


TBTL LUXURY INDUSTRY PERFORMANCE INDEX (LIPI)

April 2019 (# 4)

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 (LIPI):

100,7 (03/2019: 101,7) 

INDUSTRY STATUS AND MAJOR TRENDS:

- ◆ In March, the LIPI decreased by 1 point to 100,7. In lack of major positive impulses the index continued to move sideways.
- ◆ For 2019, the IMF has lowered its global GDP growth forecast from 3,5 to 3,3%. All major industrial countries are affected by revised figures: GDP USA 1,8% (formerly 2,5%), Germany 0,8% (1,3%), Italy 0,1% (0,6%), UK 1,2% (1,5%), France 1,3% (1,5%). China predicted to growth by 6,3% (6,2%), India by 7,3% (7,2%) and Russia by 1,6% (1,6%).
- ◆ Yet, despite greyish global economic growth forecasts, market capitalisations of stock listed luxury shares grew in March by more than 7% thus outperforming indices such as the S&P500, Nikkei225, EuroStoxx50 or Shanghai Composite. Shares of the big luxury groups, Chinese wholesale chains, cosmetics and singular fashion brands such as Moncler were sought after.
- ◆ Indeed, recently introduced economic reforms in China start to show first results (cut of VAT and import duties). In March: GDP +6,4%, industry output +8,5%, retail sales +8,7%. Yet, Brexit and US trade negotiations with China/EU remain issues.

COMPANY SNAPSHOTS:

- ◆ After a growth rate of 43% in 2018, Rolls-Royce expects again a double-digit increase of its sales in China which would represent more than 900 cars. Mercedes envisions sales of its top line Maybach to reach more than 7.000 units in China in 2019.
- ◆ Management conflicts at 2018 merged EssilorLuxottica (glasses and frames) have forced top investor to seek arbitration.
- ◆ Within 24 hours of Paris' Notre-Dame fire, Kering, LVMH & L'Oréal have announced donations amounting for more than €500m. In reaction, a public discussion emerged asking whether contributions would imply tax breaks for the supporting companies.
- ◆ Ferretti's Chinese owner Weichai is considering an IPO of its Italian yacht manufacturer (Riva, Pershing) - sales 2018: €650m.
- ◆ LVMH announced strong Q1 sales at €12.5bn (+11% y-to-y at constant prices) beating expectations.
- ◆ Hermès reports 2018 revenues up 7,5% to €5,966bn. Operating profit at €2,098bn (35,2% sales margin).
- ◆ Watch fair Baselworld continues to lose customers. Breitling has announced to discontinue its presence. Next year, Baselworld and SIHH in Geneva will hold their fairs one after the other: April 26th to May 5th, 2020.
- ◆ Italian fashion label Roberto Cavalli was granted 120 days creditor protection while PE Clessidra is looking for investors.
- ◆ Celebrities like George Clooney and Elton John have called for a boycott of Brunei's state-owned Dorchester Collection Hotel Group after the government of Brunei introduced homophobic laws.
- ◆ Olapic study: 44% of social media users (US, UK, France and Germany) follow influencers. 53% of the 23-34 years old are UGCs.
- ◆ Tiffany keeps its 2019 forecasts in confidence of strong e-commerce sales and new offerings at lower price points.
- ◆ Car maker Volvo hopes its profit margins for electric cars will equal conventional ones by 2025 despite high production cost.
- ◆ Chinese police have cracked down a group that made and sold up to €12,5m worth of fake luxury bags, cosmetics and clothes.

UP-COMING EVENTS:

- ◆ Financial Times Business of Luxury Summit, May 19-21, 2019, Madrid
- ◆ Packaging Première, May 28-30, 2019, Milano
- ◆ Pebble Beach Concours d'Elegance, August 18, 2019, Pebble Beach
- ◆ HKTDC Watches, September 3-7, 2019, Hong Kong
- ◆ Vicenca Oro, September 7-11, 2019, Vicenca

