKFURT



Premium property pushes Frankfurt up the rankings. Prices have risen sharply over the past year in the finance capital of Germany. Those wandering through Goethestrasse, Frankfurt's luxury shopping district, will find the price of men's suits up 17 per cent, while handbags will set you back an additional 13 per cent (all in USD). Frankfurt is now the 17th most expensive city in the Index.

Technology here is much more expensive than the international average. Gadgets and communication devices are in great demand in Frankfurt. It is one of Europe's primary internet exchange points and home to the second most data processing centres per capita in Europe.

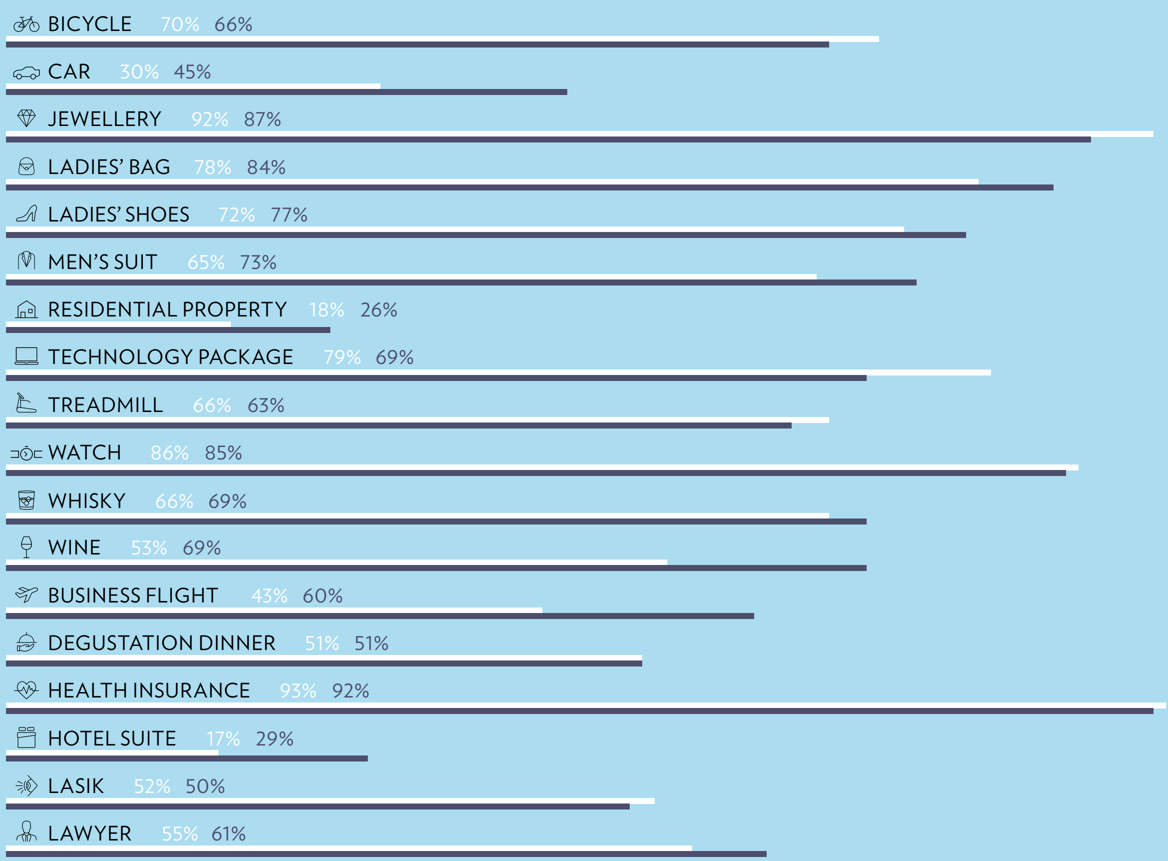
The biggest jump in prices in 2020, however, was seen in the residential property sector; exclusive homes are now 20 per cent more expensive in USD terms. This is because of strong demand – due to high levels of employment and immigration – coupled with limited supply, especially in desirable neighbourhoods. Prices in Germany's top seven cities have risen 124 per cent in 10 years.

High-end cars are cheaper in 2020, however, with prices down 10 per cent in USD. Ladies' shoes have fallen just 6 per cent in Frankfurt, unlike elsewhere in the Index, where the price has fallen much more.

At the end of 2020, Germany entered another strict lockdown. Economists believe this will trigger a 'double dip' recession. However, Europe's largest economy will grow 4 per cent in 2021, bolstered by the strong German manufacturing sector.

8
Regional Rank

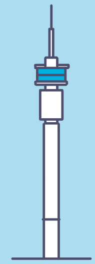
17
Global Rank



● All city average ○ Frankfurt

All percentages are based on the price of each item's highest price being equal to 100 per cent.

JOHANNESBURG



Bargains to be found in Africa's wealthiest city.
The City of Gold has replaced Mumbai as the most affordable city in this year's Index. South Africa's largest city offers exceptional value for almost every item, despite a 5 per cent jump in weighted average prices in local currency terms. A sharp decline in the value of the South African rand has resulted in a 10 per cent price drop in US dollar terms.

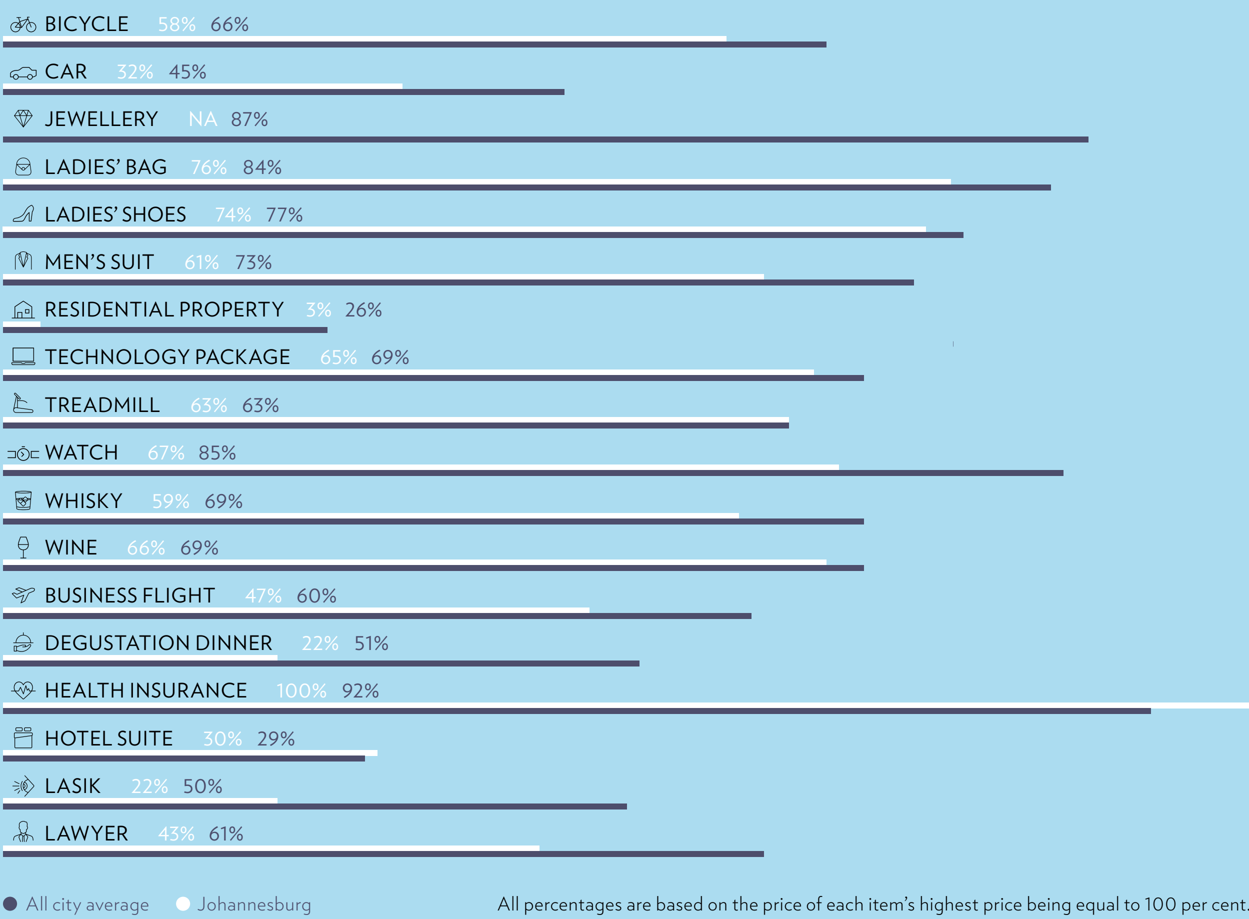
Johannesburg has a small luxury industry, relative to its size. The total luxury goods market was worth USD 693 million in 2020, a per capita spend of just USD 12. It is set to experience muted growth of 3.7 per cent in 2021.

