


TBTL LUXURY INDUSTRY PERFORMANCE INDEX (LIPI)

February 2019 (# 2)

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).

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

101,1 (01/2019: 100,2) 

INDUSTRY STATUS AND MAJOR TRENDS:

- ◆ The global business frame of the luxury industry remains unchanged. Currently, no strong positive impetus can be expected. The IMF has lowered its GDP growth forecast for 2019 by 0,2 points to 3,5% mainly due to European uncertainties (e.g. "Yellow Vests", Brexit). YoY Q3, Chinese international tourism was down -0,4% (UK -2,7%), while the US is up +1,3% and Germany +0,5%. Inflation though eased in all major economies at the end of 2018. The biggest product category in luxury cars was basically stagnant in the last 12 months with its main topics (Diesel-gate, e-mobility) continuing to make headlines.
- ◆ According to US National Retail Federation (NRF) retail sales grew 4,6% to US\$3,6 trillion in 2018; outlook 2019: 3,8-4,4%
- ◆ In January, market capitalisation of luxury shares was +6,4% and thus about in line with overall growth of financial markets.
- ◆ 2019's fate will be determined for good or bad by the outcome of Sino-US trade talks and the prevention of a no-deal Brexit.
- ◆ Yet, given usual consumer time lags to respond to a changing positive outlook, a stronger evolution can only be expected for autumn earliest. Hence, for the time being TBTL confirms its growth forecast for the luxury industry in 2019 at 1,5 to 3,5% as a best-case scenario.

COMPANY SNAPSHOTS:

- ◆ Tata Motors announced its biggest-ever quarterly loss due to lower sales of its Jaguar Land Rover (JLR) business unit in China.
- ◆ BMW and Daimler will call their combined ride-hailing and car-sharing company Jurbey (currently Car2Go and DriveNow) to compete American Uber and Chinese Didi Chuxing.
- ◆ Chinese owned National Electric Vehicle Sweden, former SAAB, and Koenigsegg announce JV to develop new electric models.
- ◆ L'Oréal sales were up 7,7% at €7,1bn in 2018; operating profit grew 5,3% to €4,7bn (18,3% percent of sales).
- ◆ LVMH rose revenues by 11% at constant rates (€46,8bn) in 2018; net profits grew to €6,9bn (2017: €5,8bn).
- ◆ Hermès revenues increased by 10,4% in 2018 at constant exchange rates to reach €5,9bn.
- ◆ Yachting Ferretti Group acquires Wally.
- ◆ Rolex sues Texas based non-watch Rolex Health, indicating luxury brands' efforts to protect IP beyond own product categories.
- ◆ International Grown Diamond Association (IGDA): 66% of consumers say they will consider lab-grown diamonds, 23% will buy.
- ◆ LVMH is said to develop a new fashion luxury brand with singer Rihanna.
- ◆ Following Farfetch, who went public 2018 in raising US\$885m, e-commerce platform The RealReal considers IPO in 2019.
- ◆ Tod's sales amounted for €509,5m at constant rates in 2018 (-1,2%).
- ◆ Hugo Boss revenues +4% to €2,7bn currency adjusted.

UP-COMING EVENTS:

- ◆ Fashion Weeks: New York, Feb. 07-15; London, Feb. 15-19; Milan, Feb. 19-25; Paris, Feb. 25-March 05.
- ◆ Lineapelle, February 20-22, 2019, Milano
- ◆ MIDO, February 23-25, 2019, Milano
- ◆ International Jewellery Show, February 28-4 March, 2019, Hong Kong
- ◆ Baselworld, March 21-26, 2019, Basel

