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Russia's economic trials pave opportunity for luxury

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John Varvatos in Moscow celebrating his brand's store opening

By STAFF REPORTS

Devalued currency rates in Russia have spurred an uptick in tourism and the purchase of luxury accessories within the market.

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Market researcher Euromonitor attributes the positive effect on the Russian market to a number of factors including fewer residents traveling abroad to buy luxury goods, as well as an influx of foreign tourists due to lower travel costs. Although Russia's luxury sector has had its share of highs and lows, many brands have worked to capitalize on its potential.

Rumble with the ruble

In its video "Tourism Having Positive Effects on Personal Accessories in Russia," Euromonitor analysts Jasmine Seng and Olga Murogova discussed how the depreciation of the Russian ruble ([see story](#)) has affected the luxury market.

When the ruble was first devalued, especially when measured against the euro or United States dollar, many feared that it would ripple into the luxury industry and force store closures and impact sales. But now the outlook does not seem as gloomy.

The Russian market has recently seen a 2 percent increase in personal accessories purchased in rubles. In comparison, Russia has seen a decline of 30 percent for purchases made using U.S. dollars.



Prada boutique in Moscow

Although Euromonitor says these rates could be stronger, the decline of shopping abroad is a positive for the local luxury economy in Russia.

As the value of the ruble declined, Russian affluents opted to stay local to shop, rather than flying to destinations such as London or Paris to make high-end purchases.

The devaluation of the ruble has also caused luxury goods prices to be more attractive at home.

According to Euromonitor, a Cartier women's Tank timepiece in Russia is 100 euros more affordable than if the same watch was purchased in France.

Euromonitor also pointed out that with lower travel costs, foreign tourists are deciding on Russia instead of other more expensive European countries such as the United Kingdom or France. While visiting, these tourists are buying luxury personal accessories.

This trend is especially true among Chinese consumers who visit Russia rather than London, for example, because it is more geographically convenient.

Despite its economic challenges, Russia has remained a key market for luxury accessory brands.

Italian jeweler Bulgari, for example, announced in May that it plans to bring its hospitality brand to Moscow.

Bulgari is working with Russian real estate investor Alexei Bogachev to develop its first hotel in the Russian capital. The announcement came a day after Bulgari opened its second storefront in Moscow, despite the Russian market's poor performance in recent times ([see story](#)).