

Holidays seasons 2018 is off to a strong start

As of today the luxury market has delivered results beyond expectations and we expect a positive impact on the holidays season.

High levels of inventories are being delivered to all retail hubs worldwide.

We expect the healthy trend to continue across all regions and customer segments.

Chinese consumers continue to stand out as a growth-driver for the industry
They are more fashion-savvy and digitally advanced than ever before, accelerating the shift of the industry to the millennial state of mind

Luxury market outlook as of today

Regional dynamics

In the Americas, the US luxury market benefitted from a weaker dollar.
Tourists from Asia and Europe boosted key cities while local consumers were drawn to luxury again. Canada is growing while performance in Latin America is mixed.
The region as a whole is expected to grow between 3 to 5 percent (at constant exchange rates) in 2018.

Europe was negatively impacted by a stronger euro, which had an impact on purchases by tourists. Some countries benefited from stronger consumption (Russia, France, Switzerland) while UK and Germany experienced a slowdown. Projected growth of 2-4 percent (at constant exchange rates) for the region for 2018

Mainland China is expected to account for the lion's share of growth in 2018. We forecast this market to grow by 20-22 percent (at constant exchange rates). Brands are learning how to cater to local consumers, often young and heavily influenced by social media.

Purchases by tourists boosted spending in Japan, especially Tokyo and Osaka, though it was partially redirected towards experiences. Local influencers and social media are also key decision influences for younger local customers. Projected growth of 6-8 percent (at constant exchange rates).

Across the rest of Asia, Hong Kong and Macau continue on their recovery trajectory. South Korea benefits from visitors from China, but political tensions in the region could have a crucial impact on 2018 growth trends. Projected growth of 9-11 percent (at constant exchange rates) on an annual consolidated basis.

The rest of the world is expected to be flat or see only slight growth of 2 percent (at constant exchange rates). Dubai remains stable and supported by international tourists, while Australia is set to benefit from a larger store footprint.

Trends shaping luxury goods

- Chinese customers in first place: Chinese consumers will be a key nationality driving the growth of the luxury market. Buyers of luxury in China are young, increasingly fashion-savvy and well aware of the price-value equation.
- Click, Click, Click: Online continues to gain ground as boundaries blur with traditional physical channels. Social media continues to influence purchases especially for younger consumers.
- Casual and streetwear: Streetwear categories experienced standout growth in 2017, driven by casualization of workplace attire and younger buyers of luxury goods. This segment remains a key lever to attract new customers.
- Consolidating new normal: Volume is driving market growth, not just price increases. Exchange rate fluctuations are redistributing spend among regions but not impacting global growth.

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Sources:

Goldman Sachs Retail group

Bain & Co

Analysis of LVMH reports 2017 versus H1 2018 results

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