

GOVERNMENT

What the pandemic's next stage means for luxury

February 24, 2022



Luxury shopping on New Bond Street in London. Image credit: Walpole

By SARAH RAMIREZ

A new phase of the COVID-19 pandemic may be beginning, as more governments ease restrictions and the Omicron wave subsides.

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

In recent weeks, countries including the United Kingdom, France, Australia and Israel have relaxed guidelines intended to slow the spread of the coronavirus. Although case counts and deaths remain high, rates have fallen dramatically since peaking in late January and early February and consumer habits may be changing in kind.

"Many pleasure and international travelers have been on the sidelines for the past two years with little or no travel," said Marie Driscoll, managing director for luxury and retail at [Coresight Research](#), New York.

"Assuming no forthcoming serious COVID variant, we believe there is substantial pent-up travel demand and expect to see a resumption of tourism and business travel benefitting airport-based travel retail and the world's major shopping capitals such as London, New York, Paris and Rome," she said. "This will shift some luxury spending to travel destinations from local flagships and points of sale.

"With a lift in travel, there will be a channel shift to physical retail that will enable brand discovery by new shoppers.

Relaxing restrictions

Generally, changes in restrictions involve testing requirements for travelers and residents, mask mandates and business regulations.

"Lifting the travel restrictions hasn't necessarily led to an immediate increase in travel to those destinations, but it does accomplish two major goals," said Misty Belles, vice president of global public relations at [Virtuoso](#), New York.

"For those who were already scheduled to visit, lifting the restrictions makes it easier to travel and removes a layer of complication that ultimately leads to an improved travel experience," she said. "Perhaps more importantly, though, lifting restrictions bolsters consumer confidence.

"Anyone who's been waiting for a return to normalcy before traveling again will view the removal of these travel

restrictions as a sign that we're moving toward that direction."



Indoor mask mandates are starting to expire in many countries. Image credit: Heathrow Airport

Across the U.K., requirements to wear face coverings are being relaxed in most settings, although masks remain strongly recommended. COVID vaccine certificates are also no longer mandatory in indoor settings.

On Feb. 21, Prime Minister Boris Johnson announced the end of all remaining restrictions in England, including the requirement to self-isolate after a positive test and free rapid tests for the public.

Scotland, Wales and Northern Ireland have their own timelines regarding COVID rules, with Scotland set to become the last to lift any remaining restrictions on March 21.

In France which had introduced COVID-19 vaccination requirements for indoor settings last fall ([see story](#)) restrictions have been relaxed, allowing nightclubs to reopen and fully vaccinated travelers to enter the country without having to provide a negative COVID test. While the vaccination pass remains in place, as of Feb. 28, masks will no longer be required in settings where the vaccine pass applies.

Italy, another key luxury market with a heavy reliance on tourism, will no longer require quarantines for non-EU visitors or COVID tests for fully vaccinated travelers as of March 1. A vaccination pass remains required for venues such as restaurants and public transit, limiting the activities of unvaccinated visitors.

Two of the countries with the strictest travel restrictions throughout the pandemic, Australia and Israel, are also relaxing requirements in a boon for international tourism.

For the first time since March 2020, Australia reopened its borders to all vaccinated tourists and business travelers on Feb. 21. Restrictions had been initially eased in late 2021, but international students and skilled migrations were prioritized, according to the [Associated Press](#).

Israel is taking things further, welcoming all tourists, regardless of vaccination status, on March 1. All travelers will still be required to test negative for COVID-19 before takeoff and after landing in the country, but this marks the first time that unvaccinated visitors are allowed in Israel since March 2020.

Both Australia and Israel saw record visitors in 2019, before the COVID-19 pandemic upended international travel.

[View this post on Instagram](#)

A post shared by The Langham, Sydney (@langhamsydney)

Luxury hotels in Australia are ready to welcome back guests

In 2019, more than 1.3 million Chinese travelers visited Australia, while Israel saw a 49 percent increase year-over-year in tourism from China. The U.S. is also a top market for incoming travelers from both countries.

In the U.S., Hawaii remains the only state that has not announced plans to end its indoor mask mandates, although some cities still have the mask measures in place.

Domestic travelers to Hawaii must show proof of vaccination to avoid testing and quarantine requirements. The island of Maui has dropped vaccine pass requirements for indoor venues on Feb. 21, with Oahu scheduled to follow suit on March 5.

"In Coresight's weekly survey of U.S. consumers, we see a large jump in U.S. consumers planning vacations in the last month as well as a significant lift in the percentage of consumers who recently took a trip," Ms. Driscoll said. "It's worth noting too, that travelers typically spend more on their vacations, splurging for items to bring home as remembrances and souvenirs, and this includes luxury purchases."

Looking ahead

Although public health and government officials caution that the COVID-19 pandemic is not over, the recent relaxation of restrictions may mark a turning point after two years overshadowed by the health crisis.

According to McKinsey's and Business of Fashion's "State of Fashion 2022" annual report, global fashion sales are on track to surpass 2019 levels by up to 8 percent next year a faster recovery rate than previously forecast. However, international tourism is not expected to fully recover until at least 2023, prolonging the decrease in international shoppers ([see story](#)).

With inbound tourism stymied, local spending has grown in the U.S., according to Bain & Company. The market has also shifted, with secondary cities and suburban regions seeing more luxury spending.

Elsewhere, Dubai and Saudi Arabia are pushing growth in the Middle East, another silver lining for luxury spending. Europe, Japan and the rest of Asia are lagging behind pre-COVID levels in no small part due to travel restrictions with Japan expected to recover by 2023 and Europe by 2024 ([see story](#)).

Even as the pandemic improves, the luxury industry will still face challenges.

"Retail ended 2021 on a strong note and in 2022 the comparisons become difficult as we lap 2021's momentum," said Coresight's Ms. Driscoll. "Moreover, the absence of government stimulus along with a return to consumer demand for experiences, will slow retail's growth this year.

"Inflation will impact spending as well if it remains with higher prices of necessities that could crimp purchases of luxury goods."