

2017: LUXURY SECTOR RETURNS TO GROWTH (+5%).

The Altagama Observatory 2017, the annual conference that provides a snapshot of trends in the luxury segment of the market, took stock of the current state of health of the industry: following a 2016 of ups and downs, this year we can expect to see growth of 5% in both personal luxury goods and experiential consumption.

Milan, 25 October 2017. The luxury market has bounced back from a stagnant 2016 caused by economic uncertainty and geopolitical crises and is now worth around **€1,160 billion, with growth of 5% at constant exchange rates.**

There has been a similar level of growth in consumption in the **Personal Luxury** segment, which is now worth **€262 billion.**

There is also expected to be **growth in the consumption of personal luxury goods** in **2018** with a forecast average increase of around **+5%.**

The recovery of the segment is partially down to a general increase in consumer confidence: this factor has driven local consumption among Europeans, Americans and Asians, as well as the purchases of Chinese travellers. Another crucial aspect is the return of **tourists to Europe** with numbers **11% up** on last year. In addition to this there is the constant growth in the online channel, a market now worth the same as the Japanese market.

During the conference held at the Unicredit Pavilion in Milan, the current situation in the luxury industry and markets was illustrated by the **Altagama Worldwide Market Monitor 2017** (presented by *Claudia D'Arpizio and Federica Levato, Bain & Company*), **Tax-Free Consumption in the European Union 2016** (*Pierfrancesco Nervini, Global Blue*) and **Altagama Consensus 2018** (*Armando Branchini, Altagama Foundation*) studies.

"The Italian luxury industry has returned to growth in 2017 with a solid +5% and maintains its 10% share of the global market, confirming its role as the spearhead of 'Made in Italy' products", explained Chairman of the Altagama Foundation, Andrea Illy, during the opening of the conference. "As continuous growth is a must for businesses and for the Italian economy, to mark its 25th anniversary the Altagama Foundation is finalising a multi-year programme of actions designed to support the growth and competitiveness of the Italian luxury cultural and creative industries in partnership with the Government and Institutions, which will be presented to the public on Altagama Day on 23 November in Rome."

Present and future scenarios and prospects were then discussed by *Andrea Guerra of Eataly, Vittorio Ogliengo of UniCredit, Carlo Mazzi of Prada and Massimo Piombini of Balmain*, in a session of talks moderated by Armando Branchini and Claudia D'Arpizio.

Below are the findings of the studies, in detail.

1. Altagama Worldwide Luxury Market Monitor. Carried out by *Bain & Company*

After a year of slowdown, and bolstered by the growth registered in the majority of geographical areas, the global luxury market will grow by 5% in 2017 rising to an overall global value of €1,200 billion. So-called "luxury experiences" continue to increase in popularity, as does the core market of personal products which has grown to record levels of €262 billion thanks mainly to the resumption in Chinese acquisitions, both abroad and in China, which strongly influence overall trends.

Growing by 6% at current exchange rates with €87 billion in retail sales, **Europe** continues to recover, re-establishing its reputation as the key region for luxury sales. **In Japan** we are seeing strong growth driven by the currency and the consequent increase in Chinese spending has led to 2% growth at current exchange rates with the market expected to be worth €22 billion. **Chinese** luxury customers are increasingly expert and have driven up sales in China by 15% with the Chinese market now worth €20 billion. **The rest of Asia** (excluding continental China and Japan) has registered strong growth of 6% and the **American market** (North and South America) has also managed to close the year positively, growing by 2% with a market now worth €84 billion. In other regions growth remains stable at 1% with the **Middle East** held back by economic uncertainty.

There has been growth of 8% in the Retail channel and multi-brand stores have also performed strongly. However, the figures relating to **department stores at global level** have been disappointing.

The evolving role of the store is reflected by the online channel, which has grown by 24% with the American market alone accounting for almost half of these types of sales (accessories, beauty and hard luxury are among the biggest-selling categories in this channel): this doesn't mean that stores have lost their role but rather that they need to find a way of reinventing themselves.

The main engine of growth in the market remains the new generations, responsible for 85% of the growth in 2017.

Bain forecasts strong positive growth which will continue at a constant annual growth rate of between 4% and 5% in the next three years with the personal luxury goods market rising to a value of €295-305 billion by 2020.

2. Tax-Free Consumption in the European Union. Carried out by *Global Blue*.

In the first nine months of 2017 Tax Free Shopping in Europe returned to double digit growth of +11%, a trend reversal compared with 2016 which saw a slight downturn (-4%) in the same reference period of January to September.


The positive trend was mainly driven by the sales recorded in the UK (+22%), Spain (+18%), Italy (+8%) and France (+7%), with Germany bucking the trend to record a slight downturn (-4%). Europe remains the *Globe Shopper* shopping destination with around 84% of tax-free sales concentrated in just five countries: France (approx. 22%), UK (approx. 20%), Italy (approx. 16%), Germany (approx. 15%) and Spain (approx. 11%).

Italy in particular has seen a return of Russian tourists (+27%) while Chinese tourists exceed all others (29% of the total).

The Global Blue forecast for the last three months of 2017 confirms the positive trend, particularly in Spain (+16%) and Italy (+7%).

3. Altagama Consensus 2017. Carried out by the *Altagama Foundation* with the contribution of the leading international expert analysts.

The forecasts for 2018 confirm a solid +5%: consistent growth for leather, footwear and accessories (+7%) and for Hard Luxury (5%). Growth also in the area of clothing, perfumes and cosmetics (+4%). Art de la Table is stable. All markets are expected to grow with Asia leading the way (+10%), followed by Japan (+5%), Europe and North America (+4%), the latter returning to growth after two difficult years. EBITDA is expected to grow by 10%.

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