Like most things in Jo'burg, high-end residential property is very affordable, costing a fraction of the international average. Prices have remained stable, with demand on the rise. Buyers are seeking out exclusive apartments boasting modern, hi-tech security.

As Johannesburg is the economic hub of South Africa, many companies are headquartered there, and the affluent suburbs have attracted many successful businesspeople. Interest rate cuts introduced in early 2020 also lowered the cost of monthly repayments, making home ownership a more attractive prospect.

The effects of the pandemic notwithstanding, the South African economy has been in a downward cycle for 85 months in a row, while unemployment reached highs of 30 per cent last year. Any recovery is likely to be slow and protracted.

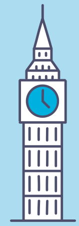
10
Regional Rank



All percentages are based on the price of each item's highest price being equal to 100 per cent.

25
Global Rank

LONDON



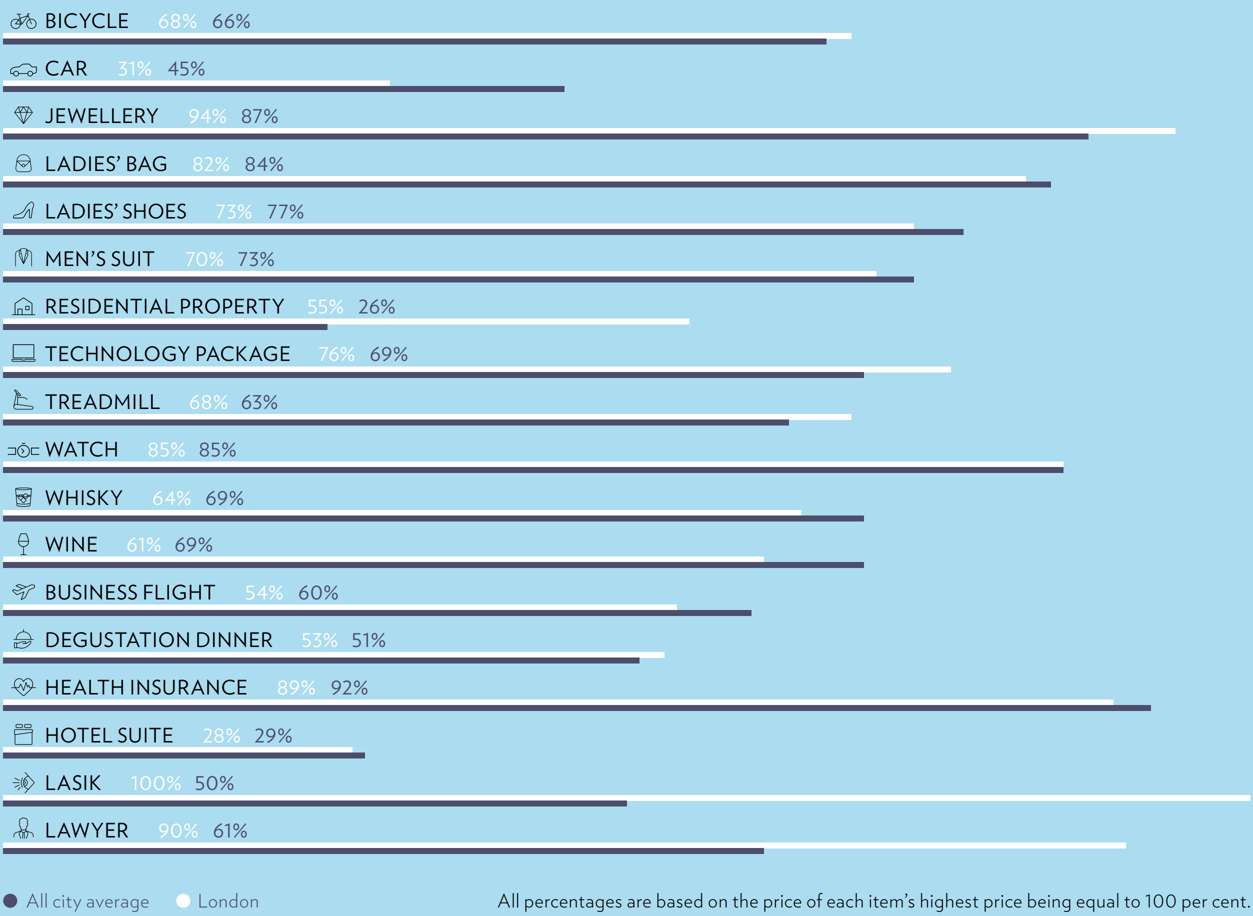
4
Regional Rank

8
Global Rank

A good place to buy a dram of whisky.

When it comes to buying high-end goods in London, visitors can expect a few bargains but high prices too. This mixed picture leaves London in eighth place in the Index. London was the most expensive place to get eye surgery in 2020, and lawyers' fees are also very high compared to the international average. This is one of the cheapest places to buy fine whisky, due to its geographic proximity to Scotland and Ireland, where many world-class distilleries are based. The luxury market in the United Kingdom was valued at USD 12.5 billion in 2020, with fashion the standout sector. Consumer spending remains depressed, down 10 per cent on pre-crisis levels. This will remain the case until the country emerges from lockdown restrictions, however, and the muted demand created an environment of low inflation that persists into 2021.

Britain's capital is the third-most expensive place in the Index to buy residential property. London's real estate market has long been seen as a safe haven for overseas investors, who have bought swathes of exclusive property in areas like Knightsbridge. However, price rises slowed in 2020 due to many Londoners moving to the countryside. The UK economy went into recession in 2020, emerging again in July. However, a double-dip recession is likely, thanks to the ongoing uncertainty created by the nation's exit from the European Union.



All percentages are based on the price of each item's highest price being equal to 100 per cent.

MILAN

The fashion hub rises in the rankings.

The price of premium property in Milan jumped in 2020, helping Italy's centre of fashion to climb to the 13th spot in the Index.

