

GOVERNMENT

Amid uncertainty, consequences of US election likely to ripple across luxury

November 3, 2020



Former vice president Joe Biden is the Democratic challenger facing president Donald Trump. Image credit: Wikimedia

By SARAH RAMIREZ

As a contentious election season dominated by the coronavirus pandemic comes to a close, the results which may not be known for days or weeks will have repercussions across the luxury and financial sectors in the United States and beyond.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

Among the issues at stake in the presidential election is how the U.S. will respond to a fall wave of coronavirus cases that has brought another round of lockdowns across Europe. Adding to the uncertainty around a closely contested race, President Donald Trump has repeatedly questioned the validity of the electoral process and falsely claimed the results must be known on Nov. 3.

"We have never seen a presidential election like this year's, and I hope we never see another one like it again," said Pamela Danziger, president of **Unity Marketing**, Stevens, PA. "It is hard to be objective in the current contentious environment where so many issues are at stake."

Economic and coronavirus recoveries

In recent presidential election cycles, economic and trade policies have often been central issues for affluents, as well as brands, to consider.

Throughout his first term, President Trump has made headlines for implementing high tariffs on trade partners including China and the European Union, in addition to threatening social media networks with bans and lawsuits.

This year, however, the pandemic has impacted nearly every facet of life with the health and economic recoveries becoming intertwined.

The Democratic nominee, former vice president Joe Biden, has criticized President Trump over his administration's coronavirus response. The president has repeatedly insisted that the U.S. is turning the corner on the pandemic despite rising cases and hospitalization rates and has encouraged a full reopening of the economy.



As the economy reopens, many retailers have implemented mandatory masks policies to combat the coronavirus. Image credit: National Retail Federation

Prior to the pandemic, the U.S. economy had been doing well for several years, dating to the Obama administration. During the first three years of the Trump administration, annual GDP growth averaged 2.5 percent, per [BBC](#). The Dow Jones Industrial Average had reached record highs earlier in 2020, and unemployment stood at a 50-year low of 3.5 percent although job growth had slowed.

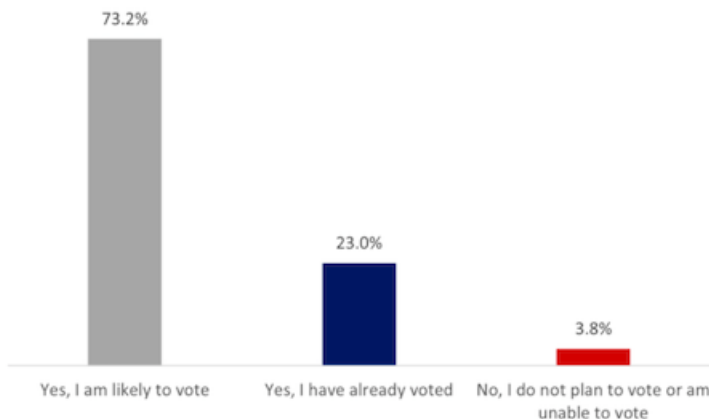
Then, the coronavirus pandemic swiftly wiped out stock market gains made since 2017 and led to an unprecedented unemployment rate in the U.S.

The country has since begun to experience a K-shaped economic recovery. In this scenario, economic recovery is uneven, with growth differing across sectors and income groups, and typically benefits those who are already wealthy.

Research from wealth management firms show that although there is widespread economic uncertainty and anxiety, even among the world's wealthiest, billionaire wealth has grown during the pandemic ([see story](#)).

Although the affluent and high-net-worth individuals are more insulated from economic volatility, a survey from market researcher [Altiant](#) suggests they are still motivated to vote.

According to an Altiant survey of 320 highly affluent consumers in the U.S., more than 96 percent of respondents already voted or were likely to vote. Participants had a median household income of \$411,000 and a median level of investable assets of \$1.3 million, and were surveyed in mid-October.



The majority of U.S. affluents surveyed will cast votes in the election. Image credit: Altiant

Participants identified with the Democrat and Republican parties at nearly equal rates, 38 to 36 percent, respectively. However, 50.6 percent of respondents supported Mr. Biden to win the presidency compared to 37.7 percent who were supportive of Mr. Trump's reelection bid.

