



## Luxury's second-quarter earnings cheat sheet

This quarter's results are expected to show a continuation of luxury's slump. Analysts weigh in with predictions.

By Laure Guilbault



The second quarter of 2025 will be another trial for luxury, shedding the slim progress made in the first.

HSBC anticipates a 1.7 per cent drop in the quarter, after the industry recorded a slight 0.2 per cent increase in Q1. "The big picture remains quite challenging for luxury," HSBC managing director, global head of consumer and retail equity research, Erwan Rambourg says. He cites a sluggish Chinese market, fewer US tourists in Europe because of the diminished strength of the dollar, and looming tariffs. On Saturday, President Donald Trump threatened to implement a 30 per cent tariff on goods imported from the European Union beginning 1 August.

"It seems that Europe and the US want to get to a solution between now and 1 August, but let's imagine there's a 30 per cent tariff being imposed on EU products, then that's yet another headwind for the sector," Rambourg says.

At the same time, polarisation between luxury players has intensified. "I expect Hermès and Richemont to continue to lead and LVMH to continue to trail," says Bernstein analyst Luca Solca. Kering is expected to lack noticeable improvement, after sales at its largest brand, Gucci, dropped by 25 per cent in Q1.

Is this current crisis worse than 2008 for luxury? "The macro elements at the time were comparable or possibly worse because you really had a meltdown in the financial system, which was a systemic issue," Rambourg explains. "Right now, the macro is rough because there are trade tensions and tariffs, but I think what's making it way worse is self-inflicted mistakes, in terms of 'greedflation', lack of innovation — basically a quite complacent attitude from some brands. 2008 didn't have so many self-inflicted issues." He calls "greedflation" the fact that many brands "went way too high, way too quickly in terms of price increases".

This puts luxury brands in a tough position as they look for ways to offset costs from tariffs and currency exchanges eating into margins. "Since they've already raised their prices, they cannot be daring when it comes to implementing further price increases to offset the negative impact," says Mario Ortelli, managing director of Ortelli & Co.





## Wide disparity between luxury companies

Richemont will report its fiscal Q126 revenue (ending June 2025) on 16 July. The Swiss luxury conglomerate is expected by HSBC to grow 4 per cent, led by its jewellery maisons, including Cartier and Van Cleef & Arpels. "Another clear quarter of outperformance," Jefferies wrote in a note. "Jewellery maisons should continue to lead the charge, offsetting enduring soft demand for watches. Europe and the Americas should remain key anchors to the group's delivery. The update should confirm that the price increases pushed through in April and May (of around mid-single digit at Cartier and slightly above at Van Cleef & Arpels) have had limited impact on demand," Jefferies analysts wrote.

Hermès is expected to continue defying the odds: sales are expected to grow 9 per cent in Q2, per HSBC estimates (accelerating versus Q1 when sales grew 7 per cent, partly due to better product availability).

Brunello Cucinelli also leads: the Italian company reported last week a 10.7 per cent sales increase in the first half of 2025 and confirmed guidance for annual growth of 10 per cent in both 2025 and 2026.

LVMH, the bellwether for the sector, is expected by HSBC to post sales down 7 per cent in Q2, with an 11 per cent decrease at the all-important fashion and leather goods division. HSBC is at the lower end of the estimation range, having published its estimations before the equity markets regained strength since late May/early June, after the fall in April. Barclays analysts anticipate the LVMH fashion and leather goods division to be down 8 per cent in Q2.

Analysts cite lower tourist flows in Europe and Japan, particularly among US and Chinese travellers, amid adverse currency movements. By brand, the outlook is mixed, with Rambourg saying Dior, as well as the smaller brands, are expected to weigh on performance in Q2. Loro Piana, Rimowa and Loewe are the bright spots.

Rambourg is "very hopeful on Dior for 2026". So is Solca: "Dior now has most of the ingredients in place to stage a recovery. Yet, Rome wasn't built in a day, so this will take time."

Kering will report Q225 revenue after market on 29 July, and it looks like it will be roughly in line with the first quarter, with sales down 14 per cent at Kering and down 25 per cent at Gucci, according to HSBC estimates. What will steer the conversation in Q3 will be Demna's "first hints" at Gucci, to be unveiled in September, as Kering deputy CEO Francesca Bellettini announced during the group's first-quarter earnings. (She did not clarify in what format. His debut show will be held in February.)

Luca de Meo will take on his role as Kering CEO on 15 September. "He needs to understand the business and then communicate his vision to the market," Rambourg says.

Bottega Veneta has been the bright spot at Kering. After a 4 per cent sales gain in Q1, the house is expected to grow 2 per cent in Q2. But how long is the runway? "We see the brand as one of the most at risk of a softening US consumer — a factor of the brand having performed very well last year in Western markets, hence proving a tough comparison base," Morgan Stanley analysts wrote.

Prada Group retail sales are expected to grow 10 per cent in Q2, per HSBC estimates, compared with a 13 per cent gain in Q1. Comps are difficult after an extended period of growth. "I expect further moderation in both Prada and Miu Miu in Q2," Solca says.

## Green shoots

It's not all doom and gloom. Rambourg expects luxury to do "less poorly" in the second half due to an easier basis of comparison starting in Q3, and forecasts 2025 industry organic growth to be flat.

When will the downturn actually end? "There will be some green shoots here and there in the second half," says Ortelli. "But to talk about a possible recovery, let's circle back in six months."





There are reasons to remain confident in the industry's long-term prospects: "I do believe there's a lot of savings in China that at some stage will come back to support purchases and luxury, and I do believe the American consumer is somewhat of an emerging consumer for luxury," Rambourg says. "The next 12 months are still going to be tricky, but beyond that, we think there will be a rebound of the sector starting in the second quarter of 2026 and overall visible in the second half of 2026."

We have just seen the early results of the new creative reshuffle, with strong debuts at Dior, Celine and Margiela. There are many more to come: an unprecedented number of designer debuts in September and October. "That will move the needle for Spring/Summer 2026. Anything that is product-driven should be a lot more visible starting in the second quarter of 2026," Rambourg says.

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