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JEWELRY

Richemont begins fiscal year with sales growth

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Richemont's jewelers have seen strong growth in the first months of the 2018 fiscal year. Image credit: Cartier

By STAFF REPORTS

Swiss luxury group Compagnie Financire Richemont has seen growth over the last five months, as sales increased 12 percent over the same period of the previous year.

For the five months ended Aug. 31, the company saw its sales rise across regions and across categories, with jewelry performing particularly well. As with a number of other luxury companies, Richemont is seeing a rebound after a challenging 2016, in line with industry-wide predictions of slight growth in 2017.

Growth period

A result of changes in consumer demand and consumption habits, luxury conglomerate Richemont's wholesale channels saw challenges in the 2017 fiscal year.

While the group's own retail sales grew 4 percent, its wholesale channels decreased 14 percent as the company underwent inventory buy-backs, primarily for its watches. Due to these measures taken to respond to the challenging environment, Richemont's gross profit also declined 4 percent (see story).

In comparison, when measured in constant currencies, Richemont's sales so far in the 2018 fiscal year grew 10 percent. If the negative impact of its watch inventory buy-backs in 2016 are removed, the company's constant currency sales are still up 7 percent over last year.

Richemont's wholesale business grew 11 percent without the inventory issues seen last year. Meanwhile, the group's direct-operated retail operations grew 10 percent.

The Montblanc Summit smartwatch

Asia Pacific, excluding Japan, was a large growth driver, with sales in the region up 22 percent at actual exchange over last year. Japan also saw increase shopping from both locals and tourists, with sales up 6 percent for the period.

Double-digit growth in the United Kingdom due to favorable currency exchange was negated by the impact of a strong euro on spending elsewhere in the region. Europe as a result saw a 3 percent growth in sales.

The uncertainty surrounding the Middle East also dampened sales growth, with this region only recording a 1 percent rise.

Richemont's jewelry houses were up 16 percent, while its watchmakers saw sales increases of 6 percent.

The company will be releasing its results for the first six months of the 2018 fiscal year, ending Sept. 30, in November.

The global luxury market is expected to bounce back this year with predicted growth of 2 to 4 percent, according to a joint report from Altagamma and Bain & Company.

This growth can be attributed to a healthy desire for luxury goods from Chinese consumers, many of whom buy their luxury products internationally. Additionally, increased consumer confidence in Europe is also driving luxury's growth (see story).