



ALTAGAMMA
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ALTAGAMMA CONSENSUS 2023

Forecasts for the global consumption
of personal luxury goods in 2023

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ALTAGAMMA CONSENSUS 14TH EDITION

Altagamma Consensus offers an overall forecast for consumption in the **personal luxury goods industry in 2023**.

The figures are based on the work of some of the sector's leading analysts, our consulting partners, and Altagamma.

Forecasts show growth/decrease from 2022 by:

- 01. Markets**
- 02. Consumers by nationality**
- 03. Distribution channels**
- 04. Product categories**
- 05. Profit margin by industry (EBITDA)**

The estimates represent a combination of interpretations of official data and personal perceptions.

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22 ANALYSTS

The following partners contributed this year to Altagamma Consensus:



The estimates are based on **constant currency**, enabling performance to be compared to previous years, as if exchange rates remained constant over time.

MARKETS	2023 Consensus
Europe	+5%
North America	+5%
Latin America	+6%
Japan	+6%
Asia	+9%
Middle East	+7%
ROW	+5%

2023 ALTAGAMMA CONSENSUS

MARKETS

The year 2022 was a record year for the global luxury market, which far exceeded pre Covid-19 levels.

Solid growth is still expected in 2023, despite macroeconomic uncertainty.

Rising energy costs, rising inflation, commodity shortages, geopolitical tensions, and a **decline in the purchasing power of some consumer groups** will partially affect performance.

- In **Europe**, purchases by international tourists will offset the weaker domestic demand and will have a positive impact on the market, growing by **5%**. Tourists will mainly be Americans, thanks to the favourable Euro-Dollar exchange rate, but also Arabs.
- For the **United States**, partly due to the development of new suburban areas and stronger domestic demand than in Europe, **5%** growth is expected.
- **Latin America** and **Japan** will be **+6%**: these are markets with interesting growth potential due to development beyond capital cities in major cities driven by real estate development, where there is a clientele looking for emotional products.
- **For China and Asia**, estimates are more difficult because of Covid-19 restraint policies that could lead to unforeseen effects. A general reopening and rebound effect in domestic consumption is expected, with a **9%** growth estimate. China over the long term remains the largest luxury market, driven by middle-class prosperity, new generations and the development of new hubs.
- An impressive **7%** increase is expected for the **Middle East**: areas such as the United Arab Emirates (but also Turkey), which have not imposed sanctions, are taking advantage of Russian consumption.

MARKETS	2023 Consensus
Europe	+5%
North America	+5%
Latin America	+6%
Japan	+6%
Asia	+9%
Middle East	+7%
ROW	+5%

CONSUMERS	2023 Consensus
China	+10%
Japan	+4.5%
Europe	+4%
North America	+5%
Asia Pacific (Australia & Co)	+8%
ROW	+6%

2023 ALTAGAMMA CONSENSUS

CONSUMERS

The global macroeconomic situation will result in a bigger gap between affluent and less affluent segments of the population. The middle class is suffering, with the exception of the Chinese class, which, thanks to the “Common Prosperity” policies implemented by the government, will tend to strengthen and drive consumption.

- While lower than pre Covid-19 years, Chinese consumers will be the **best performers** in 2023 with **+10%**. However, uncertainty over Covid-19 restraint policies appears unlikely to last long, and the market will gradually see an opening. Personal luxury goods are estimated to show strong growths compared to design furniture, which was accentuated during the pandemic.
- The rebound effect of consumption will not only be for the Chinese, but for **Asian consumers** in general, who will see an **8%** increase.
- **Japanese** consumption is less lucrative, but still solid (**+4.5%**).
- Consumption by **Americans** who, thanks to the favourable Dollar-Euro exchange rate, will travel and buy more in Europe, will stand at **+5%**. High-end consumers in the US are less affected by cost increases, thanks to a stronger labour market.
- **European** spending is cautious, which will stand at **+4%**: rising inflation and costs will greatly affect consumption, particularly of luxury goods. The Russia-Ukraine crisis and inflation will weigh most heavily on the consumer who is looking towards the future with less confidence.

CONSUMERS	2023 Consensus
China	+10%
Japan	+4.5%
Europe	+4%
North America	+5%
Asia Pacific (excluding China and Japan)	+8%
ROW	+6%

DISTRIBUTION CHANNELS	2023 Consensus
Physical retail	+7%
Digital retail	+8%
Physical wholesale	+3.5%
Digital wholesale	+5.5%

2023 ALTAGAMMA CONSENSUS

DISTRIBUTION CHANNELS

The distribution ecosystem will see higher increases in the retail channel, both physical and digital, which allows a direct relationship with consumers and greater control of all touchpoints, enabling brands to strengthen an omnichannel strategy.

Physical retail remains crucial for upscale and will regain its lustre after significant growth in digital during Covid-19, which is, for some categories, fading.

- **Digital retail** will continue its expansion, albeit with a less impressive performance than in previous years when online sales doubled. Growth of **+8%** is expected for 2023.
- **Physical Retail** is up **7%** and continue to be relevant for the segment thanks to increasingly personalised and phygital approaches that improve consumer engagement. Many luxury brands are expanding their retail networks in “secondary” cities and new territories in expanding markets (e.g., in the US and the UAE).
- The **physical wholesale** average **+3.5%** remains less pronounced than the **digital wholesale** average **+5.5%**, although high-end wholesalers have regained dynamism and innovative momentum.

DISTRIBUTION CHANNELS	2023 Consensus
Physical retail	+7%
Digital retail	+8%
Physical wholesale	+3.5%
Digital wholesale	+5.5%

PRODUCTS	2023 Consensus
Apparel	+6%
Leather goods	+8.5%
Footwear	+7%
Jewellery	+8%
Watches	+5%
Cosmetics	+5.5%

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PRODUCTS

The resurgence and increase in tourist flows worldwide, the gradual reopening of China, and the rebound in consumption will offset the rise in inflation and the uncertain situation in 2023.

In general, product categories will see a solid increase in sales volumes, which is not dented by the albeit significant price increases. Therefore, there will be solid growth in value.

- In 2023, **accessories** continued their positive trend: **+8.5%** for **leather goods** and **+7%** for **footwear**. Entry price products continue to suffer and demand is weaker for aspirational products.
- **Apparel** and **cosmetics** remain stable with the former at **+6%** with the upturn in less casual clothing and cosmetics at **+5.5%**, driven by the excellent performance of fragrances. Cosmetics in particular will stabilise and be driven by Asia, while clothing will see a clear contrast between accessible and luxury.
- **Hard luxury** will continue its positive trend, above all **jewellery**, forecast to grow by **+8%**, and confirming its safe-haven, investment status. "More is more" for jewellery with a search for super top, branded and iconic products.
- **Watches** will see a stable growth at **+5%**, with key trends continuing to be "hand-made" products and the quest for one of a kind pieces. Iconic watches that are difficult to find and, like jewellery, will be perceived even more as an investment.

PRODUCTS	2023 Consensus
Clothing	+6%
Leather goods	+8.5%
Footwear	+7%
Jewelry	+8%
Watches	+5%
Cosmetics	+5.5%

2023 ALTAGAMMA CONSENSUS

EBITDA

+6%

In 2022, some companies raised prices, keeping cost increases in check, leading to higher margins than expected next year. In 2023, growth will still be driven by price increases and improved sales mixes.

Volumes will have lower growth than in previous years, and the possible difficulty in keeping raw material and energy costs under control will limit potential EBITDA growth. For companies whose target group consists mainly of higher-end consumers, the Ultra High-Net Worth Individuals, EBITDA is estimated to be higher at **+8%**.

THANK YOU

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