

FINANCIAL SERVICES

Luxury group stocks continue to slip as Wuhan virus spreads

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Luxury stocks get spooked as anxiety over China's new virus rises. Image credit: Shutterstock

By [Yaling Jiang](#)

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Update published Jan. 24:

As concerns over the coronavirus escalate, many Chinese tech companies are joining in to help.

For example, Tmall, JD.com and others have blocked vendors from jacking up prices on facial masks and other health and cleaning supplies.

Also, in responding to the Wuhan city lockdown announced recently, cross-border ecommerce BorderX Lab has prepared plans to deliver supplies to Chinese consumers threatened by the coronavirus.

And to minimize customers' costs, several airlines, as well as China's state railway company and online travel agencies, are offering refunds for trips related to Wuhan.

The timing of the outbreak during Chinese New Year, a time when Chinese travelers on the mainland and overseas make their way back home, marking the "world's largest human migration," only added to the spread of the virus.

A total of seven cases have been confirmed outside of China, including Thailand, Japan, South Korea and the United States, [updated by state media Caixin](#).

On Thursday, Jan. 23, WHO clarified that the virus is not yet a global emergency.

However, it is likely to continue impacting not only travel and duty-free industries, which typically expect an increase in sales during the holiday, but also luxury retailers overseas who should brace themselves for potential hits.

Update published Jan. 23:

Since Tuesday, when *Jing Daily* reported on the decline of Western luxury groups' stock prices due to the coronavirus, prices have continued to spiral downward as the virus continues to spread in mainland China and beyond its shores.

LVMH and Kering's stock prices, which shed 25.2 euros and 36.8 euros, respectively, as of the close of the European stock market today, reached a 30-day low. The question is: how low will they go?

The Chinese public's growing concern that any official action by the Chinese government, which states as of Wednesday, Jan. 22, that there are 571 reported cases of the coronavirus and 17 deaths, has been affected by delays and censorship on the local level.

Meanwhile, the government has put an unprecedented quarantine on Wuhan, the epicenter of the coronavirus, with all public transportation including airports and trains that keeps the massive city of 11 million people running to a halt.

And now, with **four** more nearby cities announcing similar measures, the concern is how to stop the global spread of the coronavirus and what lingering damage it may cause.

Original article published Jan. 21:

The Jing Take reports on a piece of the leading news and presents our editorial team's analysis of the key implications for the luxury industry. In the recurring column, we analyze everything from product drops and mergers to heated debate sprouting on Chinese social media.

What happened:

China's new strain of the coronavirus, which has already spread to at least three other countries and could spread further during the Chinese New Year holiday travel rush, has sent European luxury stocks tumbling, including the likes of **LVMH**, **Kering**, **Richemont**, and **Burberry**.

Official reports say that coronavirus, a respiratory virus that causes pneumonia-like symptoms and that can be passed in between humans, has already killed **four** people and infected nearly **291** in China, according to state media *China Daily* on Tuesday. But the actual outbreak might prove worse.

An estimate by scientists from University of Hong Kong **said** today that nearly 1,700 people in Wuhan, China where the virus outbreak started may have also been infected.

As China's 40-day Spring Festival travel season just kicked off, health experts are also **discouraging** people to travel to Wuhan, though major cities such as **Beijing and Shanghai** already have confirmed cases.

Given the increasing concern of a global outbreak, stocks of European luxury brands that rely heavily on the Chinese market have slumped as a result.

Compared to last Friday, LVMH and Burberry's stock fell 3 percent, while Kering lost more than 4 percent, and Richemont's declined almost 5.5 percent.

The Jing take:

Luxury veterans might still remember how the SARS outbreak in China left the industry in despair in the early 2000s, leading to billions in losses and **cost** the Chinese GDP growth by nearly 1 percent.

At the moment, however, it is difficult to predict how much economic damage a potential coronavirus outbreak will be for China, as well as the global economy.

For **Western luxury brands**, there is not much they can do at this point other than paying close attention to how their consumers are reacting and pray that the Chinese government has potential epidemic under control, as it claimed this Monday. Time will tell.

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