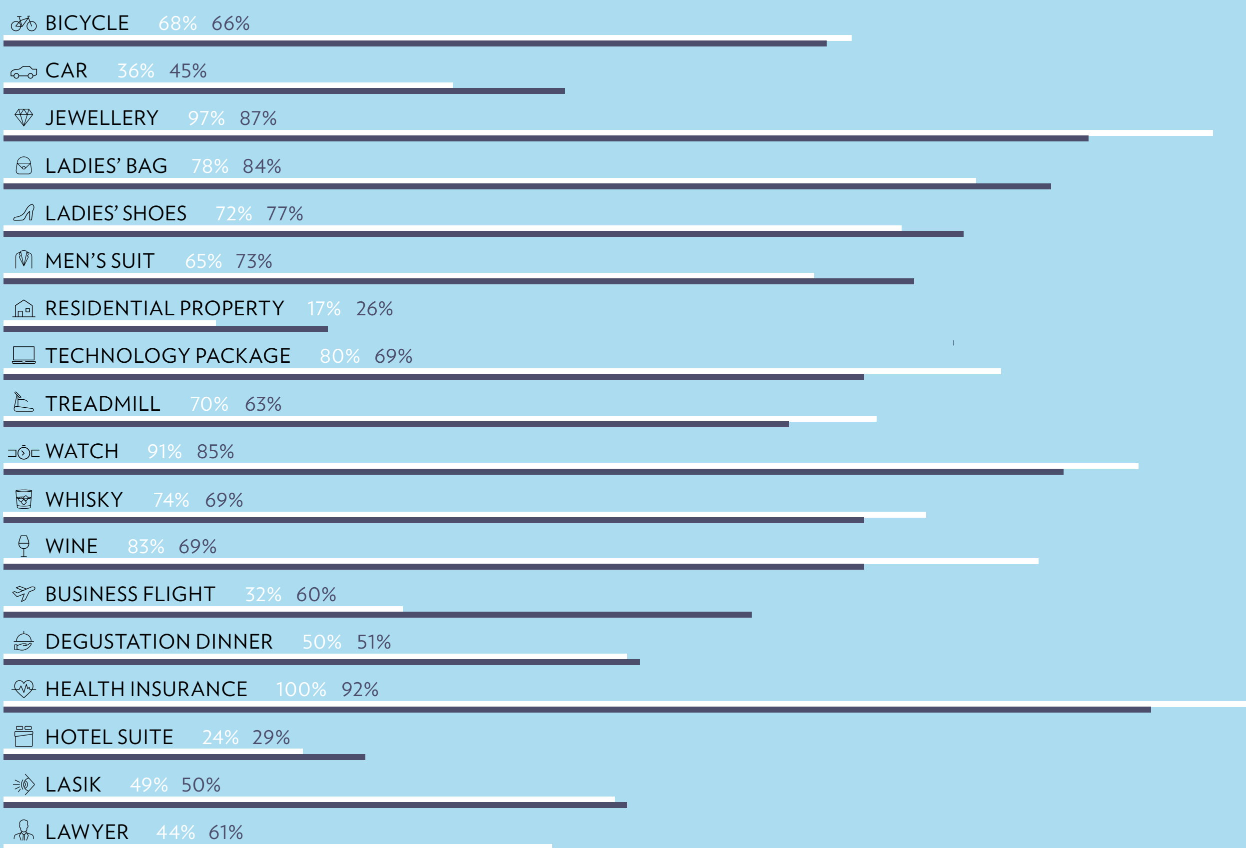
House prices have been rising since 2017, driven by the city's appeal to international buyers seeking a cosmopolitan vibe and affordable luxury. Milan is home to some of the most expensive residential prices in the country, yet demand remains stable.

Italians have a passion for luxury goods, spending an average of USD 195 per head in 2020. Several items are more expensive in Milan than the international average, especially high-end technology and fine wines, but there have been some significant price falls too. Ladies' shoes and business-class flights are down by 11 per cent and 25 per cent respectively (in EUR terms). As the world's fifth most starred city by the Michelin Guide, this is one of the best places in the world to go out for a meal, and prices are down 13 per cent from 2019.

Italy was among the first European countries to be hit by the pandemic. Its economy contracted by 8.9 per cent, which was less steep than expected. Milan, the second largest city in Italy, was severely affected by the second lockdown in late 2020, with little consumer spending. Forecasts place economic growth in Italy in 2021 at 5.6 per cent.

6
Regional Rank

13
Global Rank



● All city average ○ Milan

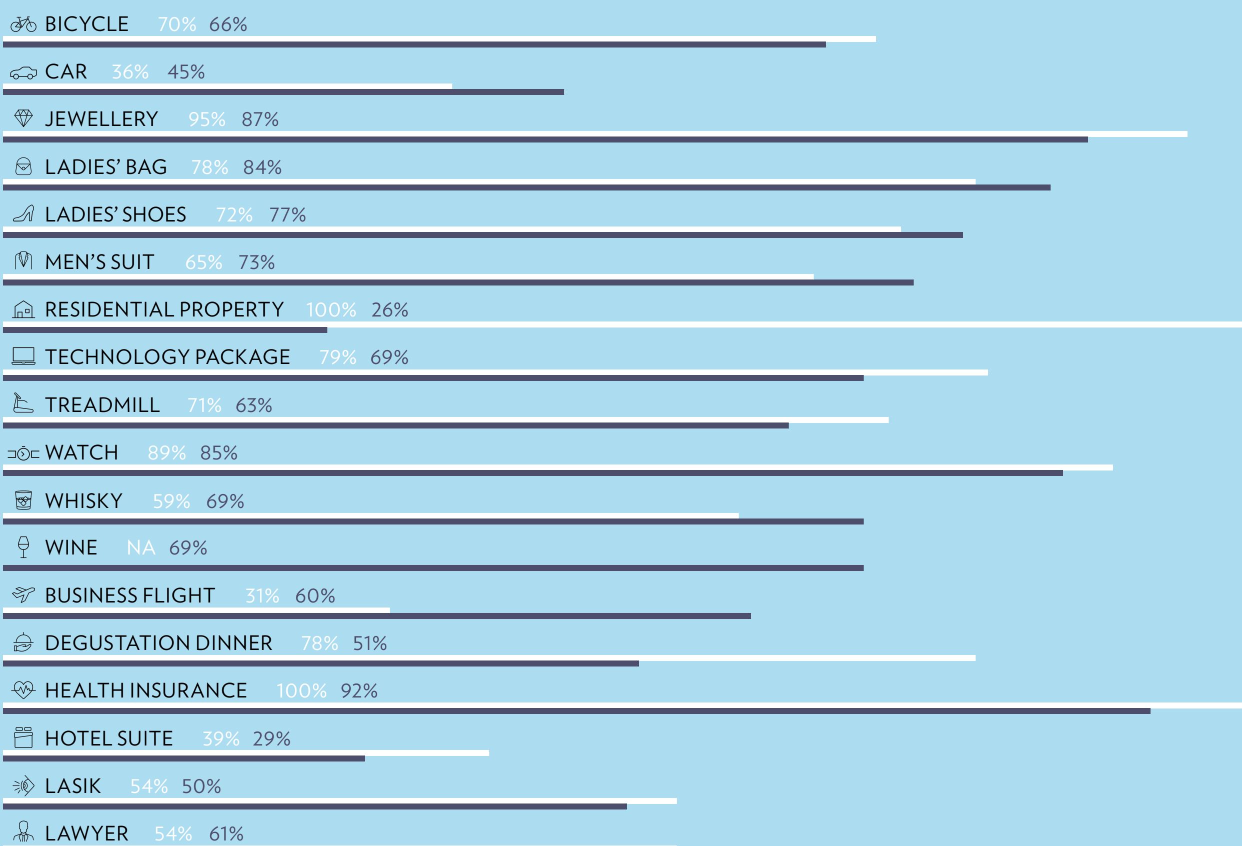
All percentages are based on the price of each item's highest price being equal to 100 per cent.

MONACO

1
Regional Rank

4
Global Rank

Enjoying Monégasque hospitality.
Monaco, a principality synonymous with wealth and luxury, takes fourth place in this year's ranking.
The economic impact of Covid-19 was less severe here than elsewhere. The decision to employ a curfew over lockdown restrictions allowed Monaco to keep trading throughout the year. The retail sector has felt the absence of Asian, Russian, and American visitors, but reports say there has been a significant amount of banking activity, which has kept the economy ticking over.
The government of Monaco has helped crisis-hit residents and businesses through the provision of EUR 110 million in partial unemployment and other hardship funding, equivalent to 10 per cent of its annual budget. In 2021, this is the most expensive place in the Index to purchase a luxury home, despite a 12 per cent fall in prices (in EUR). Some property here is likely to become more affordable in the coming years, however. A number of new high-end residential projects are in the works, which will increase housing stock and may mean that older apartments lose their appeal.
Some goods and services have become more expensive in Monaco: a third of the items analysed have experienced price rises of 10 per cent or more in USD terms. Though limited solely to residents of the principality and those who work there, restaurants were able to stay open even while lockdowns shuttered hospitality entirely in other cities. Unsurprisingly, the Monégasque people were willing to pay a premium for this privilege: the price of fine dining is up by around a fifth in EUR terms.



● All city average ○ Monaco

All percentages are based on the price of each item's highest price being equal to 100 per cent.

MOSCOW

An entrepreneurial metropolis.

