



LVMH Sales Drop as Chinese Demand for Costly Handbags Cools

(Bloomberg) -- LVMH's sales of fashion and leather goods fell for the first time since the pandemic as the industry's biggest player was hammered by a slump in demand from Chinese consumers whose appetite for high-end purchases once seemed insatiable.

Organic revenue at the key unit whose brands include Louis Vuitton and Christian Dior declined 5% in the third quarter, LVMH Moët Hennessy Louis Vuitton SE said in a statement Tuesday. Analysts had expected a small gain. Overall, the group's sales slid 3%.

The results "indicate a more pronounced slowdown than expected," RBC Capital Markets analyst Piral Dadhanian said in a note.

The Paris-based company, a bellwether for the luxury industry, saw its American depositary receipts plunge by as much as 10% after the announcement. US rivals including Ralph Lauren Corp. and Estee Lauder Cos. fell in New York trading, while ADRs of Gucci owner Kering SA also slumped.

Consumers in China have reined in spending on costly goods amid worries over slowing economic growth and a property market crisis — concerns that prompted the Chinese government to unveil a package of measures last month to revive the economy.

Japan Sales

Organic sales in the region that includes China fell 16% in the quarter at LVMH, more than estimates, a disappointment for a group that had been among the most resilient in the face of cooling demand in the country. Sales in Japan also performed worse than expected as a stronger yen hit spending by Chinese consumers who traveled there to shop for luxury items.

A pandemic-era spending boom that drove luxury sales ran out of steam last year, especially for brands catering to so-called aspirational customers. The most exclusive brands such as Hermes International SCA — which reports quarterly sales next week — have better withstood the downturn.

Run and controlled by Bernard Arnault, the world's fifth-richest person, LVMH has some 75 luxury brands spanning fashion, jewelry, hotels and spirits. All of the group's main units missed analysts' estimates in the third quarter.

(Updates with analyst in third paragraph, broader share impact in fourth)

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