

ALTAGAMMA CONSENSUS AND MONITOR

Personal luxury grows by 6%

Asia, and China, in particular, continue to drive the growth of the global market.

Accessories is the best performing segment (+7%).

Milan, 13/6/19 – Today saw the presentation of the updates to the **Altagamma Monitor on the Global Markets** study, carried out by Bain & Company in association with Altagamma, and the **Altagamma Consensus 2019**, produced by Altagamma for the last ten years with contributions from the leading international industry analysts.

The New Normal phase of the market, which began in 2017, continues with positive growth and the new generations of consumers and *beyond-physical* purchasing methods enabled by digital technology playing an increasingly essential role.

According to the **Altagamma Monitor on the Global Markets** study, the **global personal luxury goods market** was worth **€260 billion in 2018** with a steady growth rate of around 6%. The **positive trend** continued in the **first quarter of 2019**: “China” and “growing tourism in Europe” are the key factors behind this upturn, only partially tempered by a temporary fall in US consumer confidence. Forecasts for the current year predict a steady growth rate of +4/6% (**€271-276 bn**). The long-term growth forecast, **+3-5%** at a steady rate in 2025, remains unchanged.

“We expect to see stable growth in 2019”, comments **Claudia D’Arpizio**, Partner at Bain & Company and author of the Monitor. “But under the surface of this New Normal phase the “Luxury of the future” is starting to emerge with distinctive new pillars: China’s Gen Z, Access as well as Possession, Sustainability and social responsibility, Digital technology and beyond-product experiences, Consumer networks as the new measure of value”.

The update to the **Altagamma Consensus 2019**, carried out together with 23 international analysts, largely confirmed the Personal Luxury consumption growth forecasts made for 2019 in October 2018. The biggest growing segments are expected to be **bags, footwear and leather accessories (+7%)**. There is also continued solid growth in Jewellery and Watches (+4%) and Perfumes and Cosmetics (+5%). Forecasts for apparel have improved compared with seven months ago and are now around the +3% mark.

Stefania Lazzaroni, General Manager of Altagamma, commented: “The snapshot provided by Altagamma’s analyst partners indicates a stable and growing global luxury market whose average EBITDA is 6.8% higher than in 2018. The US and China are the two major reference markets with a digital revolution that continues to push hard and call for major investment. Accessories are enjoying a boom with 7% growth, cosmetics are going well with 5% and the apparel segment, which is opening up to niche brands, should grow by 3%”.

As for the **forecasts by product category for 2019**, here are the details according to the **Altagamma Consensus**:

	November 2018 Forecast	June 2019 Forecast
PRODUCTS		
Apparel	2,0%	3,0%
Art de la Table	0,0%	1,0%
Jewelry, Watches, Pens and Lighters	4,0%	4,0%
Leather, Shoes and Accessories	7,0%	7,0%
Fragrances and Cosmetics	5,0%	5,0%

According to the **Altagamma Monitor on the Global Markets** study, the **global personal luxury goods market** was worth **€260 billion in 2018** with a steady growth rate of around 6%. The **positive trend** continued in the **first quarter of 2019**: “China” and “growing tourism in Europe” are the key factors behind this upturn, only partially tempered by a temporary fall in American consumer confidence. Forecasts for the current year predict a steady growth rate of +4/6% (**€271-276 bn**). The long-term growth forecast, **+3-5%** at a steady rate in 2025, remains unchanged.

According to **Federica Levato**, Partner at Bain & Company and co-author of the Monitor, “it is important to stress the role that **Insurgent Brands** are also playing in the Luxury market where they are challenging more established brands in the sector to embark on a paradigm shift with a creative approach that goes beyond the product and permeates all business areas, emphasising the importance of direct and ongoing dialogue with the consumer”.

Main trends forecast by Bain & Company in 2019 by geographical area:

- **In the American continent**, the US market continues to enjoy positive growth thanks to domestic consumption and incoming tourism, particularly from Mexico and Brazil. However, US-China trade negotiations and discussions on tariffs represent a potential risk for luxury consumption. There is growth in both Mexico and Canada, where domestic consumption makes up for the reduction in tourist consumption due to the less favourable exchange rate. A steady growth rate of between 2 and 4% is forecast for the entire area.
- **In Europe**, there are different levels of performance from country to country, but overall the weak euro will encourage tourists to spend. The macro-economic and political uncertainty in the region, including the as-yet uncertain outcome of the Brexit, is a potential risk factor over the next few months of this year. The region will grow at a steady rate of between 1 and 3%.
- According to Bain & Company, like over the last two years, the **Chinese market** will remain the engine of growth with a steady rate of 18-20%. Government interventions, the continuous price harmonisation strategies and the efforts of Luxury businesses to construct customer-centred strategies will continue to drive local purchases. The consumer profile continues to shift towards the younger generations, while the development of the online channel will contribute significantly to the country’s growth.
- Moderate growth of 2-4% at a steady rate is forecast for **Japan** and this will be driven by tourism, and Chinese tourism in particular, which is expected to grow also due to the 2020 Tokyo Olympics. The Japanese market remains one of the most popular destinations among local Asian consumers, thanks to the wider array of products available in the country.☐
- **In the rest of Asia**, the growth trend remains positive except for Hong Kong and Macao due to the fall in spending by Chinese tourists. In particular, luxury product consumption trends in Indonesia, the Philippines and Vietnam are positive because of the higher disposable income of the middle classes. Growth in South Korea remains bullish. The entire area could grow by 10-12% at a steady rate.
- The **forecasts for the Middle East** are clouded by uncertainty, negatively affected by spending trends among local consumers. There will be a significant acceleration in the e-commerce channel and soft luxury products. According to forecasts, the market will remain stable (between -2 and 0% at steady rates).

Finally, the study also identifies the megatrends that will shape long-term market performance: ☐

- *China* will drive the market, mainly thanks to its younger consumers (Gen Z)
- The fast change in the consumption paradigm: (also) *access as well as (only) possession* of luxury goods.
- *Sustainability, social responsibility and circular fashion*: new mantras of which businesses will have to take account.

- The *digital disruption* along the entire value chain will necessitate the design of a new technological ecosystem.
- The importance of consumer *networks* as new measurements of value, in addition to the *brand* and the product.