



Inflation index for wealthy families living in London is up in 2010!

After a year when wealthy families could benefit from lower prices in their wide area of consumption such as property rentals, food, beverage, travel, entertainment and investments in art and collectibles, inflation is back!

Stonehage Affluent Luxury Living Index (SALLI) is up 0.6% in the 12 months to the end of April 2010, after falling 3.7% the previous period for families living in London. The Swiss index figure will be known in October.

The index is calculated from a basket of approximately 50 goods and services on a "per use" weighted average basis. Stonehage is a multi-family office based in Switzerland and its SALLI methodology independently verified by Professor Geoffrey Wood of the Cass Business School.

This year's figures show that most items are experiencing higher prices while there is still a fall for high end rental properties. Some of the largest increases are coming from the consumable category like restaurants, wines and luxury food such as caviar and foie gras. Record auction prices at art sales drove the index higher. For example, Swiss artist Giacometti's bronze sculpture and a Picasso were sold for more than 100 million USD a piece. In the housing and family category, prices fell as service providers are competing to retain their clients while real estate prices prolonged their decline. In the travel section as well, prices were pressurised as travel companies offered discounts. A tax rise also hit the index.

The SALLI rose less than the general UK Consumer Price Index which is 3.7% for the same period. Luxury consumption prices tend to fall much more during a recession and rise more during an expansion period. Thus luxury prices are much more volatile than general prices of domestic goods and services. The current trend shows that wealthy families may enjoy some moderate inflation in the coming months and may find some interesting opportunities in real estate.

In countries like Brazil or China, the same prices should have experienced similar trends. Although Marcuard Latin America, a family office based in Montevideo, suspects that price increases are somehow much larger for wealthy families in the region. "Indeed, we pay a lot of attention to the cost of living for our clients as it is a key parameter in assessing their financial needs" says Marcuard Latin America.

For more information:

www.marcuardlatinamerica.com

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