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Russian Spending on Luxury Goods Plummets with Ruble

By The Moscow Times

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A Vacheron Constantin watchmaker adjusts a watch in the company workshop in Plan-les-Ouates near Geneva.

A weak ruble and low consumer confidence have taken their toll on Russian luxury spending, with with goods sales down 7 percent at constant exchange rates and down 18 percent at current exchange rates, consultancy Bain & Co said in a report published on Tuesday.

Bain added that economic sanctions against Russia also put pressure on the country's banking system and limited access to credit for many wholesalers.

The personal luxury goods industry has been through a slowdown since 2011 in part due to flagging demand in China where the government has cracked down on gift-giving, and economic weakness in Europe.

Industry concerns have been compounded by conflicts in the Middle East, the Ukraine crisis

hitting demand in Russia — the No.2 luxury goods buyer after the China — and pro-democracy protests in Hong Kong, where many luxury brands made more than 10 percent of their annual sales.

Bain predicted total revenue from the personal luxury goods industry — which includes watches, jewelry, clothes, shoes and leather goods — to reach 223 billion euros ($282.70 billion) in 2014 against 218 billion in 2013, when sales rose 7 percent at constant exchange rates.

"For next year, we expect growth similar to 2014," Claudia d'Arpizio, a partner at Bain and author of the study, said. "The luxury goods market has entered a weaker growth cycle but it is more sustainable on the long term."

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