Moscow has climbed to 18th in this year's Index. Despite price rises in many areas, particularly flights, the city offers pockets of affordability: it is one of the cheapest cities in our index to buy a luxury car.

The prime residential property market was affected by initial Covid-19 restrictions and transactions fell by a third in the first half of 2020. However, demand has remained stable and, buoyed by the growing wealth of many of the city's entrepreneurs, prices climbed 9.9 per cent in RUB terms across 2020 as a whole, according to Knight Frank.

The impact of higher prices on travellers, international investors, or those who hold USD is limited. The rouble fell 17 per cent against the dollar in 2020, meaning that while prices are up 15 per cent in local currency, they are only up 2 per cent in dollar terms.

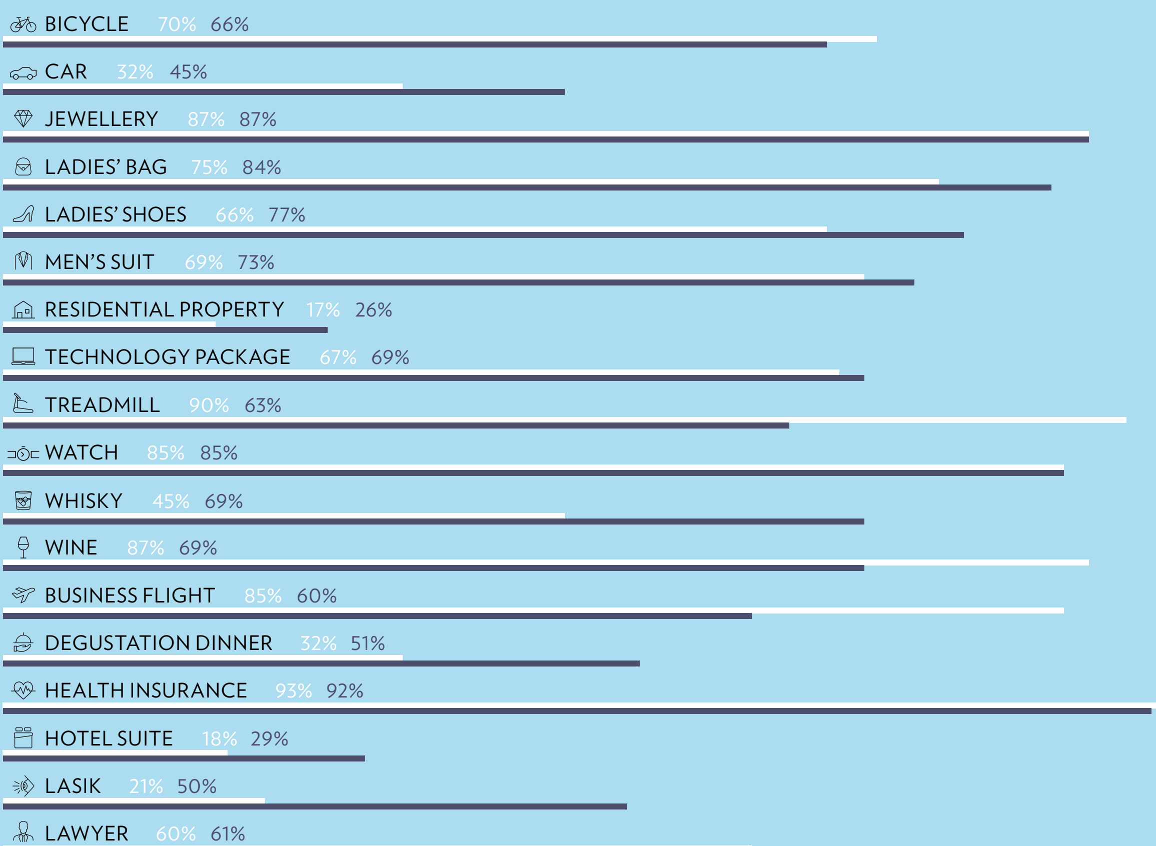
Supported by significant investments in telecommunications, the city is building a reputation as a thriving tech start-up hub and was rated as one of the top 10 Best Startup Cities in 2020.

Famous for its architecture, the Moscow Metro is one of the world's densest transport systems, with an average of 9 million daily passengers. Upgrading the Metro is one of a slew of ambitious infrastructure improvement projects under way across the city.

The plan is for the Metro to reach 90 per cent of Moscow's residents and to increase both stations and capacity in order to transform the network into one of Europe's most comprehensive.

9
Regional Rank

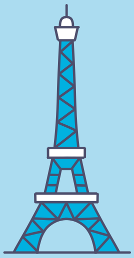
18
Global Rank



● All city average ○ Moscow

All percentages are based on the price of each item's highest price being equal to 100 per cent.

