Sales at LVMH Moet Hennessy Louis Vuitton's fashion and leather goods division rose 12 per cent in its third quarter – not far off the levels it was achieving before the pandemic struck. The Bloomberg consensus of analysts' expectations for the period was for a 0.9 per cent decline. PHOTO: REUTERS

Pandemic 'revenge spending' sparks bling boom

Demand for luxury goods bounces back once consumers can shop again post-lockdown

Andrea Felsted

Think lockdowns are bad for luxury? Think again.

Sales at LVMH Moet Hennessy Louis Vuitton's fashion and leather goods division rose 12 per cent, excluding currency movements, in its third quarter – not far off the levels it was achieving before the pandemic struck.

The Bloomberg consensus of analysts' expectations for the period was for a 0.9 per cent decline.

Instead, the bumper performance shows how demand for expensive handbags, cars and watches bounced back once affluent consumers could emerge from their homes and spend some of the money they saved during lockdown.

In China, whose consumers could account for 45 per cent of global luxury sales this year, according to financial services firm Jefferies, shoppers treated themselves as stores reopened.

And this so-called "revenge spending" phenomenon has expanded to the US, and even Europe, as wealthy individuals divert money they would have splurged on overseas vacations and restaurant dining to high-end boutiques.

Until recently, stock markets have rebounded strongly, which typically encourages US consumers to spend. Women may spring for a Christian Dior Bobby bag. Men might shell out on a designer timepiece. Watches of Switzerland Group, the Britain-based watch and jewellery retailer, recently reported better-than-expected sales.

But these results are not just confined to luxury items you can wear.

Last Thursday, Mercedes-Benz owner Daimler reported a stunning €5.1 billion (S$8.1 billion) of industrial free cash flow for the July to September quarter. Its mainly white-collar clientele appear to have been less affected by the pandemic than the hard-hit service sector.

Cars have also become pretty handy if you are worried about using public transport or considering a move from the city to the country.

Mercedes-Benz's big presence in China, where sales rose 23 per cent year on year during the third quarter, has been a big advantage too.

Looking ahead, another beneficiary of this bling boom may be Apple, whose top-of-the-range iPhone 12 Pro became available for pre-order last Friday.

Having saved some money during lockdown, consumers might be more willing to splurge on the more expensive new handsets.

But there are grounds for caution, as the luxury recovery may not be evenly spread across the industry.

If consumers are going to make a special purchase, it is likely to be from one of the best-known names.

LVMH has two: Louis Vuitton and Christian Dior. When it comes to watches, the hottest brands right now are Rolex (there are already waiting lists for its new brightly coloured Oyster Perpetual models), Patek Philippe and Audemars Piguet – all privately owned.

Watches, handbags and jewellery are also items that work in casual settings. Other high-fashion products, such as formal dresses and stilettos, may be more affected by the lack of events to dress up for.

An exception is Moncler's puffer jackets, which could be in demand as winter approaches, particularly if socialising has to move outdoors.

Meanwhile, as concern over the pandemic's economic toll mounts, the thrill of spending may wane.

Add in the damage from a second virus wave in Europe and uncertainty around the US election, and even wealthy consumers may choose to stash, rather than splash, their cash.

For now, however, bling is back. Luxury goods groups should make the most of it while they can.

BLOOMBERG

Gateway to a Great Life This feature is the first of a four-part series by Great Eastern

She plans ahead for peace of mind

Newlywed buys 11 policies as hedge against uncertainty

Ms Vanessa Lim (left), 30, bought her first life insurance policy eight years ago as a working adult.

Ms Lim and her husband (above) plan to boost their savings with three endowment plans to have a child and retire at 55.

PHOTOS: VANESSA LIM

By JEREMY THESEIRA

Vanessa Lim is often accused of being "kiasu" (Hokkien for fear of losing out), when it comes to managing her money.

The general manager of her father's furniture business is covered by 11 insurance policies and saves half of her four-figure salary every month.

And she is only 30 years old.

Yet, she notes, amid frailties and uncertainties from the Covid-19 crisis, being kiasu is becoming more praiseworthy than derogatory. The pandemic justifies her belief in being prepared for sudden shocks.

What's behind her cautious approach?

About seven years ago, her close friend lost her husband to cancer. He was in his late 30s.

If not for a life insurance payout that she received upon her husband's death, she would have been weighed down by the financial burden of his cancer treatment.

"That had a significant impact on me and I realised that we should never take things for granted," says Ms Lim, who has had her share of personal struggles too.

Her father suffered a stroke when she was just 10 years old. Three years ago, her younger sister suddenly lost consciousness — suffering a split lip and broken front teeth. In both instances, her family was able to defray large hospital bills with medical and personal accident insurance.

What's her strategy?

Ms Lim has amassed an impressive portfolio of insurance plans over the last eight years.

She has one policy each under five types of health-related insurance: Hospitalisation, life, critical illness, disability and personal accident. Some cover the costs of medical treatments and procedures, others provide a lump-sum payout.

Those are on top of MediShield Life and CareShield Life.

"I'd rather pay now when I don't have any pre-existing medical conditions. Should I ever have to make a claim, I'll be able to do so without any worries."

All Singaporeans are covered by MediShield Life (medishieldlife.sg), a compulsory basic health insurance plan that subsidises the cost of treatment in public hospitals. CareShield Life (careshieldlife.gov.sg), launched on Oct 1, provides lifelong monthly payouts in the event that the insured has a severe disability and requires long-term care.

> *"I'd rather pay now when I don't have any pre-existing medical conditions. Should I ever have to make a claim, I'll be able to do so without any worries."*
>
> ***– Ms Vanessa Lim***

What's her long-term plan?

She and her husband, a research consultant who is also 30, are working towards two milestones: Having a child and retiring by the age of 55. They were married last year and live in a four-room Housing Board flat.

They have three endowment policies and plan to sign up for another to boost their savings.

How does she manage to pay for so many plans?

Ms Lim sets aside about 25 per cent of her salary every month to pay for her insurance premiums. She watches her spending and gets by on a smaller budget than her friends.

"It's worth the effort. I'll see the benefits later on when, for example, I can use the payouts to fund my child's education."

For now, the couple is also building their nest egg with other investment instruments and aims to set aside half of their respective incomes every month as savings for their retirement goals.

Says Ms Lim: "I would like to retire early and, most importantly, retire without worry. This means I have to start my financial planning early so I have a longer lead time to build my savings."

jeremyt@sph.com.sg

A piece of advice

PHOTO: GREAT EASTERN

New to financial planning? Great Eastern financial representative Andy Seng (left) answers some burning questions to help you get a head start on the future.

Financial planning can be expensive, especially for fresh graduates and young working adults. When should one start?

There's never a perfect time to start. As wealth grows, so do expenses and responsibilities. We should start immediately within our means to be prepared and protected for the future before it becomes urgent.

How should a person determine which plans are more important to have?

Every individual is different and will have their own concerns. But the Covid-19 pandemic has shown that unexpected illnesses, healthcare and the loss of income are key concerns, and that's where we can protect ourselves first before looking at investing and saving for the future.

Financial planning is a long-term commitment. What qualities should one look for when choosing a financial representative to manage your portfolio?

Someone who is patient and willing to listen to your needs, who is experienced and passionate about helping you plan well for the future. Most importantly, someone who treats you like family and puts you before themselves.

Early financial planning matters to those near and dear to you. Find out how and why.