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Global luxury takes small hit despite gains from big players: Savigny

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Kering is one of the groups that has come out of this month on top. Image credit: Gucci

By STAFF REPORTS

Despite strong showings from Kering, Moncler and Hermés this month, the overall luxury industry took a slight hit due to fears of inflation across the globe.

According to London's Savigny Partners, its global luxury index fell by 2.2 points in February, likely due to fears of inflation and interest rates, particularly in the U.S., which has a major role in the global luxury business. However, this slight decline was expected and Savigny points out that the decline is minor in the grand scheme of things.

Global luxury

Over the past month, the overall luxury business took a slight hit, which was not a surprise to researchers.

The upside is that some major players in the business had very successful times. Kering, in particular, posted a 27 percent increase in sales growth and its highest operating margin ever.

Similarly, Hermés also claims to have had a record-setting operating margin. Other brands and groups such as Moncler followed suit.

But these luxury players also indicated that the looming threat of a stronger euro will likely affect sales growth in the near future.

The Savigny Luxury Index was down 2.2 percent. Image credit: Savigny Partners

Elsewhere in the luxury industry, Savigny points to some major shakeups as the cause for a slow month, with Lanvin's acquisition by Fosun and Chanel gaining a majority stake in luxury retailer Farfetch.

Additionally, some major brands had personnel shakeups such as Ferragamo's CEO resigning and LVMH quickly appointing a new CEO to Fendi.

Overall, Savigny points to the difficulty for luxury to balance between instant gratification for consumers and the reality of the supply chain, citing instances such as Mulberry adding more see-now, buy-now options and Burberry offering fewer of those options as evidence that luxury overall is still figuring out how to handle situations like this.

In January, recent positive financial results from the world's leading luxury houses has reinstated sector optimism for the first time in years, according to Savigny.

In January, for the fourth consecutive month, Savigny Partner's Savigny Luxury Index (SLI) gained by nearly 4 percent, while the MSCI World Index (MSCI), a global equity benchmark, remained flat. After a challenging 2016, forecasts are being corrected thanks to a bounceback in China, President Trump's campaign promise of lower taxes for the wealthy and higher oil prices, among other factors (see story).