

RESEARCH

China's luxury market shines despite global consumer concerns

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Most surveyed global consumers intend to reduce their consumption in the next six months. China's luxury market is set to buck that trend. Image credit: Shutterstock

By [Zihao Liu](#)

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On Feb. 16, PwC released its February 2023 [Global Consumer Insights Pulse](#) Survey based on responses from 9,180 consumers across 25 markets, including major economies such as Australia, China, France, Germany, Japan and the United States.

The survey shows that pessimism is prevalent among global consumers due to concerns about inflation and macroeconomic uncertainties.

Ninety-six percent of respondents intend to adopt some kind of cost-saving measures in the next six months, with 42 percent of consumers determined to "significantly decrease their spending across all retail categories."

Around 70 percent of Gen Z and millennial respondents are very, or somewhat concerned about their financial position and have taken action to save money.

Although global consumers' pessimism impacts all sectors, the luxury industry could [suffer the most](#) 53 and 41 percent of the respondents indicated that they will spend less on premium/designer products and fashion items, respectively, in the next six months.

Furthermore, 43 percent intend to reduce travel-related spending.

The Jing Take: Given widespread global concerns over an impending recession, the China market could become evermore critical for luxury brands.

Chinese consumers have shown signs of [revenge spending](#), with long lines forming outside of luxury stores over this year's Chinese New Year holiday.

Indeed, China is still on track to become the world's largest luxury market now that the COVID-19 lockdowns are over.

Last week, PwC's [inaugural](#) Mainland China and Hong Kong Luxury Market Insight report forecasted that China's

luxury market will generate revenue of \$119.6 billion (816 billion RMB) in 2025 to account for about 25 percent of the global market, up from 22 percent in 2022.

An earlier report from Barclays bank **predicted** that China's luxury sector revenue will grow by 15 percent in 2023, faster than previously expected and higher than the 9 percent global average.

In a sign of the luxury industry's positive outlook in China, Kering CEO Francois-Henri Pinault made a surprise **visit** to Beijing, Chengdu, Nanjing and Shanghai in early February, pledging an expanded presence and more investment.

However, brands should keep in mind that Chinese consumers are not immune from economic difficulties. The pandemic's impact on China's economy and consumer sentiment are long-lasting.

According to Deloitte's **survey** of Chinese consumer preferences in 2023 released earlier this month, 57 percent of respondents claim that they will only purchase what they absolutely need to, while 47 percent suggest that they will search for products that are the most competitively priced.

Meanwhile, a **study** by China's market research agency iiMedia in January reported that only 21 percent of survey respondents selected luxury as a preferred option for revenge spending, far lower than the percentage opting for dining and traveling.

Therefore, luxury brands should identify which group of consumers will contribute the most to their sales in China.

China's population of high-net-worth individuals (HNWI), defined as those with a net worth of at least \$1.45 million (10 million RMB), accounted for 42 percent of luxury industry revenue in 2021, according to the PwC China luxury market insight report, even though they only make up 0.3 percent of the population.

This figure aligns with Bain's **finding** that the top 2 percent of global luxury customers contributed 40 percent of industry revenue in 2022.

Although engaging China's Gen Z and millennial consumers is still a must for luxury brands, they should also recognize that China's cohort of very important clients (VIC), who are more recession-proof, are significantly older.

The average age of HNWIs in China is 53.5, according to a 2019 **report** by Wealth-X. As such, brands will do well to target these VICs with highly exclusive premium items.

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