

## TBTL LUXURY INDUSTRY PERFORMANCE INDEX (LIPI)

January 2019 (# 1)

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 edited by international strategy consulting firm The Bridge To Luxury ([www.thebridgetoluxury.com](http://www.thebridgetoluxury.com)).

### TBTL's Luxury Industry Performance Index ( L I P I ):

**100,2** (12/2018: 101,3) 

#### INDUSTRY STATUS AND MAJOR TRENDS:

- ◆ In December, the LIPI has again dropped to 100,2 (November 101,3). Political uncertainties, highly volatile stock markets, rising interest rates, Brexit, Diesel-Gate and other factors continue to weigh on consumers' moods. However, investors of luxury related shares remained less pessimistic. Market capitalization of luxury shares was down -1,7% but less than in the previous month (-4,8%) and in comparison to overall markets.
- ◆ Indeed, there are positive news, too: On December 22nd, for instance, China's Customs Tariff Commission reduced customs duties almost to zero applying to diamonds, gemstones and black pearls with origins from WTO countries.
- ◆ In the US, the economy continues to create jobs (312.000 in December), while wages are rising (+3,2% yoy).
- ◆ However, the general perspective remains unclear. The OECD lowered its global GDP forecast for 2019 from 3,7 to 3,5%. And Apple's recent warning of weak Chinese' Christmas sales indicates less luxury appetite of Chinese consumers.
- ◆ In 2019, TBTL forecasts a plus for the luxury industry of 1,5 to 3,5%. As big groups such as Kering or LVMH in general outperform the market, independent and small luxury brands will have to adjust to a flat or even negative growth and profit outlook. However, to avoid a self-inflicted prolonged distress in 2019, brands should abstain from discounting and feeding parallel markets. Buying time for better quarterly results comes at a long-term price.
- ◆ As China will experience higher growth than most countries, the brands' dependency on Asian consumers will rise further.

#### COMPANY SNAPSHOTS:

- ◆ The luxury car industry reports first figures. In the US, Porsche increased sales by +3,2% (57.202 units) in 2018, BMW +1,7% (311.014 units), Audi -1,4% (223.323 units), Mercedes-Benz -6,3% (315.959 units).
- ◆ Swatch Group announced its first in-house fair to take place from March 19-26, just ahead of the Baselworld watch fair.
- ◆ McKinsey/BoF "State of fashion 2019": Industry growth 3,5 to 4,5%. In 2018, the top 20 companies yielded 97% of profits.
- ◆ In 2018 jewellery sales, Christie's achieved US\$492 million (-11%), while Sotheby's finished the year at US\$414 million (-25%).
- ◆ Chanel is the 'Most Loved Luxury Fashion Brand of 2018' followed by LV and Versace, Caroline Herrera and Gucci according to the Luxury Social Reactions Index (LSRI) 2018.
- ◆ Kering and internet innovation platform Plug & Play are introducing a Kering Sustainable Innovation Award in China.
- ◆ Prada is intending to set up an advisory council regarding racism accusations for its Pradamalia collection.
- ◆ LVMH acquires luxury hotel and restaurant chain Belmond for US\$ 2,6 billion.
- ◆ Farfetch is introducing a visual search app, helping consumers to identify products on uploaded photography.

#### UP-COMING EVENTS:

- ◆ Maison d'Objet, January 18-22, 2019, Paris
- ◆ Vicenza Oro, January 18-23, 2019, Vicenza
- ◆ Lineapelle, February 20-22, 2019, Milano
- ◆ Fashion Weeks: New York, Feb. 07-15; London, Feb. 15-19; Milan, Feb. 19-25; Paris, Feb.25-March 05.
- ◆ MIDO, February 23-25, 2019, Milano

TBTL MONTHLY LUXURY INDUSTRY SCOREBOARD (01/2019)