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

Company	MoM	YoY	5Y-o-5Y	CAGR 5Y	Category
Hermès	5,6%	23,2%	143,5%	19,5%	Luxury group
Kering	6,5%	41,4%	271,5%	30,0%	Luxury group
LVMH	8,6%	31,1%	175,7%	22,5%	Luxury group
Chow Tai Fook	7,3%	-7,9%	-21,3%	-4,7%	Watches & Jewelry
Citychamp	-2,4%	-3,0%	87,4%	13,4%	Watches & Jewelry
Hengdeli	5,4%	4,0%	-59,4%	-16,5%	Watches & Jewelry
Lao Feng Xiang	7,5%	8,5%	85,3%	13,1%	Watches & Jewelry
Movado	3,9%	-5,3%	-20,1%	-4,4%	Watches & Jewelry
Richemont	-5,1%	-15,4%	-14,1%	-3,0%	Watches & Jewelry
Swatch Group	-3,6%	-32,4%	-48,6%	-12,4%	Watches & Jewelry
Tiffany	11,1%	8,1%	22,5%	4,1%	Watches & Jewelry
Hugo Boss	-6,4%	-14,0%	-37,0%	-8,8%	Fashion
Burberry	3,4%	15,3%	40,1%	7,0%	Fashion
Brunello Cucinelli	-10,5%	20,2%	59,6%	9,8%	Fashion
Ferragamo	2,4%	-14,7%	-10,5%	-2,2%	Fashion
Capri (Michael Kors)	0,3%	-26,3%	-50,9%	-13,3%	Fashion
Ralph Lauren	3,6%	16,0%	-19,4%	-4,2%	Fashion
Moncler	6,5%	16,2%	189,4%	23,7%	Fashion
Mulberry	-1,2%	-62,0%	-58,8%	-16,3%	Fashion
Prada	-7,2%	-35,6%	-61,1%	-17,2%	Fashion
Tapestry (Coach)	-7,0%	-38,2%	-34,6%	-8,1%	Fashion
Tod's	-4,5%	-30,0%	-56,2%	-15,2%	Fashion
Estée Lauder	5,5%	10,6%	147,5%	19,9%	Skin care
Shiseido	8,7%	17,2%	339,8%	34,5%	Skin care
BMW	-7,5%	-22,0%	-25,0%	-5,6%	Cars
Ferrari	5,6%	22,5%	--	--	Cars
Porsche	-4,6%	-17,1%	-24,9%	-5,6%	Cars
Marriott	-0,1%	-8,0%	123,3%	17,4%	Travel
Norweg. Cruises	-1,0%	3,8%	70,3%	11,2%	Travel
Luxottica	-8,5%	-11,1%	33,0%	5,9%	Eyewear
Safilo	-5,3%	-72,0%	-92,5%	-40,4%	Eyewear
Sotheby's	-14,0%	-26,4%	-13,3%	-2,8%	Auctions
S&P Global Luxury Ind.	1,0%	-0,3%	15,6%	2,9%	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	7,0%	68,9%	11,1%
Ferrari	10,2%	27,5%	5,0%
All	-0,2%	20,3%	3,8%

Source: company reports and press releases

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

Price Category	roll. 12 M	5Y-o-5Y	CAGR 5Y
Export value 0-200 CHF/unit	-6,2%	-26,4%	-5,9%
Export value 201-500 CHF/unit	-5,7%	-17,7%	-3,8%
Export value 501-3.000 CHF/unit	3,9%	3,9%	0,8%
Export value > 3.000 CHF/unit	6,6%	-4,1%	-0,8%
All	4,4%	-4,8%	-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	-2,6%	-3,4%	-6,2%	-1,3%
Silver	-3,2%	-8,0%	-28,1%	-6,4%
Diamonds	-0,9%	-0,6%	-7,8%	-1,6%

Sources: Macrotrends (monthly quotes); IDEX
















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(B5) Fine wines

	MoM	YoY	5Y-o-5Y	CAGR 5Y
Fine wines	-0,6%	-0,6%	28,0%	5,1%










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

(C) GDP annual growth rate (in %)

Country		2016	2017	2018	2019E	2024E
USA		1,7%	2,4%	2,2%	1,8%	1,6%
Brazil		-3,3%	1,1%	1,1%	2,1%	2,2%
Japan		0,6%	1,9%	0,8%	1,0%	0,5%
China		6,7%	6,9%	6,6%	6,3%	5,5%
Hong Kong		2,2%	3,8%	3,0%	2,7%	3,0%
India		8,2%	7,2%	7,1%	7,3%	7,7%
UAE		3,0%	0,8%	1,7%	2,8%	2,7%
Russia		0,3%	1,6%	2,3%	1,6%	1,6%
France		1,2%	2,2%	1,5%	1,3%	1,5%
Germany		2,2%	2,5%	1,5%	0,8%	1,2%
Italy		1,1%	1,6%	0,9%	0,1%	0,6%
Spain		3,2%	3,0%	2,1%	2,2%	1,6%
Switzerland		1,6%	1,7%	2,5%	1,1%	1,6%
Great Britain		1,8%	1,8%	1,4%	1,2%	1,6%
World		3,4%	3,8%	3,6%	3,3%	3,7%

Source: IMF, 04.2019

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

Currency		1 Month	6 Months	12 Months
US \$		-1,3%	-3,2%	-8,9%
BRL		2,1%	-6,6%	7,3%
CNY		-1,2%	-5,4%	-2,7%
HK \$		-1,3%	-2,9%	-8,9%
JPY		-1,9%	-5,5%	-4,7%
INR		-3,4%	2,6%	-2,7%
RUB		-2,0%	-13,1%	4,2%
CHF		-1,5%	-1,8%	-4,8%
GBP		-0,1%	-3,5%	-2,4%

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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