

MARKETING

US will remain largest luxury market, as China, India make gains: Euromonitor

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Actor Anya Taylor-Joy and model Alton Mason for Tiffany. Image credit: Tiffany & Co.

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Despite prolonged economic uncertainty during the COVID-19 pandemic, the population of consumers with net wealth above \$1 million has grown globally as the income inequality gap has widened.

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Since the wealthy and affluent are key consumers of luxury goods, the industry is forecast to return to pre-pandemic levels in 2022 and surpass \$1 trillion in sales, according to Euromonitor's [Global Wealth and Luxury Report 2022](#). Across luxury categories, however, the recovery will continue to be uneven.

Euromonitor's research was completed prior to Russia's invasion of Ukraine. As a result, the war's impact is not factored into the report's forecast and analysis.

Growing wealth class

The luxury forecast for 2022 can be summed up as cautious optimism. Although the luxury industry has relative income elasticity an increase in income will lead to an increase in quantity demanded high inflation and supply disruptions continue to impact businesses.

Asia Pacific represents nearly half of global luxury goods sales, with more than \$543 billion in sales. Mainland China, however, accounts almost three-quarters of regional sales with more than \$403 billion in sales.



Even without international travel, Chinese consumers are showing an appetite for luxury goods. Image courtesy of Fendi

The U.S. and China remain the world's two largest luxury markets, even as the countries take very different approaches to mitigating COVID-19.

The former is also home to the world's largest populations of affluents, high-net-worth individuals and ultra-high-net-worth individuals. Through 2030, the U.S. is expected to add more consumers to these segments than any other country.

After returning to growth in 2021, the U.S. luxury goods market is forecast to surpass pre-pandemic sales this year. With inbound tourism still rebounding, many luxury brands and retailers have shifted to attracting the country's sizable affluent and wealthy population instead.

In Asia Pacific, China, India and Vietnam are forecast to see triple-digit growth of UHNWI, HNWI and affluent adults between 2022 and 2030. Meanwhile, Turkey, which is not a major luxury market, is experiencing the fastest growth across the three top wealth segments.

By the end of the decade, almost 6 million Chinese consumers are expected to have net worth of at least \$1 million. The country's zero-COVID-19 policy, however, continues to slow down GDP growth and luxury labels are starting to see a hit as extended lockdowns continue in major cities such as Shanghai ([see story](#)).

With global outbound travel still limited in key markets, the expectation is that Chinese luxury consumers will continue to shop domestically, at least in the near future. As the luxury travel and hospitality industries look to recover and consumer trends begin to normalize, however, wealthy Chinese travelers will prioritize travel in Asia Pacific a trend marketers should keep in mind.

Other consumer trends are also impacting the luxury landscape worldwide.



Concept shops and small-format stores are one way retailers are appealing to shoppers. Image credit: Galeries Lafayette

As remote and hybrid working becomes more entrenched, particularly in developed countries, affluent rural urbanites have emerged. These shifts have created new pockets of wealth and, in turn, new opportunities for luxury goods and hospitality.

Luxury brands and retailers have responded by scaling their ecommerce capabilities and distribution, as well as investing in small-format bricks-and-mortar stores and pop-ups. Digital channels have become increasingly important, particularly as luxury marketers target young and emerging affluents.

Trend outlook

The last two years have also contributed to changes in consumer values and attitudes, particularly towards wellness and sustainability.

French department store Galeries Lafayette is debuting a new shopping space dedicated to wellness in response to changing consumer attitudes.

Launching later this year, Galeries Lafayette Haussmann will transform 3,000 square meters, or about 3,200 square feet, of the ground floor of its main "Cupola" building into a wellness destination. The retailer is enlisting French and international experts to design the space with a holistic perspective of wellness in mind ([see story](#)).

Shoppers are also placing more pressure on brands to embrace sustainability.

As more luxury fashion retailers and brands incorporate circular business models, such as resale and upcycling programs, they are beginning to innovate within this sustainable space.

By the end of 2021, the fashion resale market was worth more than \$130 billion, according to reports from *Bloomberg*. From expansive online marketplaces to machine-learning technology, retailers like Yoox Net-A-Porter and Vestiaire Collective are reshaping how consumers approach sustainable fashion ([see story](#)).

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