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

Company	MoM	YoY	5Y-o-5Y	CAGR 5Y	Category
Hermès	1,5%	8,6%	84,0%	13,0%	Luxury group
Kering	7,2%	12,7%	188,2%	23,6%	Luxury group
LVMH	2,2%	5,2%	116,1%	16,7%	Luxury group
Chow Tai Fook	-1,1%	-17,4%	-31,5%	-7,3%	Watches & Jewelry
Citychamp	-1,8%	-16,4%	120,3%	17,1%	Watches & Jewelry
Hengdeli	14,8%	-6,7%	-70,1%	-21,4%	Watches & Jewelry
Lao Feng Xiang	18,4%	9,2%	93,0%	14,1%	Watches & Jewelry
Movado	-16,0%	-1,8%	-28,2%	-6,4%	Watches & Jewelry
Richemont	-3,0%	-28,7%	-29,1%	-6,6%	Watches & Jewelry
Swatch Group	-3,6%	-27,9%	-51,4%	-13,4%	Watches & Jewelry
Tiffany	-11,5%	-22,5%	-13,2%	-2,8%	Watches & Jewelry
Hugo Boss	-11,6%	-24,0%	-47,9%	-12,2%	Fashion
Burberry	-2,3%	-3,1%	14,5%	2,7%	Fashion
Brunello Cucinelli	0,7%	11,3%	16,3%	3,1%	Fashion
Ferragamo	-14,7%	-20,3%	-36,1%	-8,6%	Fashion
Capri (Michael Kors)	-13,3%	-39,8%	-53,3%	-14,1%	Fashion
Ralph Lauren	-7,1%	-0,2%	-41,4%	-10,1%	Fashion
Moncler	0,5%	10,9%	83,1%	12,9%	Fashion
Mulberry	-21,4%	-71,8%	-68,9%	-20,8%	Fashion
Prada	-5,0%	-8,8%	-62,5%	-17,8%	Fashion
Tapestry (Coach)	-13,3%	-23,7%	-39,9%	-9,7%	Fashion
Tod's	-1,6%	-32,2%	-66,0%	-19,4%	Fashion
Estée Lauder	-8,8%	2,2%	72,7%	11,6%	Skin care
Shiseido	-4,6%	26,6%	307,6%	32,4%	Skin care
BMW	-2,1%	-18,6%	-17,0%	-3,7%	Cars
Ferrari	-10,1%	-0,8%	--	--	Cars
Porsche	-8,6%	-26,0%	-31,7%	-7,4%	Cars
Marriott	-5,6%	-20,0%	120,0%	17,1%	Travel
Norweg. Cruises	-17,4%	-20,4%	19,5%	3,6%	Travel
Luxottica	0,5%	1,1%	32,7%	5,8%	Eyewear
Safilo	-18,6%	-76,3%	-93,3%	-41,8%	Eyewear
Sotheby's	-0,6%	-23,0%	-18,2%	-3,9%	Auctions
S&P Global Luxury Ind.	-3,9%	-12,7%	2,4%	0,5%	Index (80 companies)

Sources: Reuters (monthly average), S&P

## TBTL MONTHLY LUXURY INDUSTRY SCOREBOARD (01/2019)

### (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%
<b>All</b>	<b>1,6%</b>	<b>24,7%</b>	<b>4,5%</b>

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%	-23,3%	-5,2%
Export value 201-500 CHF/unit	-1,7%	-14,6%	-3,1%
Export value 501-3.000 CHF/unit	7,9%	3,4%	0,7%
Export value > 3.000 CHF/unit	7,5%	-4,9%	-1,0%
<b>All</b>	<b>6,3%</b>	<b>-5,0%</b>	<b>-1,2%</b>

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	MoM	YoY	5 Years	CAGR 5Y
Gold	4,7%	-3,6%	-1,9%	-0,4%
Silver	9,8%	-11,4%	-26,9%	-6,1%
Diamonds	0,5%	3,6%	-6,1%	-1,2%

Sources: Macrotrends (monthly quotes); IDEX
















## TBTL MONTHLY LUXURY INDUSTRY SCOREBOARD (01/2019)

### (B5) Fine wines

	MoM	YoY	5Y-o-5Y	CAGR 5Y
Fine wines	-0,3%	0,6%	26,7%	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 \$ 	1,3%	-1,9%	-4,5%
BRL 	1,6%	-1,9%	11,8%
CNY 	0,1%	1,9%	0,9%
HK \$ 	1,7%	-1,8%	-4,0%
JPY 	-2,1%	-2,8%	-7,1%
INR 	0,9%	-0,5%	4,0%
RUB 	5,1%	8,7%	15,4%
CHF 	-0,4%	-2,7%	-3,7%
GBP 	1,3%	1,5%	1,1%

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.

### ABOUT US

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The Bridge To Luxury (TBTL) is an international strategy consultancy firm, focusing exclusively on high-end brands, products and services. TBTL and its global network support owners, management and investors on luxury related topics: market assessments and research, strategy and branding, product development, communications including social media, distribution and internationalization, organization and restructuring, business modelling and evaluation, m&a.

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