

RETAIL

Luxury has “spring in step” thanks to China, returning tourist flows

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Still from Herms' "Silk Waves"

By BRIELLE JAEKEL

Strong performance in China has elevated sales numbers for Herms, Moncler, Brunello Cucinelli and Tiffany & CO., solidifying the notion that a strong stance in Asia is vital.

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The **Savigny Luxury Index** is showing that these brands had positive numbers last year, supported by success in China. French leather goods brand Herms, for example, had a great 2016 with record-breaking revenue.

"Herms announced record-breaking profits for 2016, adding to the series of positive results announcements over the last couple of months," said Pierre Mallevays, managing partner at **Savigny Partners LLP**, Paris. "Moncler, Cucinelli and Tiffany also posted strong numbers, notably lifted by sales in China for all three companies.

"The Savigny Luxury index (SLI) rose to a very respectable 6.6 percent in March, whilst the MSCI World Index (MSCI) flat-lined," he said. "A string of good results announcements, as well as signs of resumption of growth in luxury markets around the world including all-important tourist flows, put a spring in the step of the SLI."

Luxury insights

Consumers and travelers are also causing strong visiting numbers in Europe again with tax free sales seeing a 21 percent increase in January.

Similarly, the Middle East is also getting a bounce back due to visitors from India and Africa. An increase in oil prices has also helped the market.

Unfortunately for British fashion houses Mulberry and Burberry, Brexit has had an effect on some of the industry. The brands saw their stock slightly down in March, and were the only ones in negative territory.



Burberry's February 2017 handbag collection

In other brand news, LVMH will be expanding on its digital prowess with a new ecommerce hub that spans its multiple brands as well as third parties, which should propel its already good standing. Ecommerce is expected to make up 20 percent of luxury sales by 2026.

LVMH also lost control of De Beers Diamond Jewelers to De Beers, who bought out the formers' 50 percent stake in the jewelry brand for full control.

However, LVMH did manage to secure majority stake in fragrance manufacturer Maison Francis Kurkdijan.

Also in March, Richemont acquired 30 percent in Kering Eyewear stock to further develop Cartier's eyewear product lines.



Cartier eyewear

While Hermès had a record-breaking year, outerwear brand Moncler also had a positive 2016 with an 18 percent sales increase. Moncler had a share price gain of 14 percent in March.

Brexit

While the United Kingdom just began its negotiations to leave the European Union, another report from Walpole finds that about half of the luxury organization's members are already experiencing some negative effects from the split.

Now that the U.K. has triggered article 50, Walpole is making policy recommendations that will support the luxury industry's needs, including trade, talent and tourism. A valuable part of Britain's economy, the luxury sector represents 2.2 percent of the nation's total GDP ([see more](#)).

However, while Brexit has sent large segments of the business world into frantic speculation over what the future will bring, real estate is one area where things are not necessarily looking so grim.

Demand for housing in the U.K. is still high, and while the initial shakeup of the industry may make a dent, some experts believe that real estate should fare just fine in the future. Nevertheless, these predictions hinge on the exact terms of Brexit once it is in place ([see more](#)).

"Burberry and Mulberry felt the bite of Brexit, burdened by the prospect of higher input prices," Savigny's Mr. Mallevays said. "These two stocks were the only ones in negative territory in March, albeit marginally.

"Whilst the fundamentals are improving, valuations across the board of the SLI are starting to look high," he said. "Brokers are getting cautious with their recommendations and are talking of a mini market correction.

"There is still some risk out there, notably in terms of potential protectionist policies in the U.S. as well as between the E.U. and Britain: this may dampen an otherwise blossoming spring for our SLI."