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## Will China's latest lockdowns hamper LVMH?

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*LVMH continues to defy expectations for now, reporting stronger-than-expected sales in the first quarter. But with China's latest wave of lockdowns, what will the second quarter look like? Image credit: Louis Vuitton*

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Bernard Arnault's luxury conglomerate LVMH continues to defy expectations, reporting **record sales** in the first quarter. It cited big flagship names such as Louis Vuitton and Dior as having led these. Stablemates Celine, Loewe, Fendi, Marc Jacobs and Loro Piana also performed strongly.

The French company said its fashion and leather goods division, its largest, grew by 30 percent organically.

There is, however, one pretty major fly in the ointment.

Despite this success, chief financial officer Jean-Jacques Guiony's comments have indicated LVMH is bracing for future impact due to China's ongoing zero-COVID policy and the changing situation.

**The Jing Take:** In sharp contrast to much of the rest of the world, Beijing continues to impose restrictions as it rolls out vaccines.

Over the past weeks, the country has seen a spike in cases that are defying earlier, and effective, lockdown strategies. Shanghai set a daily record for the 11th time in 12 days, reporting 26,330 confirmed infections on Wednesday.

The government's blueprint is unlikely to be reversed regardless of the cost to its economy meaning companies will need to pay careful attention to the market.

A confident Mr. Guiony said that while LVMH was bracing, it was not worried about the long-term implications of this latest wave of quarantines and expected demand to return once the virus was under control.

Yet the CFO did note that even cities not currently curtailed have seen slower store traffic and people traveling less.

With top tiers currently saturated, the trouble for brands going forward will be to connect with shoppers outside of these.

What is also new is the environmental issue accompanying this latest lockdown: global downturn and uncertainty, supply chain disruption, courier delays and, of course, a landmass cut off from the West.

More work will have to be done to reach consumers.

While it is clear that the mainland's ultrarich will never tire of spending domestic purchases of luxury goods in 2021 were valued at \$74 billion it will not be until the second-quarter results come in that we will see where that has been directed.

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