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China's reopening means more spending on luxury: Morgan Stanley

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Chinese luxury spending is forecast to return to pre-pandemic figures under the right conditions. Image credit: Shutterstock

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Chinese consumers will make up 60 percent of total spending growth on luxury items including fashion and accessories by 2030, according to the latest [report](#) by Morgan Stanley.

Globally, mainland Chinese buyers will boost demand for luxury items by 20 percent in just 2023 alone.

Luxury spending is set to return to pre-pandemic times when Chinese consumers contributed to 60 percent of total industry growth from 2000 until 2019, according to the same report.

Analysts at the American financial institution forecast 7 percent luxury industry growth in China this year.

Meanwhile, in the [Middle East](#), luxury sales are expected to surge by 15 percent in 2023.

The Jing Take: With China's reopening, luxury brands can once again look to mainland Chinese domestic spending, as well as Chinese overseas tourism, for a boost in sales.

"China should become the [luxury] industry's growth engine from this year on, and we expect brands at the top of the luxury-goods pyramid to benefit the most," Morgan Stanley equity analyst Edouard Aubin stated in the aforementioned report.

Duty-free sectors in China are alive and well, with many local consumers seeking trips to [Hainan](#) and [other destinations](#) under the lure of tax-free spending, thanks to recent government policies.

However, outbound tourists are just as easily incentivized by the thought of traveling to new and exotic locales as well as the more affordable prices of luxury goods in [Europe](#) where items can cost 30 percent lower than in the mainland.

According to Morgan Stanley's analysis, luxury spending in the United States will decline by 1 percent this year, the first drop since rising 75 percent between 2019 and 2022.

Industry insiders question whether the rise in spending by Chinese consumers this year will be enough to "offset"

negative spending in North America.

Premiumization may serve to be key in luring Chinese consumers to spend more overseas.

In China, the beauty market is rebounding thanks to this trend with many prestige labels which are forecast to **comprise 53 percent of the market share by 2025**, seeking to engage with female consumers who prioritize self-care and wellness first and foremost.

Similarly, luxury brands will need to target the specific needs of Chinese consumers, whether domestically or overseas via **premium products, experiences and services**.

Overall, analysts at Morgan Stanley still caution that the optimistic outlook on China's "revenge spending" is still subject to change, given the uncertain times and a looming global recession ahead.

Additionally, they warn that if luxury brands including Herms, Dior and others **continue to raise the prices** of their items, Chinese consumers may be less inclined to continue spending throughout 2023. And, finally, China's housing market may impact Chinese consumers' overall spending on luxury if the sector **enters a contraction**.

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