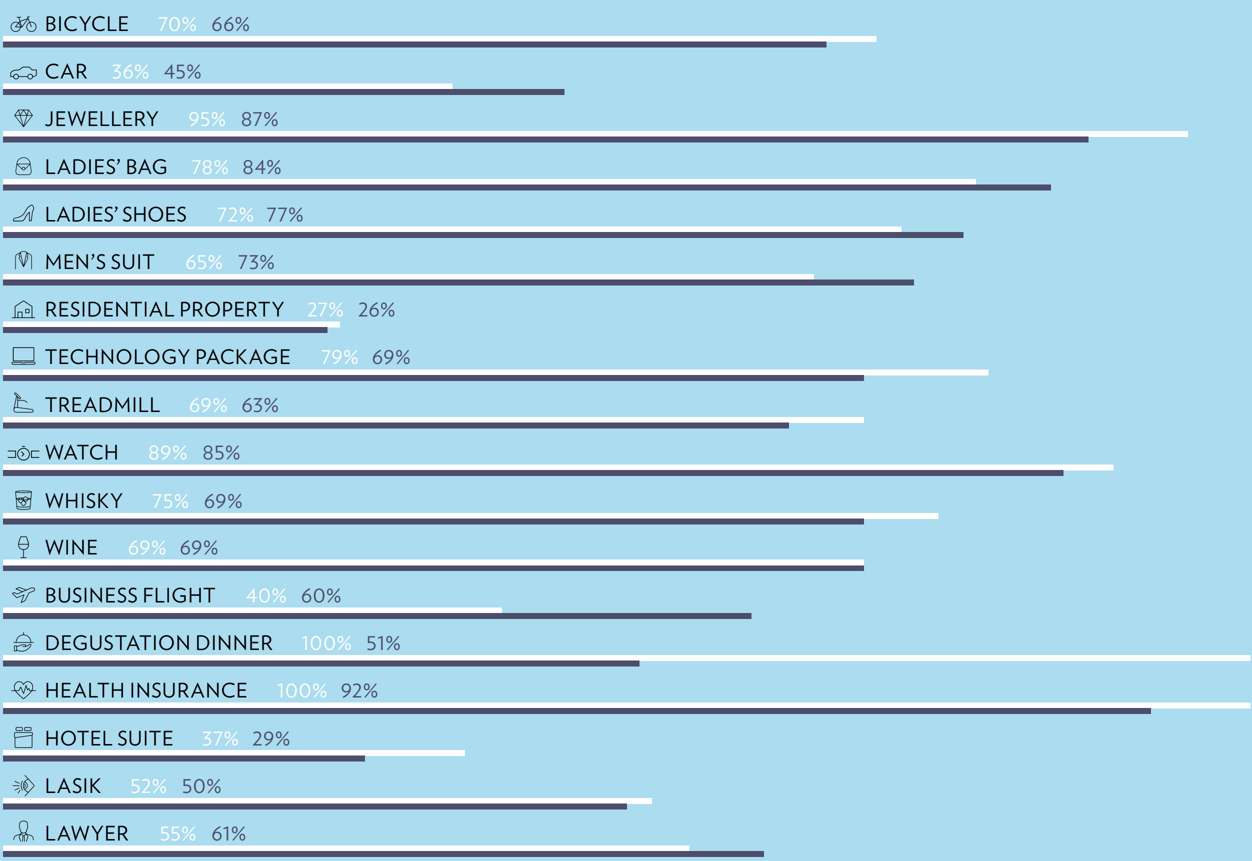
PARIS



3
Regional Rank

7
Global Rank

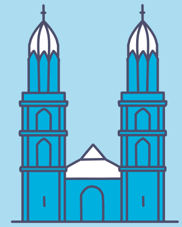
Fashions are affordable, but fine dining prices soar.
La Ville Lumière has experienced an average price rise of 7 per cent in US dollars over the past year, helping it to leapfrog London (Europe's most expensive city in 2019) and take the seventh spot in the Index.
The birthplace of haute cuisine is the most expensive place in the Index for fine dining, with gastronomes paying twice the international average. Hotel suites and personal technology are also more expensive, but there are still affordable luxuries to be found. Paris is the home of many heritage brands, so the prices of high-end fashion, from men's suits to handbags, are often below the international average. The price of fine wine has also fallen by a fifth, reflecting the pandemic's impact on the hospitality sector.
Unlike most other cities in this year's report, business-class flights are cheaper in Paris. The city is home to three airports, and airlines have tried to tempt passengers to fill empty capacity.
France responded to the pandemic with stringent lockdowns, which hit both consumer spending and business optimism. Its economy contracted by 8.3 per cent in 2020, but the eurozone's second largest economy is set to rebound in 2021, with forecasted growth of 6.7 per cent.
The prestige residential property market has been resilient, however, with transactions in Paris spiking as soon as restrictions were eased. Many Britons, fleeing the impact of Brexit across the Channel, bought homes – or second homes – and domestic demand remains extremely high.



● All city average ○ Paris

All percentages are based on the price of each item's highest price being equal to 100 per cent.

ZURICH



2
Regional
Rank

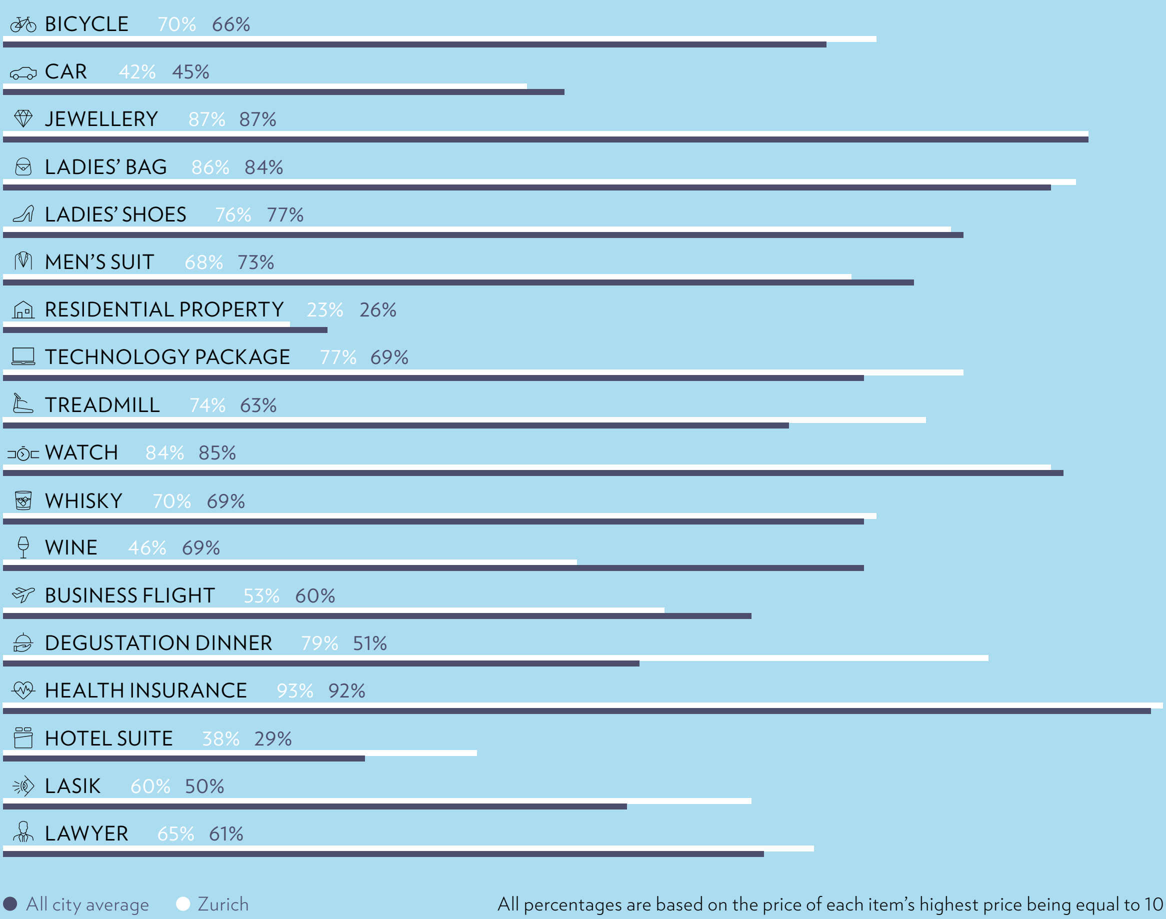
6
Global
Rank

Zurich is the second most expensive city in Europe. Prices in Zurich – Switzerland's largest city and a global financial centre – have seen little change this year. On average they are the same as last year in Swiss francs, or up 6 per cent in US dollars. Those who enjoy fine dining have felt the worst of the price rises – though at just 14 per cent (in CHF) its increase is unlikely to raise eyebrows. The greatest price decline was in ladies' shoes, down 15 per cent.

The price of a premium watch here is similar to the international average, yet the Swiss watch industry, one of the mainstays of the nation's economy, took a significant hit in 2020. Exports in the sector plunged by almost a quarter as demand slumped.

The country's political stability means that investors often view its currency as a safe haven during times of crisis. True to form, the Swiss franc was one of the best-performing currencies of 2020, making strong gains against the dollar and the pound, and holding its own against the euro.

Switzerland's low interest rates, coupled with the escape into material assets as a result of 2020's uncertainty, have led to a significant price increase in Zurich's residential property. Prices remain stable and robust, although slightly below the international average. Activity may increase in 2021 when Switzerland returns to growth: the economy is forecast to grow by 4.3 per cent across the year.



All percentages are based on the price of each item's highest price being equal to 100 per cent.

THE AMERICAS

Beatriz Sanchez
Head Americas

What a difference a year makes, especially in the Lifestyle Index ratings. The Americas have switched places with Europe, Middle East, and Africa and now make up the least expensive region in our Index. Once travel can resume freely, Europeans visiting the US will continue to be amazed at how inexpensive consumer goods are there.

Within the Americas we have also seen some interesting shifts. It is currently home to two of the three cheapest cities in the Index.

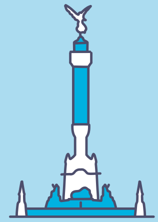
It is probably the first year in many that we have seen flattening prices in the once most expensive cities of New York and Vancouver. As you will read in this report, the price gaps for certain items – such as jewellery or technology – in those cities, when compared to Mexico City and São Paulo, are narrowing, according to the Julius Baer Lifestyle Index.

Certain economic indicators – higher unemployment, weaker regional demand for goods and services – when paired with a weaker US dollar and strong devaluations in Latin America, especially Brazil and Mexico in 2020, tell a large part of the story behind declining prices. This is a situation that may persist for the coming years, but, surprisingly, the luxury goods market in the Americas has held up relatively well throughout the pandemic. The high-end consumer has not been as affected as the middle-class consumer or those in the informal economies across the region, especially in Latin America.

Looking to the future, one cannot help but see a shift away from the Americas to China with respect to cost of living, luxury goods, and general consumer lifestyle goods. The US has had a decade of social activism and an increasing mindfulness around inequality. Latin America suffers from one of the world's most unequal distributions of wealth. Movements such as Black Lives Matter and #MeToo are only two examples of this increased social activism. Moreover, Covid-19 may not have created new trends, but it has definitely accelerated those that were already present. Social reform, as well as a focus on sustainability and environmentally friendly consumption, are today topics of relevance across the region.