Nearly six out of 10 HWNI surveyed have made or expect to make changes to their investment portfolios based on their expectations of the election results.

"Considering that the affluent both Democrat and Republican have been largely benefiting financially from the Trump presidency, at least insofar as equity appreciation is concerned, it is likely that affluent and HNWI will be less likely to make substantial changes to their portfolios than should Biden win," said Lars Long, founder and CEO at

Altiant, Stockholm. "In the research, we saw more portfolio changes expected among those who expect Biden to win."

"This is likely due to two important factors: first, pledged increases in taxation, both personal and corporate, under the Biden tax plan," he said. "And second, an alignment of their portfolios to more closely mimic the priorities of what they expect the Biden administration to prioritize: renewable energy as opposed to fracking/fossil fuel energy sources as an example."

A Biden administration is also likelier to prioritize stricter restrictions to combat the spread of the coronavirus at the national level.

"I also believe that Biden is a real threat to closing down the economy again," Ms. Danziger said. "Whether or not closures work [to mitigate the virus], they are devastating to business."

Mr. Biden has argued that by opting for a more conditional reopening along with mask mandates rather than the blanket, widespread reopening supported by President Trump would actually quicken the economic recovery by slowing the spread of the virus. The rapidly rising case count has led to new regional lockdowns while sectors of the luxury industry, including hospitality and retail, continue to struggle financially.

According to the [Ipsos Coronavirus Consumer Tracker](#), 43 percent of consumers are "more confident in returning to normal life" with a Biden victory compared to 34 percent of consumers agreeing if the president is reelected.

Bracing for the aftermath

Not only has the coronavirus pandemic changed the issues surrounding the presidential election, but it has also changed how U.S. voters are casting their ballots.

A record number of Americans have already voted, either by mail-in or absentee ballots or early voting. However, different laws at the state and county level mean millions of these ballots will not be counted until Election Day and possibly the days afterward.

"We can expect the final resolution of this election to go way beyond Election Night," Ms. Danziger said. "The 2000 Bush-Gore election will look quaint too, in retrospect."

There is also growing concern that there will be civil unrest and demonstrations in the aftermath of the election.

"Whoever wins this election, either the early perceived winner or the eventual winner, we can and should expect a replay of protests with the resulting destruction of property if they turn violent," Ms. Danziger said. "While looting tends to be opportunistic when these unfortunate events occur, luxury stores are a prime target because all the good stuff is there."

In late May and early June, luxury brands and retailers including Chanel, Bloomingdale's and Nordstrom were damaged as Black Lives Matter demonstrations took place across the country following the death of George Floyd at the hands of Minneapolis police. Break-ins took place in several cities, including New York, Los Angeles and Seattle ([see story](#)).

Storefronts across the U.S., including in cities such as New York and Beverly Hills, have already been boarded up in preparation.

"Retailers are prepared to respond to a variety of situations on any given day," said Stephanie Martz, chief administrative officer and general counsel at the [National Retail Federation](#), in a statement. "With the possibility of unrest around the U.S. election, NRF recently hosted a webinar featuring speakers from the Crisis Prevention Institute and Seyfarth and Shaw LLP on preventing and de-escalating conflict."

Uncertainty and anxiety as a result of a contested election result or potential violence may also have economic consequences heading into the holiday season.

Deloitte's 2020 Holiday Retail Forecast projects modest growth based on two distinct economic possibilities dependent on consumer confidence amid the coronavirus recovery. Formally, Deloitte is forecasting a year-over-year sales increase resulting in holiday sales between \$1.147 and \$1.152 trillion ([see story](#)).

"Since an extended period of election uncertainty could potentially undermine confidence in the political system of the country, consumer confidence could indeed be undermined as well," Altiant's Mr. Long said. "Although it's difficult to predict the degree of impact it could have to consumer confidence, it is typically observed that the market for luxury goods is often less correlated with consumer confidence changes at a macro level."

"For luxury marketers, we feel the primary focus should be on weathering the storm brought by COVID: adjusting their offerings, re-inventing their user and interface experience as opposed to whatever outcome the fallout the U.S. presidential election has," he said.

© 2020 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.