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Luxury slowdown reached Richemont last quarter

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Sales from the group's jewelry division remain strong, upholding the performance of Richemont's portfolio. Image credit: Cartier

By LUXURY DAILY NEWS SERVICE

Swiss luxury conglomerate Richemont is reporting a slump in the second quarter of its current fiscal year.

For the three months ended Sept. 30, 2023, overall sales for the owner of brands such as Cartier, Jaeger-LeCoultre and Chlo are up 5 percent year-over-year (y-o-y) at constant rates, reaching 4.9 billion euros, or $5.23 billion at current exchange. This slight boost is upheld by the sales growth among the group's jewelry maisons, which was its only business area to see sales rise compared to the same quarter of 2022, to the tune of 9 percent; the segment was responsible for more than two-thirds of the total gross.

"The period under review started strongly, beyond our expectations," said Johann Rupert, chairman of Richemont, in a statement.

"However, growth eased in the second quarter as inflationary pressure, slowing economic growth and geopolitical tensions began to affect customer sentiment, compounded by strong comparatives," Mr. Rupert said. "Consequently, we have seen a broad-based normalization of market growth expectations across the industry.

"The positive news is that a soft-landing scenario seems to be prevailing in major economies with still higher growth expected from China, which should benefit from stimulus measures."

Slowed growth

Comparing the most recent period to the group's Q1 results its fiscal year begins in April which saw sales jump 14 percent, Richemont is in the midst of an overall slowdown.

Contributing to this, the conglomerate's watchmaking businesses and other ventures, such as real estate and apparel brands, both experienced a sales drop in Q2, at 11 percent and 5 percent, respectively.

Retail sales, which account for the majority of the group's revenues, stayed nearly the same as in the first quarter, with online sales plummeting 13 percent y-o-y and the wholesale and royalty income segment declining 6 percent y-o-y.

All regions including Europe, Asia-Pacific, the Americas, Japan and the Middle East and Africa, saw single-digit percentage sales declines in Q2. This result follows each market except the Americas jumping by high double-digit percentages in the second-to-last quarter, led by Asia-Pacific skyrocketing to the tune of 40 percent.

Many names throughout the luxury landscape are facing similar slowdowns at the moment, including French luxury conglomerate Kering (see story), U.S. beauty group Este Lauder Companies (see story) and French luxury conglomerate LVMH (see story).