

22ND ALTAGAMMA MONITOR LUXURY IS ON THE RISE IN 2023 (UP 8-10%), DRIVEN BY EXPERIENCES

2023 is proving to be another record year for the luxury industry worldwide, now worth approximately €1.5 trillion. Experiential luxury is leading the way, and the long-term outlook is positive, supported by the industry's strong fundamentals.

Milan, November 14th, 2023. The 22nd **Altagamma Monitor** illustrated and commented on the positive performance of the **global luxury market**, which is showing growth of **8-10% compared to 2022**. The total value of the sector has reached **€1.5 trillion**, setting a new record only three years after the pandemic crisis. Consumer spending on **experiences**, in particular, has fully recovered, now that social interactions and travel are back on the agenda.

The **market for personal luxury goods** has also grown in **2023**, with an estimated turnover of around **€362 billion** by the end of the year (**+4%** compared to 2022 at current exchange rates). Some uncertainties remain regarding the last quarter, taking into account variables related to consumer confidence, currently fragile, macroeconomic tensions in China, the Gaza conflict, the faltering recovery of the United States, and Europe's rising interest rates and persistently high (though gradually normalizing) inflation. These uncertainties will continue in **2024**, when the Altagamma Consensus predicts an increase in **profitability** of approximately **+4%**.

The market's current performance and future trends were examined in the **2024 Altagamma Consensus**, presented by **Stefania Lazzaroni, General Manager of Altagamma**, and produced with the support of leading financial analysts, and the **2023 Altagamma-Bain Worldwide Luxury Market Monitor**, presented by **Claudia D'Arpizio** and **Federica Levato, Senior Partners at Bain & Company**.

The findings of the studies were discussed with **Alexander Boquel** (Director, Métiers d'Excellence LVMH), **Attila Kiss** (CEO, Gruppo Florence), **Pierfrancesco Nervini** (COO North & Central Europe & Global Accounts, Global Blue), **Horacio Pagani** (Founder and Chief Designer, Pagani Automobili), **Maria Porro** (Director of Marketing and Communication, Porro and President, Salone del Mobile.Milano), **Renzo Rosso** (Founder and President, OTB Group), and **Angelo Zegna** (Consumer and Retail Excellence Director, Zegna).

*"In a highly uncertain scenario, the global luxury market is proving resilient, with growth of 8-10% this year. Contributing to this is spending on experiences and the dynamism of the very top end of the market," said **Matteo Lunelli, Chairman of Altagamma**. "In 2024, more moderate growth is expected for Personal Luxury. Faced with the challenges ahead - from market volatility to inflation, an increase in international competition and a fall in consumer confidence - the industry must consolidate its heritage while continuing to invest in digitization, training and sustainability. The dialogue we have opened with the government is positive, but it is vital that the companies and supply chains that forged the global renown of Made in Italy are not left out of the conversation, and that they are supported in the increasingly complex challenges they are now facing."*

*"This is a defining moment for brands, and the key factors for success are **resilience, relevance, and renewal** - the basics of the new value-centered luxury equation. The luxury market is generating positive growth for 65-70% of brands in 2023, compared to 95% in 2022. To stay in the game, it will be crucial for brands to take bold decisions on behalf of their customers, leveraging strategic M&A to redefine the boundaries of the industry. These will be foundational drivers for growth in the future," explained **Claudia D'Arpizio** and **Federica Levato, Senior Partners at Bain & Company** and authors of the study.*

BELOW, A DETAILED BREAKDOWN OF THE FINDINGS OF THE STUDIES

The **2024 Altagamma Consensus** was produced by Altagamma with input from 20 leading international analysts.

International macroeconomic uncertainty and volatility - rising inflation, high interest rates, geopolitical tensions, price increases and a decline in the purchasing power of middle-high end consumers – point to moderate market growth for 2024.

Markets: In **Europe**, international tourists will compensate for weaker domestic demand and help support the market, which is expected to grow by **4%**. Thanks to visa restrictions being lifted and travel firmly back on the agenda, Chinese tourists are now returning to European cities. Growth in the **USA** is slowing to **+2.5%**, due to the effects of inflation and the customary Election Year uncertainties. Positive growth continues in **Japan (+6%)** fueled by local demand and Chinese visitors. Japan, which is a premier luxury market, is destined to benefit from the increase in tourism. **China** can expect to see growth of **8%**, lower than in previous years, due to lower demand from upper-middle class consumers, who are more cautious spenders. The forecast for the **Middle East** is a solid growth rate of **+7%**, despite the tensions and political instability in the region.

Consumers. The global macroeconomic situation is set to augment the polarization between wealthier and less affluent segments of the population. Worldwide, the middle classes are showing lower purchasing power. Consumers are opting for experiences over physical products. Gen Z and Millennial UHNWI (Ultra High Net Worth Individuals) are driving luxury consumption, at an increasingly young age. **Chinese consumers** remain the best performers, albeit at lower levels than pre-Covid, **up 10%**. Consumer spending in **Japan** and the rest of **Asia** will be up **5%** and **7%** respectively. **American** spending will only grow by **3%**, due to the unfavorable economic situation and rising inflation. Geopolitical tensions could also slow down travel. **Europeans** will be the most affected by the macroeconomic context: high interest rates, inflation, recessionary winds, and two wars in neighboring regions will undermine consumption. European consumers are the most cautious when it comes to luxury goods, and no growth is expected in 2024 (**0%**).

