

GOVERNMENT

New COVID-19 restrictions hit Asia, luxury's bright spot amid pandemic

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Luxury brands such as Hermès have recently focused on physical retail in Tokyo. Image credit: Hermès

By NORA HOWE

Cases of COVID-19 are rising across Asia again, forcing governments to order new lockdown restrictions in markets that have experienced the quickest economic recoveries since the start of the pandemic.

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South Korea is seeing the highest number of infections since the beginning of March 2020, Japan saw daily records spike towards the end of November and a province outside of Beijing has entered a new lockdown due to rising cases. With thousands of new cases in Tokyo reported on Jan. 7, Japanese Prime Minister Yoshihide Suga has declared a state of emergency for the region.

"Prior to the pandemic, Japan greatly benefited from luxury purchases made by Chinese tourists," said Renee Hartmann, cofounder of [China Luxury Advisors](#), Los Angeles. "Chinese tourists' top concern when traveling is safety, and if Tokyo is not even considered safe enough for the Summer Olympics because of the virus, we would expect Chinese tourists to avoid the destination."

New year, new restrictions

Tokyo and its surrounding areas are reporting a viral surge of cases, likely caused by a combination of indoor gatherings due to weather and government efforts to boost economic activity by encouraging domestic tourism.

The new lockdown is expected to last one month, taking effect Jan. 8 and running through Feb. 7 in Tokyo, Saitama, Kanagawa and Chiba, which includes nearly 30 percent of Japan's population. The state of emergency is focused primarily on mitigating transmission in bars and restaurants, which the government has cited as the highest risk environments.



Asia Pacific was the first region to face COVID-19, with the virus first emerging in Wuhan, China in late 2019. Image credit: Euromonitor

As Prime Minister Suga is attempting to defeat the virus while preserving the economy, the restrictions in place will be significantly looser than those imposed at the beginning of the COVID-19 outbreak last year. Despite being closed during the last emergency, schools, gyms, theaters and parlors will remain open.

Restaurants and bars will also remain open for business, but will close at 8:00 p.m. local time. Residents in the affected areas are being asked to avoid nonessential outings and work from home, if possible, and other large events are being limited to 5,000 people.

Retail stores will also remain open, although Japanese authorities encourage residents to remain indoors, distanced from others as much as possible and to only shop for essential items. Months earlier, several luxury brands had invested in renovations of their Tokyo boutiques as the region was emerging from spring lockdowns ([see story](#)).

While restrictions in Tokyo are more lenient, Chinese authorities are taking a slightly different approach, implementing some of the strictest restrictions in Hebei, a province near Beijing, since the start of the pandemic.

Shijiazhuang, the capital of Hebei, has prohibited passengers from going to train stations, suspended long-distance buses, closed schools and blocked major highways in the province. With the upcoming Lunar New Year holiday, authorities are encouraging residents to stay where they are, limiting holiday travel.

"The global travel and hospitality industry has already planned for essentially no Chinese tourism during Lunar New Year 2021, a time that is historically a large driver of global luxury sales by Chinese tourists," Ms. Hartmann said.

"However, if domestic travel is disrupted within China this will greatly affect the travel and hospitality industry within China, which has been benefiting from the inability of Chinese consumers to travel internationally."



China supported much of the global luxury industry post-COVID-19. Image credit: Shutterstock

While Asia comprises a significant portion of the world's population and economy, it is not the only region to enter new lockdowns in response to a resurgence of the deadly virus.

The United Kingdom is entering a strict lockdown for at least six weeks, as the country tries to keep the latest wave of COVID-19 infections from overwhelming the healthcare system. Prime Minister Boris Johnson made the announcement on Jan. 4, placing the entirety of the U.K. under the strictest restrictions since spring 2020.

This lockdown is just another indication that COVID-19 will continue to impact the global economy, including the luxury sector, well into 2021 ([see story](#)).

Prolonged impact?

The implications for the luxury sector could potentially be cyclical, with trends that emerged in response to initial lockdowns last year might resurface.

In July 2020, Singapore-based research agency Agility conducted the second wave of its TrendLens study where it interviewed a cross-section of Asian affluent and high-net-worth consumers after the first massive wave of the pandemic.

The study found that despite concerns regarding a damaged economy, consumers remained relatively optimistic with their own financial prospects and economic situations. Additionally, restrictions on travel increased the less-is-more mentality among Asian affluents as unspent travel budgets moved to big-ticket luxury purchases with many affluent Chinese consumers saying they would rather spend more on fewer items ([see story](#)).

During a keynote presentation at Luxury Daily's Future of Luxury eConference in September, a director from Agility suggested that, among luxury sectors, travel was hit the hardest and created a trickle-down effect on retail because Asian travelers have been a crucial demographic for Western luxury brands.

If travel restrictions continue in parts of Japan and China past February, consumers may opt for "staycations" and online shopping, like they became accustomed to last year ([see story](#)).

"We expect that Chinese consumers will shift their spending to domestic purchases while they can not travel," Ms. Hartmann said. "But once safety concerns have been alleviated, we expect that there will be tremendous pent up demand for international travel."

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