Insights

Asia Is Where the Growth Is… Especially in Luxury Demand

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Emerging market growth and urbanisation means that today Asia is the engine of global growth. Asia is also where the greatest relative wealth accumulation is currently occurring globally, and it is where luxury demand has expanded fastest.

By focusing on luxury companies with strong presences in Asia, we can capture the fastest growing slice of a growing pie. According to Altagamma, luxury consumption in mainland China last year (2020) was up +45% year-on-year, COVID notwithstanding. Over the next five years Chinese luxury expenditure is expected to rise +55% versus +12% in the rest of the world, a growth rate that is more than 4.5x faster. By 2025 according to Bain, Chinese luxury consumers will account for 46% of total global luxury spending, versus 35% in 2019.

In terms of total consumption of all consumer goods, China is also incredibly important and its importance is rising. China's middle-class consumers spent $7.3 trillion in 2020 (17% of the global total), more than any other country including the US at $4.7 trillion. The Chinese government is committed to increasing private consumption too, which currently stands at 37% of Chinese GDP, compared with 69% in the US.

The period 2007 and 2027 has and will continue to see the rise of China's middle-class. This will dwarf any preceding historical economic change, anywhere in the world. By 2027 it is forecast that 1.2 billion Chinese will be in the middle-class income category. This will drive unprecedented demand for consumer products and services globally.

Chinese citizens took 300 million vacation and business trips in 2019 alone; 166 million of these trips were abroad and 140 million were within China. This is illustrative of the sheer scale of market opportunity generated by Chinese middle-class spending habits.

The prospective outlook for demand for luxuries in this market is very strong and will be a critical driver of growth for the broader consumer goods and in particularly, luxury goods market.

What is more, when eventually we do see a maturing of China's economy and eventual slow-down in growth, the baton may very well pass to India, whose emerging middle-class already ranks third globally in size after the United States and could even surpass China's eventually.

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