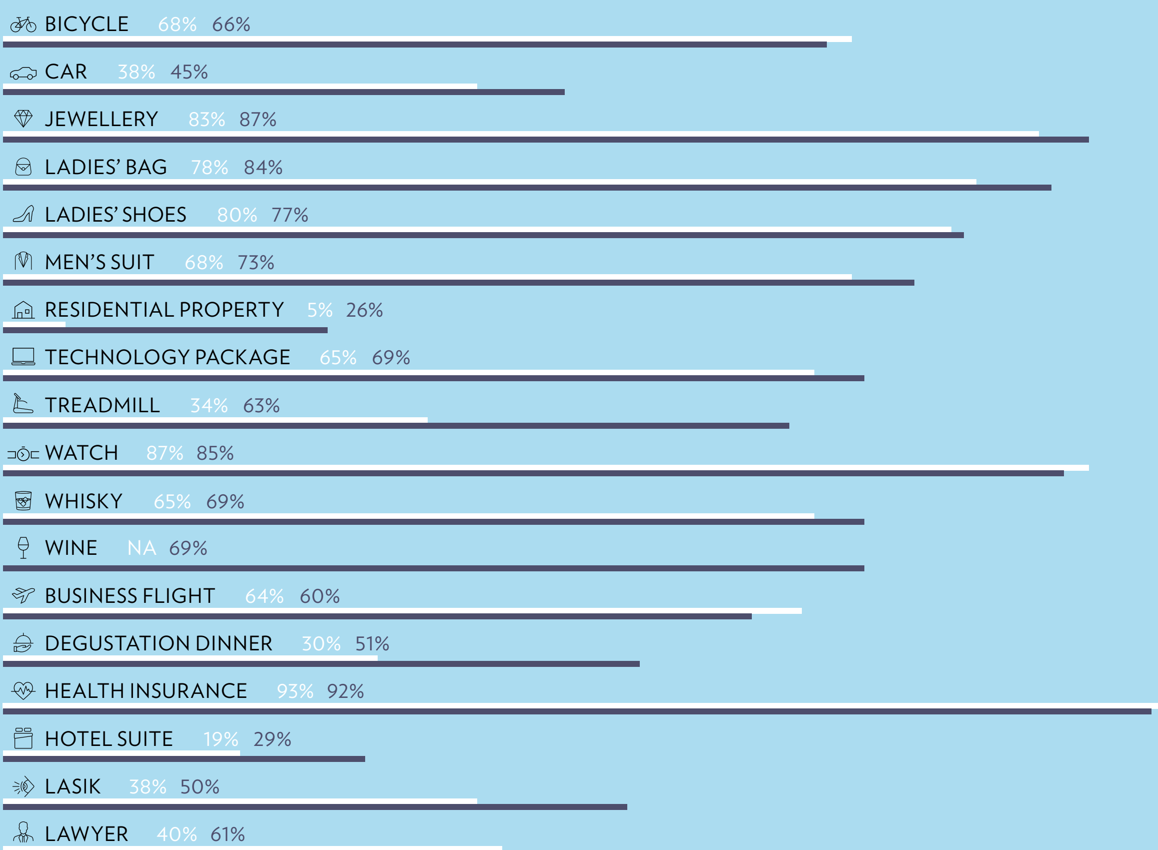
With all this in mind, more conscious consumption, even in the luxury goods and services sector, is emerging. In the most expensive cities across the continent, we see a trend in consumers moving towards a more conscious choice of items, which may result in fairer prices for others.

MEXICO CITY



Snap up affordable luxury property.
Visitors to Polanco, Mexico City's top shopping district, will find many of their favourites are more affordable here. Fine jewellery, handbags, and suits are all priced below the international average. Prices have dropped 4 per cent on average in dollars, although the weak peso means locals have experienced an 8 per cent rise.
Some luxuries remain expensive, however. A car in Mexico City is 56 per cent more costly than in Miami, across the Gulf of Mexico, because of local taxes. Luxury vehicles have appreciated faster than any other item over the past year, up 34 per cent in pesos, although still cheaper than the international average.
Despite a few jumps in value across the items analysed in this Index, Mexico City has still moved down the rankings, to 23rd place. Relative to other cities in the Index, property is extremely affordable in Mexico City, priced at around a fifth of the international average. However, property prices are rising – up 5 per cent year-on-year in peso terms.
Unlike the majority of the cities in this year's Index, where the largest luxury sector is fashion, Mexico's strongest industry is cosmetics and fragrance. Many prestige brands have only entered the Mexican market for the first time in recent years and demand has exploded.
Mexico's economy plunged into its deepest recession for decades in 2020, contracting 9 per cent. Muted fiscal spending and continuing political uncertainty threaten any recovery. The economy however is forecast to grow by 5.5 per cent year-on-year.

4
Regional Rank

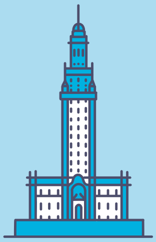


23
Global Rank

● All city average ○ Mexico City

All percentages are based on the price of each item's highest price being equal to 100 per cent.

MIAMI



2
Regional Rank

Miami falls down the rankings after tourism dip.
Miami, with its year-round sunshine and gorgeous beaches, relies heavily on tourism to fuel the local economy. The city is the 'cruise capital' of the world, home to the biggest international cruise companies, so 2020's extensive travel restrictions have been challenging. In Florida, the leisure and tourism industry as a whole lost 254,400 jobs in 2020, or 20.3 per cent of the total.

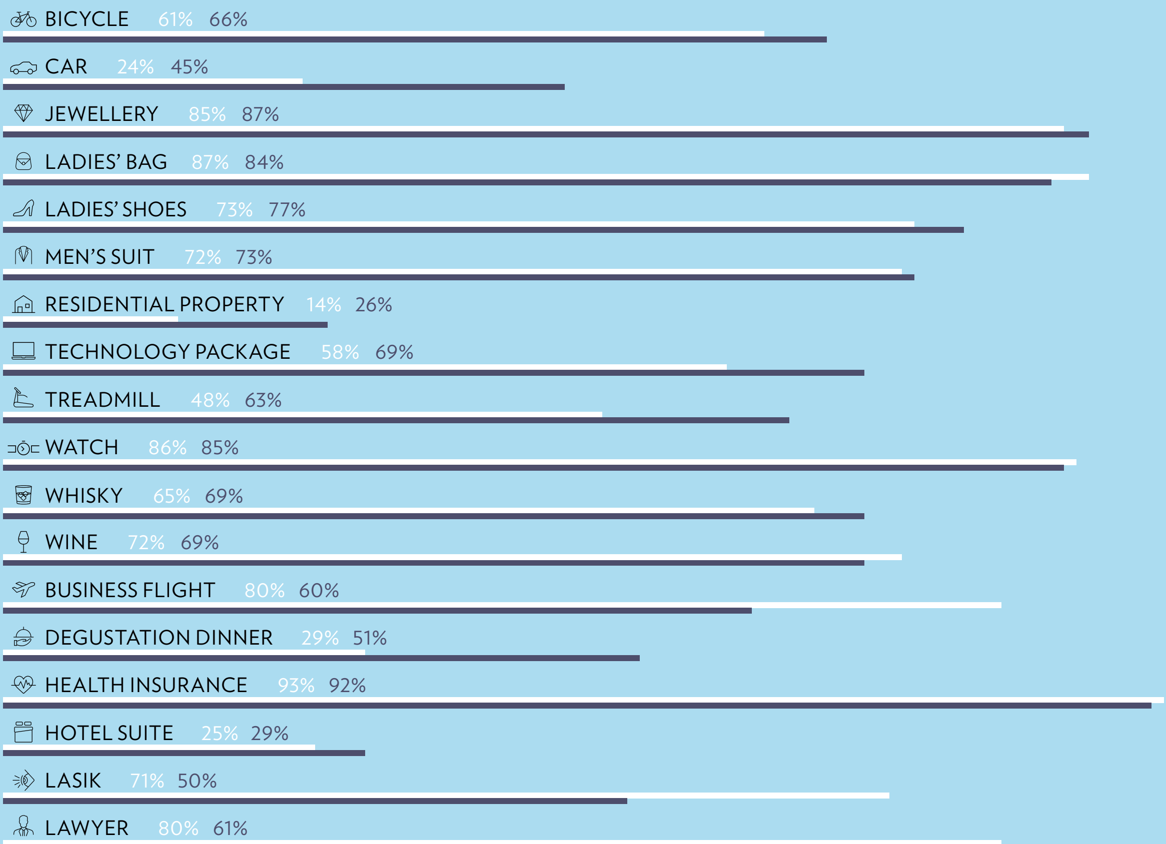
Miami's fortunes are also closely tied to those of Latin America, which has been hit hard by the pandemic. Exports from Miami, therefore, were down 23 per cent for 2020, but e-commerce sales were up.