Product Categories. 2023 saw a growth in sales, above all in value, due to significant increases in the prices of luxury products. In 2024, the increase in sales is expected to be mainly in terms of volume. **Accessories** continue their positive trend: **+6.5%** for **leather goods** and **+5%** for **footwear**. Entry-price products are struggling, and demand for aspirational items is weaker. **Cosmetics (+5%)** are driven by skincare, makeup, and niche perfumes, especially in the United States. **Clothing** is estimated to grow by **4%**, with a return to less casual apparel. The positive trend in **jewelry** continues, **up 5.5%**: jewelry remains a safe-haven asset and an investment. The growth of **watches** remains stable (+3.5%), and consumers continue to show interest in unique pieces.

Distribution Channels. The retail channel - both physical and digital - continues to grow and is the preferred channel for Personal Luxury Goods. The wholesale channel is heavily penalized, and the impact of online is lessening. **Physical stores** can expect to see growth of **7.5%**, continuing to be strategic for the sector. **Digital retail** (forecast **+4.5%** for 2024) continues to grow, but less vigorously than previous years. Both physical and digital **wholesale** are slackening: no growth is foreseen in 2024 (**-1%**).

Margins. In 2023, companies raised prices to compensate for increases in costs, leading to higher margins. Analysts predict "**normalized**" growth in 2024 - due to economic uncertainty and volatility. Revenues will maintain a positive trend, with estimates for a low single-digit growth rate of **+5% /+6%**. In 2024 EBITDA is expected to grow more moderately, around **+4%**.

Altagamma-Bain Worldwide Luxury Market Monitor 2023. Produced by Bain & Company.

The **global luxury market** is expected to be worth **€1.5 trillion in 2023, up 8-10% on 2022**: a new record for the industry that yet again demonstrates its resilience and strong fundamentals. Despite a challenging macroeconomic scenario, the industry has recorded 11-13% growth at constant exchange rates, in line with the last year's leap. This growth translates into an impressive increase in spending in various luxury categories, of around €160 billion.

Consumer spending on **experiences**, in particular, has returned to an all-time high, thanks to the resumption of social interactions and travel.

The **market for personal luxury goods** is expanding in 2023, and turnover is estimated to reach **€362 billion** by year end, with a **4% increase** (at current exchange rates) compared to 2022. However, some elements of uncertainty - fragile consumer confidence, macroeconomic tensions in China, and the weak recovery of the United States - could impact the segment's performance in the last quarter of this year.

Europe has seen a resurgence in tourism. Although local customers have been affected by macroeconomic instability, in their home markets brands have benefited from a renewed sense of belonging and consumer pride towards local companies.

The **US**, on the other hand, has slowed down this year, dropping by 8% compared to 2022.

Mainland China performed well after restrictions were lifted in the first quarter, before gradually levelling out. **Japan** is booming, thanks to strong domestic spending and a weak yen favoring incoming tourism. The analysis shows growth across all luxury categories, with a shift towards products of excellence.

In terms of **channels**, mono-brand stores are leading the distribution ecosystem, as consumers prioritize physical experiences, and clienteling comes to play an increasingly important role in sales. The physical and digital worlds are merging more and more, requiring brands to deliver excellence across the whole consumer experience. Conversely, multi-brand retail - both department and specialty stores - is experiencing a strong downturn, raising significant questions on how these touchpoints will evolve their value proposition to best serve consumers' needs.

By 2030, **Generation Z** will account for 25-30% of purchases in the luxury market, while **Millennials** will represent 50-55%.

In the long term, looking to 2030, the industry's solid fundamentals are expected to continue guiding its growth, despite possible slowdowns along the way; a **new season of mergers and acquisitions** is anticipated, driven by the need to address the main challenges that the industry will face in the coming years (above all sustainability and digitization).

At the same time, it is crucial to manage short-term challenges. It will be all-important for brands to invest in responsiveness and adaptability. To improve operational efficiency they will need to embrace flexibility and agility in all their activities, from the supply chain to planning to corporate governance.

FONDAZIONE ALTAGAMMA

Founded in 1992, Altagamma gathers Italy's top Cultural and Creative Companies, which promote the country's excellence, distinctive identity and lifestyle worldwide. With a uniquely transversal approach, Altagamma represents 115 brands from seven different industries: fashion, design, jewelry, food, hospitality, automotive and yacht-building, which together boast more than 11,000 years of history. The Foundation also has 25 partners. Altagamma's mission is to boost the growth and competitiveness of Italy's cultural and creative companies, thus making an effective

contribution to the Italian economy. The Italian high-end sector has a turnover of € 144 billion, 7.4% of the country's GDP. Directly and indirectly, the sector employs more than 1,900,000 people. www.altagamma.it

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