


TBTL LUXURY INDUSTRY PERFORMANCE INDICATOR (LIPI)

December 2018 (# 12)

TBTL's Luxury Industry Performance Index (LIPI) is a monthly published indicator, providing a quick overview of the high-end industry's current status and an outlook on its development over the next months. The LIPI is distributed as a free e-newsletter published by international strategy consulting firm The Bridge To Luxury (www.thebridgetoluxury.com).

TBTL's Luxury Industry Performance Index (LIPI):

101,3 (11/2018: 103,4) 

INDUSTRY STATUS AND MAJOR TRENDS:

- ◆ In November, the LIPI has fallen again, this time by 2,1 basic points. Its decline reflects continuous uncertainties faced by the luxury industry. Decelerating GDP growth rates, slowing down sales of high-end cars, less international tourism, rising inflation rates etc. indicate a greyish environment for business. Unsolved US-Sino trade conflicts add to incertitude. Besides falling oil prices currently hardly any positive impulses can be listed. The market capitalization for luxury shares has decontracted by almost 5% in November, mirroring a more cautious attitude of investors.
- ◆ The OECD has lowered its 2019 forecast for GDP growth in the eurozone down from 1.9% to 1.8%.
- ◆ WTO warns of disruptive unilateral actions on trade, while the US administration is in discussion with German car makers.
- ◆ McKinsey Study: China will overtake the USA as largest fashion market in 2019. Global industry growth to be at 3,5-4,5%.

COMPANY SNAPSHOTS:

- ◆ After Michael Kor's acquisition of Versace, industry concentration processes will increase. However, the number of companies available is shrinking and some of them are unlikely to sell. Major independent brands: Hermès, Chanel, Moncler, Burberry, Tiffany, Ferragamo or Prada.
- ◆ Chanel is the first luxury fashion brand to avoid exotic animal pelts such as crocodile, lizard or snake skin.
- ◆ In response to Richemont's full acquisition of Net-à-Porter, Kering has announce to take its e-commerce in-house.
- ◆ Bain & Company has published its annual luxury report predicting a 6-8% growth for the industry in 2019.
- ◆ Gucci has announced the launch of a high-end jewelry collection in mid 2019.
- ◆ Shandong Ruyi (Bally, SMCP, Acquascutum, Gieves & Hawkes) will acquire more brands according to its CEO Qui Yafu.
- ◆ Chow Tai Fook Jewellery reported its best half year since 2014 (China same-store sales +4.9%; HK and Macau +24.4%). For ist fiscal year, the HK based company aims at a wholesale network of approx. 3.200 POS.
- ◆ Tiffany' misses quarterly sales estimates as Chinese tourists purchase less watches and jewellery as anticipated.
- ◆ Kors' revenues contracted by almost 10% in Europe in Q3 while overall sales grew by 9% to 1,25 billion US\$.
- ◆ The recent hacking of some 500 million customer records of Marriott's Starwood hotels reveals the necessity of intensified data protection measures.
- ◆ The market for second-hand luxury watches is gaining momentum: eBay plans to open authentication service for luxury goods by end 2019 according to Reuters. Richemont (watchfinder.co.uk), Audemars Piguet or Chrono24 have entered a market that already amounts for more than 4 billion euros.

UP-COMING EVENTS:

- ◆ Salon International de la Haute Horlogerie (SIHH), January 14-17, 2019, Geneva
- ◆ Maison d'Objet, January 18-22, 2019, Paris
- ◆ Vicenza Oro, January 18-23, 2019, Vicenza
- ◆ HKTDC Jewellery & Diamonds, February 26-March 04, 2019, Hong Kong
- ◆ Fashion Weeks: New York, Feb. 07-15; London, Feb. 15-19; Milan, Feb. 19-25; Paris, Feb.25-March 05.

TBTL MONTHLY LUXURY INDUSTRY SCOREBOARD (12/2018)

(A) Development share prices in the luxury industry (in %)

Company	YoY	5Y-o-5Y	CAGR 5Y	Category
Hermès	7,9%	85,9%	13,2%	Luxury group
Kering	10,8%	153,0%	20,4%	Luxury group
LVMH	3,3%	102,0%	15,1%	Luxury group
Chow Tai Fook	-19,5%	-33,4%	-7,8%	Watches & Jewelry
Citychamp	-10,8%	130,6%	18,2%	Watches & Jewelry
Hengdeli	-21,8%	-73,5%	-23,3%	Watches & Jewelry
Lao Feng Xiang	-5,0%	36,4%	6,4%	Watches & Jewelry
Movado	28,2%	-17,3%	-3,7%	Watches & Jewelry
Richemont	-23,4%	-29,5%	-6,8%	Watches & Jewelry
Swatch Group	-17,1%	-49,9%	-12,9%	Watches & Jewelry
Tiffany	-3,7%	2,1%	0,4%	Watches & Jewelry
Hugo Boss	-11,7%	-38,3%	-9,2%	Fashion
Burberry	3,6%	16,4%	3,1%	Fashion
Brunello Cucinelli	12,2%	16,1%	3,0%	Fashion
Ferragamo	-9,8%	-29,2%	-6,7%	Fashion
Michael Kors	-25,1%	-46,4%	-11,7%	Fashion
Ralph Lauren	17,1%	-36,4%	-8,7%	Fashion
Moncler	25,0%	--	--	Fashion
Mulberry	-61,9%	-62,7%	-17,9%	Fashion
Prada	2,1%	-63,7%	-18,4%	Fashion
Tapestry (Coach)	-6,6%	-32,8%	-7,6%	Fashion
Tod's	-25,1%	-66,3%	-19,6%	Fashion
Estée Lauder	14,3%	90,3%	13,7%	Skin care
Shiseido	32,0%	312,3%	32,8%	Skin care
BMW	-14,7%	-14,6%	-3,1%	Cars
Ferrari	5,9%	--	--	Cars
Porsche	-19,5%	-24,5%	-5,5%	Cars
Marriott	-9,4%	144,6%	19,6%	Travel
Norweg. Cruises	-5,2%	50,5%	8,5%	Travel
Luxottica	5,3%	31,9%	5,7%	Eyewear
Safilo	-68,6%	-92,4%	-40,3%	Eyewear
Sotheby's	-22,4%	-14,6%	-3,1%	Auctions
S&P Global Luxury Index	-5,8%	8,7%	1,7%	Index (80 companies)