Miami is in the most affordable quartile in this year's Index, having fallen to 19th position. Whisky lovers found that the price of a fine single malt in Miami crept up by 22 per cent because of new tariffs imposed by the US government in 2019 (although these were then suspended in March 2021). However, designer shoes, fine dining, and hotel suites experienced price falls of 23, 26, and 33 per cent respectively.

It has been an interesting year for Miami's luxury property sector. Domestic buyers supplanted international ones, and super-prime property sales grew 6.1 per cent in 2020. However the rate is due to slow marginally in 2021, according to Knight Frank.

Florida is forecasting a 4.3 per cent contraction in GDP in the year to June 2021, followed by 4.2 per cent growth in 2021/22 once the tourism industry rebounds.

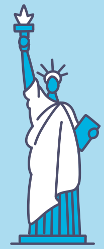
19
Global Rank



All city average   Miami

All percentages are based on the price of each item's highest price being equal to 100 per cent.

NEW YORK



1
Regional Rank

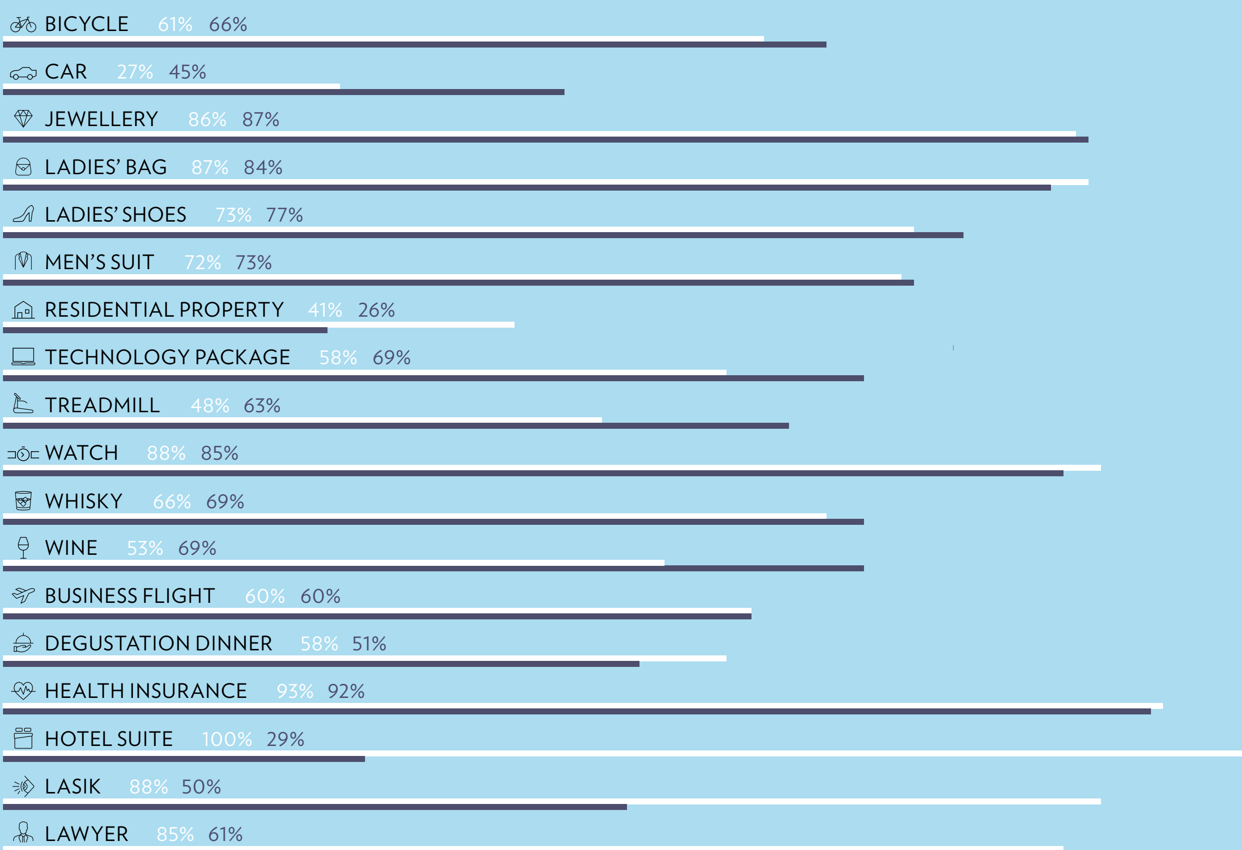
New York is the most expensive place for a hotel stay. Taking a bite out of the Big Apple was a little more expensive in 2020, with average prices up 3 per cent. This is by far the most expensive place in the Index to book a luxury hotel suite, with prices up 38 per cent over the year. Whisky became more expensive too, up almost a third because of new US tariffs on imported single malt – although the new government suspended those tariffs in March 2021.

Compared to other cities in the Index, however, New York remains relatively affordable for many other items, sinking to 10th place overall. Some items are a bargain here: personal technology, for example, is a tenth cheaper than the international average.

The pandemic has had an extraordinary impact on New York City's residential property market. Sales slumped during lockdown, reaching the lowest levels for 30 years. As demand for Manhattan homes dried up, prices slid to the lowest level for a decade. Conversely, there was a significant spike in property prices in nearby Montauk and the Hamptons from residents seeking more space outside the city.

Unsurprisingly, the US economy has suffered because of Covid-19. The Federal Reserve has announced plans to keep interest rates around the zero mark to counteract unemployment. Total US GDP is projected to grow by 6.4 per cent in 2021, follwing on from a 2020 drop of 3.5 per cent.

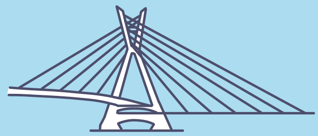
10
Global Rank



● All city average ○ New York

All percentages are based on the price of each item's highest price being equal to 100 per cent.

