



MODERATE GROWTH FORECASTS FOR LUXURY SEGMENT

Period of moderate growth for global consumption of personal luxury goods. The 2016 forecasts are less positive compared with six months ago but no dip is expected. Growth for Japan and Europe, Asia and America stable. The best-performing categories are once again Leather Accessories and Beauty.

Milan, 24.05.2016. Today saw the publication of the updates on the **Altagamma Monitor on the Global Markets** study, carried out by Bain & Company in association with Altagamma, and **Altagamma Consensus 2016**, produced since 2009 by Altagamma together with the leading international specialist analysts.

According to the **Monitor**, in 2015 the global personal luxury goods market was worth **€253 billion**, up +13% at current rates (+1% at constant rates). The last quarter was particularly difficult both in the US, where there was a slowdown in purchases by local consumers, and in Europe where the Paris terrorist attacks had a severe impact on Christmas shopping in the French city by both locals and tourists (mainly from Asia).

In the **first quarter of 2016 the market maintained the 2015 trend (+1% at both current and constant rates)**, showing an overall slowdown in intercontinental tourist flows due both to the partial rebalancing of price differentials and the terrorist attacks in Europe. The main trends:

- After 3 years of decline, Mainland China is expected to record positive growth thanks to an initial “repatriation” of luxury good spending by Chinese consumers.
- Europe is enjoying positive growth, tourist flows are down but local consumption is recovering.
- The performance of the Americas is impacted by the strong dollar and the uncertain consumer confidence typical of an election year.
- Although slowing down compared with 2015, Japan remains the fastest growing market thanks to tourist flows from China.
- A constant trend is forecast for the rest of Asia albeit with differing performances in individual countries: Korea and South-East Asia are growing but Hong Kong and Macau are still struggling badly.

*“The personal luxury goods market is going through a phase of consolidation”, comments **Claudia D’Arpizio**, Partner at Bain & Company and author of the Monitor. “All eyes are once again trained on China, which is key to leading a global recovery trend , and on the recovery of the US where local consumption is not currently able to make up for the absence of tourists. The changes in consumption trends, from the various patterns of tourism to the recovery of local consumption in Europe, will guide the market towards moderate growth over the next few years. The future market scenario will inevitably be defined by the strategic decisions of brands. While customer strategy, branding, omnichannel and pricing remain at the top of the agendas of CEOs, the real key is that of implementing locally global value propositions and developing, nurturing and retaining the best talent in order to be successful in an increasingly challenging market.”*



According to the Monitor, in the next few years the market will continue to grow at a moderate rate (average annual rate of 2-3%), mainly led by the growth of China and Chinese consumers who are expected to account for around 34% of consumption in 2020, spearheaded by over 40 million new, mainly middle-class consumers. The recovery in local consumption as a response to brand strategies aimed at regaining consensus in mature markets will be another factor to drive the growth of the market in the coming years.

The **Altagamma Consensus**, drafted this year together with 27 international analysts, has **backtracked slightly on the forecasts for 2016** made in October:

- Contrary to the forecasts made in October 2015, zero growth is now predicted for Asia (0% vs. +2%), North America (0% vs. 3.0%) and Latin America (0% vs. +1%)
- Japan will enjoy strong growth (+5%, confirmed), while growth will be more moderate in Europe (+2% vs. 4%) and even more so in the Middle East and the Rest of the World (+1% vs. +3%)
- Accessories and Beauty Products are confirmed as the segments in rudest health (+4%)
- The forecast growth for clothing is more moderate (+1% vs. 3%)
- No growth is expected for Art de la Table (0% vs. +2%) and Hard Luxury (0% vs. -+3%).

According to **Armando Branchini**, Vice Chairman of the Altagamma Foundation and author of the Consensus: *“The confirmed growth of Japan and Europe in some way compensates for the flat scenario in Asia and the Americas, while the solid growth of leather goods, footwear, accessories, perfumes and cosmetics is also comforting. It is true that year-on-year growth is increasingly moderate but the prospects of the global economy require us, from now on, to evaluate the luxury market by comparing it with all of the other industrial sectors rather than against its own performances in the past. In fact, it is important to underline that the luxury sector is performing better than almost all of the other industrial sectors.”*