



## Trump's tariffs hit European luxury industry, shares tank

PARIS, May 23 (Reuters) - European luxury shares tanked on Friday as U.S. President Donald Trump said he is recommending a straight 50% tariff on goods from the European Union starting on June 1. Europe's luxury industry, producing handbags, shoes, fashion items and champagne among other prized goods, is highly exposed to the U.S. market, which was seen as the sector's best hope for growth this year as Chinese demand lags.

Shares in LVMH (LVMH.PA) , opens new tab and Hermes (HRMS.PA) , opens new tab , France's largest listed companies by market capitalisation, fell by around 3% and 4% respectively after Trump's announcement, in line with sector peers including Kering, Prada and Burberry.

The sector's largest groups sell roughly a quarter of their products to U.S. consumers, while exposure among smaller brands varies, from 14% at outerwear company Moncler to 46% at sandals-maker Birkenstock.

S&P analysts cited the luxury sector in a recent note as one of those most exposed to U.S. tariffs, as companies have only limited ability to move production to the United States.

"If you want to create a factory in the U.S. to overcome the problem of the tariffs, it's just impossible right now ... you don't have the people, the know-how," Bain partner Claudia D'Arpizio said at an industry event on Thursday.

LVMH's Louis Vuitton is the only European luxury brand producing locally in the United States, though it has been grappling with problems at one of its sites in country, Reuters has found.

"We therefore believe that pricing will likely be the luxury goods industry's main way of mitigating tariffs," S&P analysts said in a recent note.

European luxury goods makers including Birkin bag maker Hermes have said they could use their pricing power to offset the cost of any tariffs, but analysts say some brands may have limited room to hike prices.

France's luxury industry - the world's largest - employs over 600,000 people, data from the economy ministry , opens new tab shows.

Italy, producing most of the world's high-end leather goods, is also highly exposed to international trade. According to a report by state-controlled bank Cassa di Risparmio di Venezia, the fashion industry accounts for over 5% , opens new tab of the country's gross domestic product.

The two countries are the largest exporters of most luxury products to the United States.

In 2024, France shipped sparkling wine including champagne worth 890 million euros (\$1 billion) as well as grape brandy, mostly cognac, worth 1.27 billion euros to the U.S., United Nations data shows. Italy meanwhile exported 770 million euros worth of leather handbags.

(\$1 = 0.8823 euros)

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