THE ALTAGAMMA-BAIN MONITOR and THE 2023 ALTAGAMMA CONSENSUS
The global luxury goods market is on the rise as China picks up and tourism returns to Europe.

Overall growth forecast: +10% EBITDA

Milan, June 23, 2023 - Updates on the **Altagamma-Bain Monitor on the Global Personal Luxury Goods Markets**, produced by Bain & Company in collaboration with Altagamma, and the **Altagamma Consensus 2023**, produced by the Foundation with input from international analysts and industry partners, were presented today.

After 2022, which closed, despite an uncertain economy, with a record turnover of **€345 billion**, the global Personal Luxury Goods market saw an excellent first quarter this year (with growth of around 10%), giving grounds for a reasonably optimistic outlook for the rest of the year.
The **growth forecasts for 2023 have been adjusted upwards** thanks in particular to the Chinese rebound and Europe continuing to perform well, and despite a slowdown in the US market and the continued presence of a number of factors of concern in the macroeconomic situation (rising energy costs, still high - albeit slowing - inflation and the prospect of recession, supply chain shortages, geopolitical tensions and the decline in purchasing power of a number of consumer groups). Companies' **profit margins are expected to grow by around +10% in 2023.**

The **ALTAGAMMA-BAIN MONITOR** highlights how - net of the uncertain economic conditions - the global personal luxury market had a record year in 2022, with a turnover of 345 billion euros (up 19% on 2021).

In the first quarter of 2023, despite the US slowdown - due to consumer caution, with the prospect of a recession - the luxury market grew by +9/11%, supported by:

- The continued growth of local spending in Europe
- China reopening, and ending its zero-Covid policies
- a solid Asian market, albeit with some changes in the map of the luxury industry

The ultra-rich consumer base remains strong, and there is a desire to elevate, with customers buying "less" but "better".
As for the categories: watches and jewelry were the top performers. The main opportunities for the sector in the medium term are related to ESG developments (partly due to increased regulation) and new technologies, such as Generative AI, which have the potential to impact the entire luxury goods value chain.

Bain & Company forecasts further growth of between 5% and 8% this year, with an "optimistic" scenario potentially reaching +9-12%, depending on how the economic scenario develops. Even taking potential complexities into account, however, the long-term outlook remains positive thanks to the industry's solid fundamentals: it is expected to be worth €530-570 billion by the end of the decade.

The update to the **2023 ALTAGAMMA CONSENSUS**, now in its 13th edition, is produced in collaboration with 18 international analysts and partners: BAIN & COMPANY, BCG, BERNSTEIN, EQUITA, EXANE BNP PARIBAS, INTERCORPORATE, INTERMONTE, INTESA SANPAOLO, J.P. MORGAN, KEPLER CHEUVREUX, MEDIOBANCA, PRICEWATERHOUSECOOPER, ORTELLI&CO, RBC CAPITAL MARKETS, SOCIÉTÉ GÉNÉRALE, STIFEL, VONTOBEL.

According to Stefania Lazzaroni, General Manager of Altagamma, *"the estimates formulated by the analysts and partners involved in the Altagamma Consensus envisage 2023 moving easily towards a 10% profit margin. Despite macroeconomic and geopolitical uncertainty, the luxury industry is enjoying a period of steady, solid growth. This is due on the one hand to our consumers, who are less affected by the challenging economic situation, and on the other hand to a steady flow of international tourism to Europe - Milan and Paris in particular - and China reopening its borders and making a big comeback. Japan and the Emirates are going strong, while the US is less buoyant, with inflation taking its toll. Luxury brands look set to sail through 2023,* *thanks to retail strategies that are focussing on the physical channel once more (albeit in synergy with digital), specific pricing strategies and ever new, increasingly experiential ways of engaging with customers.*

MARKETS

- **Europe** is benefitting from the return of tourists: this is the year's main theme. Milan and Paris are among the most popular destinations also for flows from the UK (tax free) and despite the fact that tourist flows from China have not yet fully recovered. Local spending is holding up better than expected, leading analysts to raise estimates from 5% to **10%**.
- The scenario for the **United States** is something of a mixed bag. The middle classes are already feeling the pinch of inflation and the effects of the 2022 stimulus payments are long over. Aspirational brands and products are lagging behind, but top names are on the up. American high-end consumers are traveling once more, and spending outside of the US. The growth estimated for the year is **3%**.
- **Japan**, propelled by short-haul Chinese and Korean tourism, shows promise for growth **(+10%)** and is proving a key market for luxury brands, which are focussing more on offline, complemented by hospitality experiences.
- **China and the rest of Asia** are making a strong comeback **(+14%)**, with China in the running to become the world's number one market. It boasts a winning combination of a growing middle class, new residential and tourist cities, the digital expertise of the younger generations, and a return to leisure activities after the lockdowns. South Korea is one of the most promising markets, and exerts a huge cultural influence in the region (e.g. K Pop). Thailand is also on the up.
- The **Middle East is up 10%**, thanks to areas such as the United Arab Emirates (but also Turkey) that are benefitting from Russian spending.

CONSUMERS

- **Chinese consumers**, moving rapidly towards pre-Covid levels, are set to be **2023's best in class**, with growth expected to double compared to the end of 2022**: +20%.** The market has reopened and the Chinese are traveling once more. Many are counting on the autumn lockdowns being a thing of the past.
- The analysts also expect to see growth doubling when it comes to **Japanese** consumer spending **(+9%),** testament to a newfound confidence.
- Excellent sales in **Europe** are driven not only by tourist shopping, but also by **local consumption**, with forecasts for growth adjusted upwards **(+6%)** despite inflation.
- The projected growth of **American spending (+4%)** is more subdued: inflation and the threat of recession are affecting the purchasing power of consumers at the base of the pyramid, though not the top-spenders. However this is more a normalization of the very strong post-pandemic rebound of 2022, than an actual dip.
- Growth is forecast **(+10%)** for the **rest of Asia**.

DISTRIBUTION CHANNELS

- **Physical stores (+11%)** will benefit from the definitive return to normality in all regions. Many brands are expanding their retail networks in "secondary" cities and territories in growing markets (e.g. USA and UAE) and Europe is also witnessing a wave of new luxury boutiques opening (+77% in 2022). Travel Retail is making its presence felt once more, along with new formats like Beach Popups and resort shops.
- **Digital retail** is expected to continue to grow **(+10%),** though at a rate not comparable to the doubling of sales in previous years.
- **Physical wholesale (+4%)** and **digital wholesale (+5%)** continue to grow at a moderate rate, in line with last year's figures. However, digital innovations such as Artificial Intelligence and the increasingly fluid customer experiences brands are developing may boost the online channel.

PRODUCT CATEGORIES

- **Leather goods (+11%)** has the highest projected growth rate in 2023, and the forecast for **footwear (+9%)** has also been adjusted upwards.
- **Apparel** and **cosmetics** are expected to grow by **+8%.** Cosmetics is consolidating its position thanks to the trend for wellness and self-care, also taking hold among men, and making niche fragrances take off. Asia remains the top performer in cosmetics.
- With a predicted growth of **+8%**, **watches** are on the up, increasingly perceived as a timeless investment buy, as confirmed by the ongoing rise in the value of pre-owned watches in recent years: the market for vintage and discontinued models represents one-third of the overall luxury goods market.
- Hard luxury continues to perform strongly and **jewelry** is flying high with a growth rate of **+10%,** perceived as a safe haven and investment asset. There is high demand for super top, branded and iconic products.

The EBITDA of high-end companies is expected to **grow by 10%.**