

JEWELRY

Richemont expects difficult luxury climate to persist in short-term

September 14, 2016

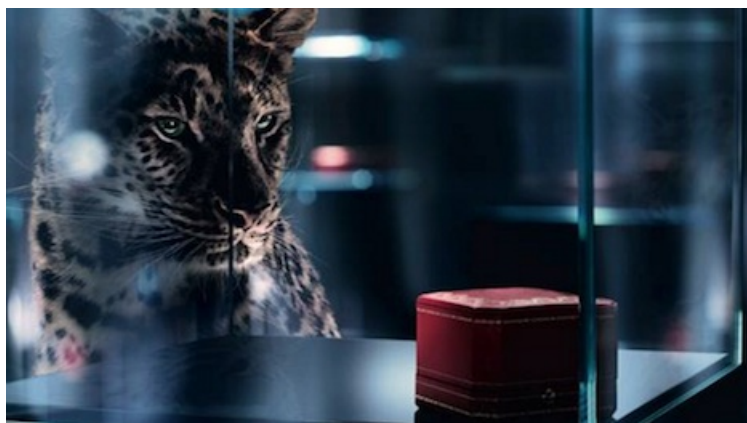


Image courtesy of Cartier

By STAFF REPORTS

Luxury group Richemont's sales for the first five months of fiscal year 2017 were down 13 percent from the same period last year, yet another example of the challenging luxury market.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

Citing currency movements, declining European tourism and returned unsold watch inventory as major factors, the group announced at its annual general meeting on Sept. 14 that its sales for the period ending Aug. 31 fell from 2016's figures. Richemont's projections show hope for the long-term success of the luxury market, but more of the same in the short-term.

Challenging times

In actual exchange rates, Richemont's sales for the first five months fell 14 percent. The group's European sales were down 20 percent at today's exchange rates, while Japan also declined more than the average at 15 percent primarily due to a stronger yen lowering tourism spending.

The United Kingdom's sales were up following the pound's decreasing value, while lower tourist traffic elsewhere in Europe impacted sales. Hong Kong and Macau are weak at the moment, balanced by growth in China and Korea.

Richemont's own retail channels performed far better than its wholesale networks, which were down 22 percent.

Watch inventory buy-backs of unsold merchandise hit Richemont's jewelers, reducing watchmakers' sales by 19 percent. While Richemont's jewelers and watchmakers saw a decrease in sales, its other businesses including Chlo and Montblanc saw a 2 percent lift.



Chlo spring/summer 2016 ad campaign

Richemont does not expect this trading trend to change in the near future, anticipating a 45 percent drop in operating profit for the first half of fiscal year 2017, ending Sept. 30.

"We are of the view that the current negative environment as a whole is unlikely to reverse in the short term," Richemont said in a statement. "However, we remain convinced of the long-term prospects for luxury goods globally, and in particular for watches and jewelry. Richemont is well positioned, with a strong balance sheet and a portfolio of long established maisons."

Richemont's sales for fiscal year 2016 were up 6 percent, helped by favorable exchange rates.

If kept at constant exchange rates, Richemont's 11.076 billion in sales, or around \$12.42 billion, actually represented a decline of 1 percent. Richemont saw double digit growth in the first half of 2016, with declining results as the year went on ([see story](#)).

© 2020 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.