Sources: Reuters (monthly average), S&P

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(B) Development selective industry indexes

(B1) Luxury cars: Quarterly growth rates (units sold in %) Q3 2018

Company	roll. 4 Qs	5Y-o-5Y	CAGR 5Y
Mercedes-Benz Cars	-0,9%	40,0%	7,0%
BMW	2,7%	19,9%	3,7%
Rolls-Royce	-1,4%	-12,2%	-2,6%
Audi	3,6%	12,5%	2,4%
Bentley	-12,9%	-9,5%	-2,0%
Lamborghini	26,1%	121,6%	17,3%
Porsche	4,8%	44,4%	7,6%
Bugatti	92,9%	39,7%	6,9%
Ferrari	6,6%	27,9%	5,0%
All	1,6%	24,7%	4,5%

Source: company reports

(B2) Swiss watch exports growth rates (value in %)

Price Category	roll. 12 M	5Y-o-5Y	CAGR 5Y
Export value 0-200 CHF/unit	-4,4%	-23,0%	-5,1%
Export value 201-500 CHF/unit	1,4%	-14,0%	-3,0%
Export value 501-3.000 CHF/unit	9,2%	2,8%	0,6%
Export value > 3.000 CHF/unit	7,1%	-5,8%	-1,2%
All	6,6%	-5,7%	-1,2%

Source: Swiss Watch Federation

(B3) Current production of superyachts

	2018	2017	2016
number of superyachts	773	760	764

Source: Global Order Book, 2018, Boat International Media

(B4) Precious metals and diamonds (growth in %)

Metal	YoY	5 Years	CAGR 5Y
Gold	-6,9%	-9,9%	-2,1%
Silver	-16,1%	-33,8%	-7,9%
Diamonds	3,4%	-6,4%	-1,3%

Sources: Macrotrends (monthly quotes); IDEX
















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(B5) Fine wines

	YoY	5Y-o-5Y	CAGR 5Y
Fine wines	1,3%	26,6%	4,8%










Source: Li-ex 500 wine index (per previous month)

(C) GDP annual growth rate (in %)

Country	2016	2017	2018E	2019E	2023E
USA 	1,7%	2,2%	2,4%	2,5%	1,5%
Brazil 	-3,5%	1,0%	1,4%	2,4%	2,2%
Japan 	1,0%	1,7%	1,1%	0,9%	0,5%
China 	6,7%	6,9%	6,6%	6,2%	5,6%
Hong Kong 	2,2%	3,8%	3,8%	2,9%	3,1%
India 	7,1%	6,7%	7,3%	7,4%	7,7%
UAE 	3,0%	0,8%	2,9%	3,7%	2,9%
Russia 	-0,2%	1,5%	1,7%	1,8%	1,2%
France 	1,1%	2,3%	1,6%	1,6%	1,6%
Germany 	2,2%	2,5%	1,9%	1,9%	1,2%
Italy 	0,9%	1,5%	1,2%	1,0%	0,7%
Spain 	3,2%	3,0%	2,7%	2,2%	1,7%
Switzerland 	1,6%	1,7%	3,0%	1,8%	1,7%
Great Britain 	1,8%	1,7%	1,4%	1,5%	1,6%
World 	3,3%	3,7%	3,7%	3,7%	3,6%

Source: IMF, 07.2018

(D) Currencies exchange rates: the Euro's performance (change in %)

Currency	1 Month	6 Months	12 Months
US \$ 	-0,6%	-3,1%	-4,9%
BRL 	1,5%	-1,9%	10,2%
CNY 	-0,6%	4,9%	-0,2%
HK \$ 	-0,6%	-3,2%	-4,6%
JPY 	0,1%	0,7%	-3,9%
INR 	-2,5%	3,8%	5,9%
RUB 	0,9%	3,8%	8,0%
CHF 	-0,3%	-1,2%	-2,5%
GBP 	-0,7%	0,4%	-0,1%

Source: Oanda, per first of month

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TBTL appreciates any suggestion for additional performance indicators of the luxury industry to be incorporated into this monitor.

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