SÃO PAULO

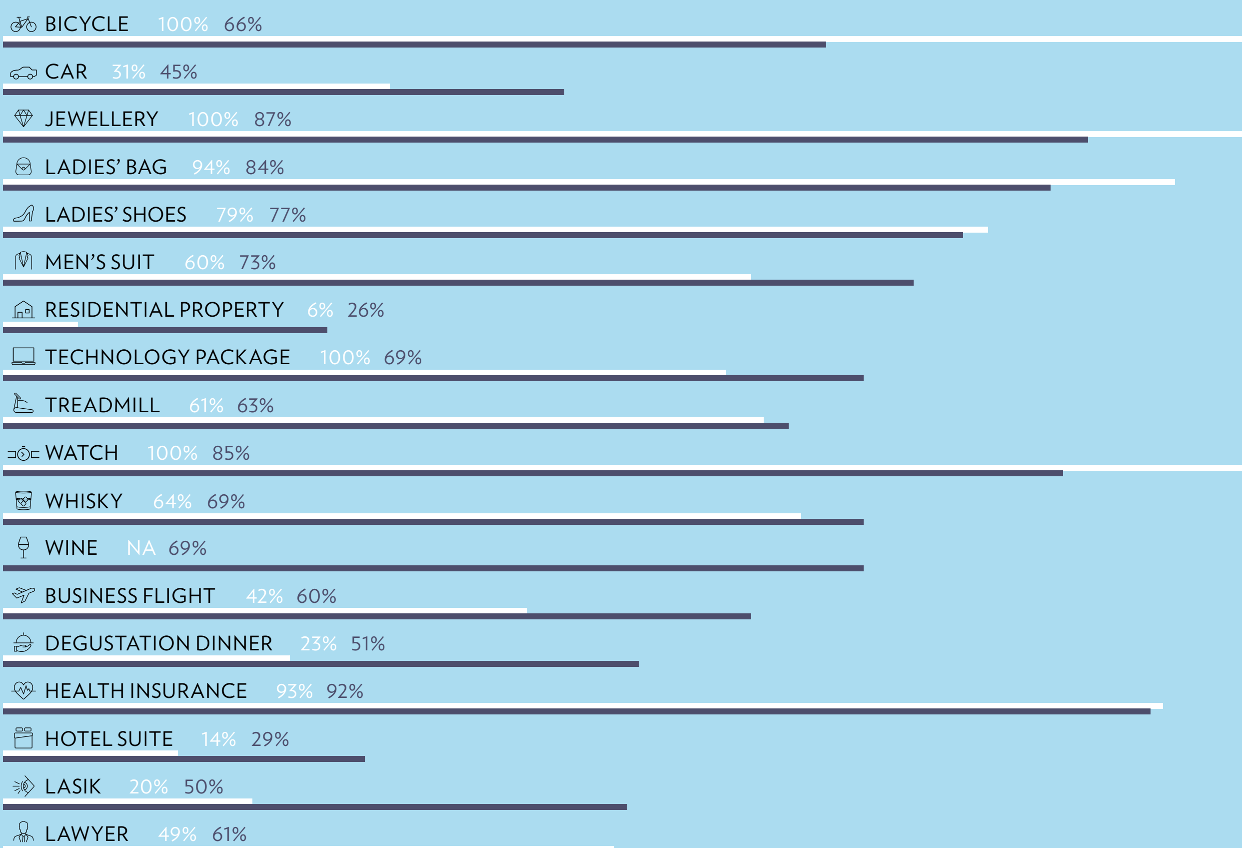


3
Regional Rank

21
Global Rank

The place to buy a high-end home.
Prices are totally polarised in São Paulo: there are some items at the cheapest end of the spectrum and others way above the international average.
This is the most expensive place to buy a bicycle, fine jewellery, or a watch, for example. Personal technology is pricier here than anywhere else in the Index too. However, São Paulo is also one of the most affordable places to buy a man's suit. Brazil's luxury industry as a whole is relatively small: spending per capita is only USD 24.58 a year and the market is projected to grow by a muted 3 per cent over the coming year.

Property hunters, take note: this is one of the cheapest places to acquire an exclusive home, with prices hovering at less than a quarter of the international average. Interest rates are at record lows, prompting many HNWIs to purchase property, while the advantageous exchange rate has fuelled demand from international buyers too. The most sought-after homes are in Ibirapuera, Jardim Paulistano and Itaim Bibi, clustered around the central business district. Brazil had barely recovered from its 2015 recession when the pandemic struck. This means it suffered more than many nations during 2020, with mass unemployment and one of the higher Covid-19 death tolls in the world.



● All city average ○ São Paulo

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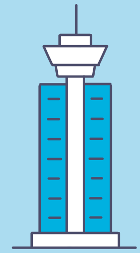
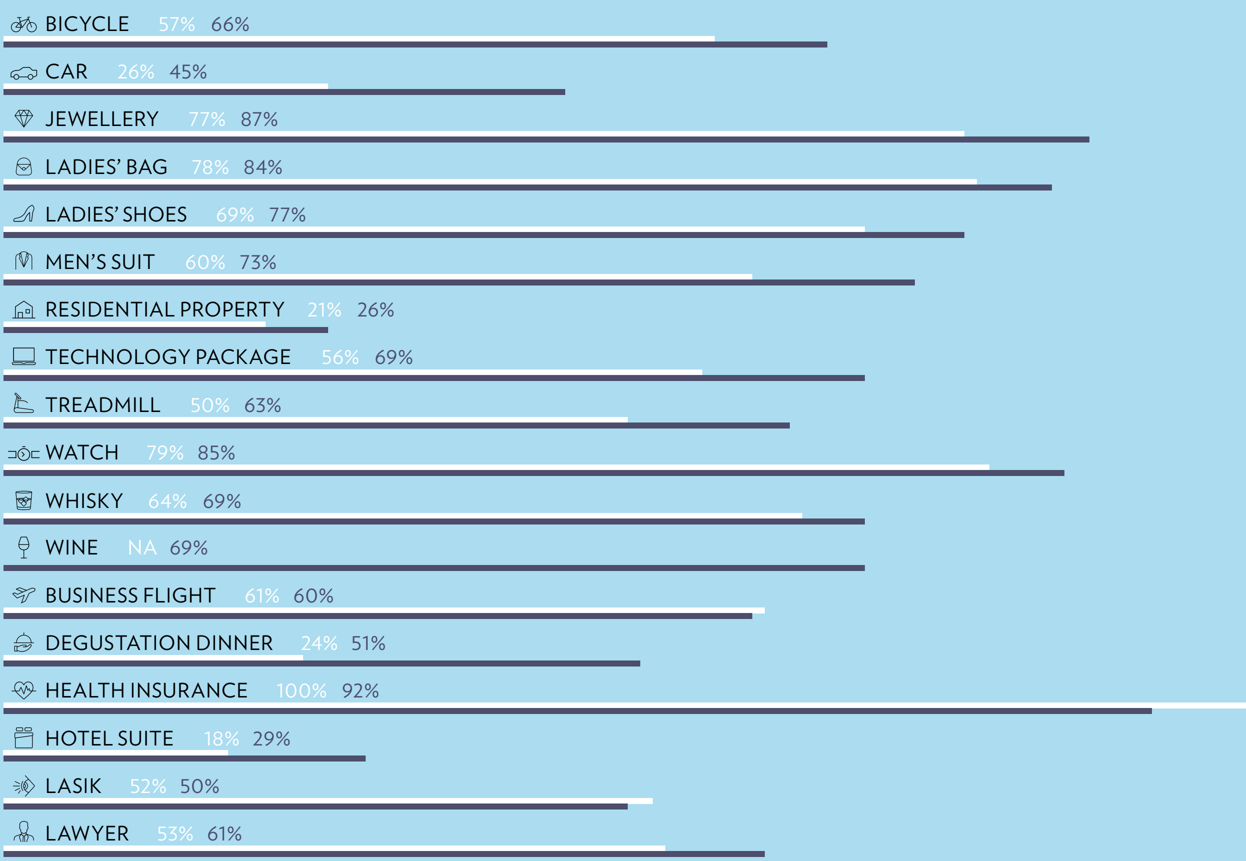
VANCOUVER



The most affordable city in the developed nations.
Vancouver, which ranks 24th in this year's Index, represents supreme value for discerning individuals. It is beaten only by Johannesburg in the affordability stakes.
Prices did find modest gains overall in the past year, rising just 1 per cent in local currency terms. In US dollar terms, however, Vancouver's average prices declined by 1 per cent.
There is good news for fans of designer heels and hotel breaks: they are cheaper by 27 and 38 per cent respectively (in USD). Those who enjoy fine whiskies will pay 32 per cent more for their single malt, however.

Low interest rates and positive consumer sentiment have helped to buoy up the prestige residential property market. The residential property market in Vancouver experienced a 2 per cent increase in prices in local currency terms in 2020 in our Index.
Canada's economy has been very resilient, despite the challenges presented by Covid-19. It was one of the first nations out of recession, and GDP continued to rise even after a second wave of the pandemic. Towards the end of 2020, the Canadian dollar benefited from strengthening commodity prices, but its ties to the US dollar mean it continues to underperform.

5
Regional Rank



24
Global Rank

● All city average ○ Vancouver

All percentages are based on the price of each item's highest price being equal to 100 per cent.

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ART DIRECTION AND EDITORIAL DESIGN
Klar für Marken

PROOFREADING
Simon Edmond, subeditor

PREPRESS AND PRINT
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JULIUS BAER GROUP

Head Office
Bahnhofstrasse 36
P. O. Box
8010 Zurich
Switzerland
Telephone +41 (0) 58 888 1111
Fax +41 (0) 58 888 1122
www.juliusbaer.com

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