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The Louis Vuitton store in Shanghai is shaped like a cruise ship. RAUL ARIANO/ BLOOMBERG NEWS

Luxury Comeback in China Isn't Likely

Even with a stock market outperforming the S&P 500, Chinese shoppers aren't flocking to chic brands as they once did

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Chinese shoppers are returning to luxury stores, but with less appetite to spend and in greatly diminished numbers. That is disappointing for high-end brands desperate for fresh growth.

After five years of weak sales, some luxury brands said their China business recently turned a corner. **Richemont ,** which owns Cartier and Van Cleef & Arpels jewelry, said sales started to grow again in China in the third quarter of 2025. British luxury trench coat maker **Burberry** also noticed an improvement last fall, and said demand accelerated further in the final three months of the year.

The recent results of the world's biggest luxury goods company, **LVMH ,** gave a more mixed picture. Sales to Chinese consumers are stabilizing for LVMH, but aren't back to growth yet.

The company is tweaking its footprint in the country.

LVMH recently agreed to sell its duty-free business in China, but is investing, too. The company's flagship brand, Louis Vuitton, in June opened a Shanghai boutique, which is drawing thousands of visitors a day.

If the global luxury industry is to get back to the 6% annual growth it averaged over the past two decades, it needs China to recover. Luxury stocks used to be a favorite way for investors to get exposure to the country's thenbooming middle class.

The Chinese went from barely being on luxury brands' radar in the early 2000s to generating 35% of the industry's global sales by 2019, Bernstein estimates. The appetite for luxury goods was so strong that Chinese tourists flew to European capitals for the experience of buying—for example—a Chanel or Hermès purse at a flagship in Paris.

The pandemic and China's imploding housing market ended the good times. The Chinese share of global luxury spending dropped to 23% last year. They have been overtaken by Americans, who are now the industry's most important customers. Last year, U.S. shoppers generated 31% of global luxury sales, up from 22% before the pandemic.

This leaves luxury brands heavily reliant on a clutch of wealthy Americans. The S&P 500 has gained 17% over the past 12 months, generating an additional $8.4 trillion of stock-market wealth.

Most of the benefits have gone to the richest households, who have higher-than-average exposure to stocks. This is boosting the very top of the luxury market, for goods such as fine jewelry, or seats in first-class air cabins. Brands such as Gucci or Saint Laurent that are more dependent on aspirational shoppers in the U.S., defined as customers who spend up to $2,500 a year on luxury goods, are suffering.

A recovery in China would provide a welcome hedge. The Shanghai Stock Exchange Composite Index has outperformed the S&P 500 since the start of 2025. But China's equity markets are volatile and a less important driver of consumer spending than in the U.S. Stocks make up just a 10th of China's household wealth according to Goldman Sachs. This compares to 35% in the U.S., data from the Federal Reserve shows.

Home values, which make up 60% of household wealth in China, are much more important for consumer spending. A property crash has wiped two-fifths off the value of Chinese real estate since 2021 in some parts of the country. Prices for existing homes fell 6% in 2025, and don't appear to have bottomed out yet.

However, prices are stabilizing in Tier 1 cities in China such as Shanghai and Shenzhen, where wealthy residents are also more likely to own stocks. This could create pockets of demand for luxury goods this year.

But a widespread recovery is a long shot. When middle-income Chinese consumers were splurging on designer goods several years ago, their homes were appreciating in value.

In the decade leading up to the pandemic, home prices in China's top 70 cities rose more than 50%, data from the National Bureau of Statistics of China shows. Incomes were rising 10% a year on average over the period, more than double today's rate.

Chinese households are still prodigious savers. The average household is socking away onethird of its income, compared with less than 5% in the U.S. This will limit how much middle-class consumers are willing to spend on luxury goods.

That said, brands perceived to offer value for the money are growing. **Ralph Lauren** said its sales in China rose more than 30% in its latest quarter. Coach's Chinese business was up 21%. Burberry is having success with Gen Z consumers, thanks in part to a realistic pricing strategy.

Local luxury players such as Songmont handbags are also winning over price-sensitive Chinese shoppers. Their goods sell for four to five times their manufacturing cost, compared with a markup of 10 times or higher for Western luxury brands, Bernstein notes.

Richemont Chief Executive Nicolas Bos said on the company's latest investor call that the bar for selling luxury goods in China is high today. Chinese customers are "becoming much more demanding, discerning and differentiating when it comes to their choice of brands." The days when shoppers queued around the block for a Chanel or Louis Vuitton handbag aren't coming back soon.

—Carol Ryan