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

Company	MoM	YoY	5Y-o-5Y	CAGR 5Y	Category
Hermès	8,2%	18,8%	122,0%	17,3%	Luxury group
Kering	6,3%	15,4%	217,9%	26,0%	Luxury group
LVMH	8,3%	10,7%	134,9%	18,6%	Luxury group
Chow Tai Fook	6,9%	-17,4%	-26,0%	-5,8%	Watches & Jewelry
Citychamp	1,8%	-10,8%	127,4%	17,9%	Watches & Jewelry
Hengdeli	-2,9%	-21,8%	-67,9%	-20,3%	Watches & Jewelry
Lao Feng Xiang	-5,3%	-4,6%	70,3%	11,2%	Watches & Jewelry
Movado	1,0%	4,4%	-15,4%	-3,3%	Watches & Jewelry
Richemont	8,6%	-23,4%	-18,7%	-4,1%	Watches & Jewelry
Swatch Group	-0,5%	-33,1%	-47,2%	-12,0%	Watches & Jewelry
Tiffany	10,2%	-16,8%	6,7%	1,3%	Watches & Jewelry
Hugo Boss	16,2%	-15,3%	-33,3%	-7,8%	Fashion
Burberry	3,8%	14,1%	24,4%	4,5%	Fashion
Brunello Cucinelli	5,0%	16,9%	55,8%	9,3%	Fashion
Ferragamo	-0,9%	-22,8%	-23,8%	-5,3%	Fashion
Capri (Michael Kors)	12,0%	-35,6%	-46,9%	-11,9%	Fashion
Ralph Lauren	12,3%	1,6%	-26,0%	-5,8%	Fashion
Moncler	13,7%	24,0%	133,0%	18,4%	Fashion
Mulberry	2,4%	-69,4%	-54,6%	-14,6%	Fashion
Prada	0,4%	-18,9%	-54,6%	-14,6%	Fashion
Tapestry (Coach)	14,7%	-17,7%	-19,2%	-4,2%	Fashion
Tod's	-1,6%	-33,2%	-59,9%	-16,7%	Fashion
Estée Lauder	4,9%	1,1%	98,5%	14,7%	Skin care
Shiseido	-6,1%	15,6%	295,5%	31,7%	Skin care
BMW	3,9%	-20,1%	-9,1%	-1,9%	Cars
Ferrari	25,1%	13,1%	--	--	Cars
Porsche	10,0%	-23,7%	-21,8%	-4,8%	Cars
Marriott	5,5%	-22,3%	132,3%	18,4%	Travel
Norweg. Cruises	21,3%	-15,3%	46,9%	8,0%	Travel
Luxottica	0,4%	0,2%	31,6%	5,6%	Eyewear
Safilo	15,7%	-72,4%	-92,4%	-40,3%	Eyewear
Sotheby's	1,6%	-23,4%	-7,7%	-1,6%	Auctions
S&P Global Luxury Ind.	8,7%	-10,4%	18,3%	3,4%	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 %) Q4 2018

Company	roll. 4 Qs	5Y-o-5Y	CAGR 5Y
Mercedes-Benz Cars	0,4%	38,3%	6,7%
BMW	1,8%	17,3%	3,2%
Rolls-Royce	22,2%	1,1%	0,2%
Audi	-3,5%	4,1%	0,8%
Bentley	-5,3%	-4,7%	-1,0%
Lamborghini	50,7%	127,3%	17,8%
Porsche	4,0%	35,0%	6,2%
Bugatti *	92,9%	39,7%	6,9%
Ferrari	10,2%	27,5%	5,0%
All	-0,2%	20,3%	3,8%

Source: company reports; * per Q3 2018

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

Price Category	roll. 12 M	5Y-o-5Y	CAGR 5Y
Export value 0-200 CHF/unit	-3,8%	-24,2%	-5,4%
Export value 201-500 CHF/unit	-3,3%	-16,7%	-3,6%
Export value 501-3.000 CHF/unit	7,4%	4,0%	0,8%
Export value > 3.000 CHF/unit	7,5%	-4,7%	-1,0%
All	6,1%	-4,9%	-1,2%

Source: Swiss Watch Federation

(B3) Current production of superyachts

	2018	2017	2016
number of superyachts	830	773	760

Source: Global Order Book, 2019, Boat International Media

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

Metal	MoM	YoY	5 Years	CAGR 5Y
Gold	2,8%	-3,9%	-2,6%	-0,5%
Silver	2,6%	-9,1%	-23,8%	-5,3%
Diamonds	-0,4%	2,5%	-6,4%	-1,3%

Sources: Macrotrends (monthly quotes); IDEX
















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(B5) Fine wines

	MoM	YoY	5Y-o-5Y	CAGR 5Y
Fine wines	0,0%	0,3%	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%	2,9%	2,5%	1,5%
Brazil 	-3,5%	1,0%	1,3%	2,5%	2,2%
Japan 	1,0%	1,7%	0,9%	1,1%	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%	7,5%	7,7%
UAE* 	3,0%	0,8%	2,9%	3,7%	2,9%
Russia 	-0,2%	1,5%	1,7%	1,6%	1,2%
France 	1,1%	2,3%	1,5%	1,5%	1,6%
Germany 	2,2%	2,5%	1,5%	1,3%	1,2%
Italy 	0,9%	1,5%	1,0%	0,6%	0,7%
Spain 	3,2%	3,0%	2,5%	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%	3,8%	3,7%	3,5%	3,6%

Source: IMF, 01.2019; * 10.2018

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

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

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

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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