

Orderly Fashion: Looking Inside Luxury Baskets

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Introducing Luxury

In a world where consumer trends shift rapidly and economic uncertainties prevail, the luxury industry stands out for its exclusivity and resilience. Defined not just by price but by superior quality, impeccable craftsmanship and a storied heritage, luxury products can foster a unique emotional connection with consumers. From haute couture fashion houses to iconic watchmakers and luxury automakers, this sector not only captures the imagination of consumers but also provides unique insights into global wealth distribution. The S&P Global Luxury Indices were launched to track the performance of companies engaged in the production, distribution or provision of luxury goods and services, offering a gauge of the sector's performance.

A defining characteristic of luxury goods is their price inelasticity, which has often facilitated higher operating margins. Over the past decade, the average operating margin for luxury goods companies has been around 18%, compared to 12% for the broader consumer discretionary sector.¹ Against a backdrop of rising inflation—global figures ranged from 3.3% to 8.7% between 2019 and 2023—around 80% of the luxury sector's growth over this period was driven by price increases rather than volume gains.² This reflects not only the high perceived value and exclusivity of luxury products but also the sector's ability to maintain demand even in the face of price increases.

¹ Source: S&P Dow Jones Indices LLC, FactSet. Data as of Dec. 31, 2025. Average operating margins calculated using the constituents of the S&P Global Luxury Index and the S&P Global BMI Consumer Discretionary (Sector).

² ["The State of Luxury: How to navigate a slowdown."](#) McKinsey. Jan. 13, 2025.

Market Landscape

The global luxury market has experienced consistent growth over the past several years and is projected to continue its upward trajectory. Between 2019 and 2023, the sector achieved a 5% compound annual growth rate (CAGR).² While the industry has faced slowdowns in recent years due to macroeconomic headwinds, it is still expected to expand from USD 344.32 billion in 2026 to USD 516.48 billion by 2035, representing a CAGR of 4.7%.³

The market is still expanding, though growth has moderated. This continued growth is driven by rising global wealth and evolving consumer preferences. Wealth is increasing steadily, with total global wealth having increased at a CAGR of 3.4% since 2000.⁴ Meanwhile, the global number of high-net-worth individuals (HNWIs)⁵—the primary consumers of luxury goods—surged from 14.65 million in 2014 to 23.42 million in 2024.⁶

Consumer preferences are also evolving beyond products and toward luxury experiences, including luxury tourism, hospitality and fine dining.⁷ Digitalization has transformed engagement, with 75% of global luxury transactions influenced by online channels and 20% to 25% of purchases digitally enabled.⁸ Brands like Gucci and Burberry are leveraging virtual showrooms and innovative social media campaigns to craft compelling digital narratives, maintaining their mystique while embracing modern engagement strategies.⁹ To meet growing consumer demand for transparency and authenticity, luxury companies are also adopting new technologies such as blockchain and authentication for traceability, anti-counterfeiting and digital personalization—helping them stay competitive. Furthermore, younger generations will likely drive growth in the coming years, with Generation Z projected to account for 40% of luxury purchases by 2035, up from 4% today,⁷ reinforcing the need for brands to deliver more meaningful, personalized and differentiated customer services.¹⁰

The luxury sector also confronts challenges stemming from economic uncertainty and evolving customer preferences. Although HNWI numbers continue to grow, we are seeing a bifurcation in behavior. Ultra-wealthy clients remain price-insensitive, with the top 0.1% accounting for

³ [“Luxury Market Size, Share, Growth, and Industry Analysis, By Type \(Hotels and Exclusive Vacations, Food and Wine, Furniture, Perfumes and Cosmetics, Watches and Jewelry, Apparel & Accessories\), By Application \(Personal Luxury & Experiential Luxury\), and Regional Insights and Forecast From 2026 To 2035.”](#) Business Research Insights. Jan. 12, 2026.

⁴ [“Global Wealth Report 2025: Wealth growth accelerated in 2024.”](#) UBS Global. June 18, 2025.

⁵ HNWIs are people with wealth exceeding USD 1 million.

⁶ [“Number of HNWIs by region 2010-2024.”](#) Statista. Nov 28, 2025.

⁷ [“True Luxury Global Consumer Insights Summary of the BCG-Altgamma 2025 Study.”](#) Boston Consulting Group. July 2025.

⁸ D'Arpizio, Claudia, Federica Levato, Filippo Prete and Joëlle de Montgolfier. [“Eight Themes That Are Rewriting the Future of Luxury Goods.”](#) Bain & Company. February 2020.

⁹ [“How Digital-First Luxury Is Redefining Fashion's Most Exclusive Brands.”](#) Fashion Post Magazine. Feb. 4, 2025.

¹⁰ D'Arpizio, Claudia, Federica Levato, Andrea Steiner and Joëlle de Montgolfier. [“Luxury in Transition: Securing Future Growth.”](#) Bain & Company. January 2025.

37% of total luxury spending; this demographic is willing to pay for premium goods. However, mid-tier affluent buyers are becoming more price-conscious, delaying purchases, trading down to more affordable premium brands or opting for pre-owned luxury goods.⁶ Generation Z’s preferences are also evolving—they report lower customer satisfaction than Millennials, prioritize cost-effective purchases and increasingly favor secondhand platforms.⁹ Luxury margins have historically hovered around 20%, except during exceptional events such as the Global Financial Crisis and COVID-19. However, in recent years, margins have been challenged, trending downward, with increased discounting activity a symptom of underlying pressures.¹¹

S&P Global Luxury Indices

The S&P Global Luxury Indices were launched to measure the performance of companies engaged in the production, distribution or provision of luxury goods and services (see Exhibit 1). The series currently includes two indices: the [S&P Global Luxury Index](#) and the [S&P Europe Luxury 35/20 Capped Index](#).

Exhibit 1: Luxury Goods & Services Reflected by the S&P Global Luxury Indices



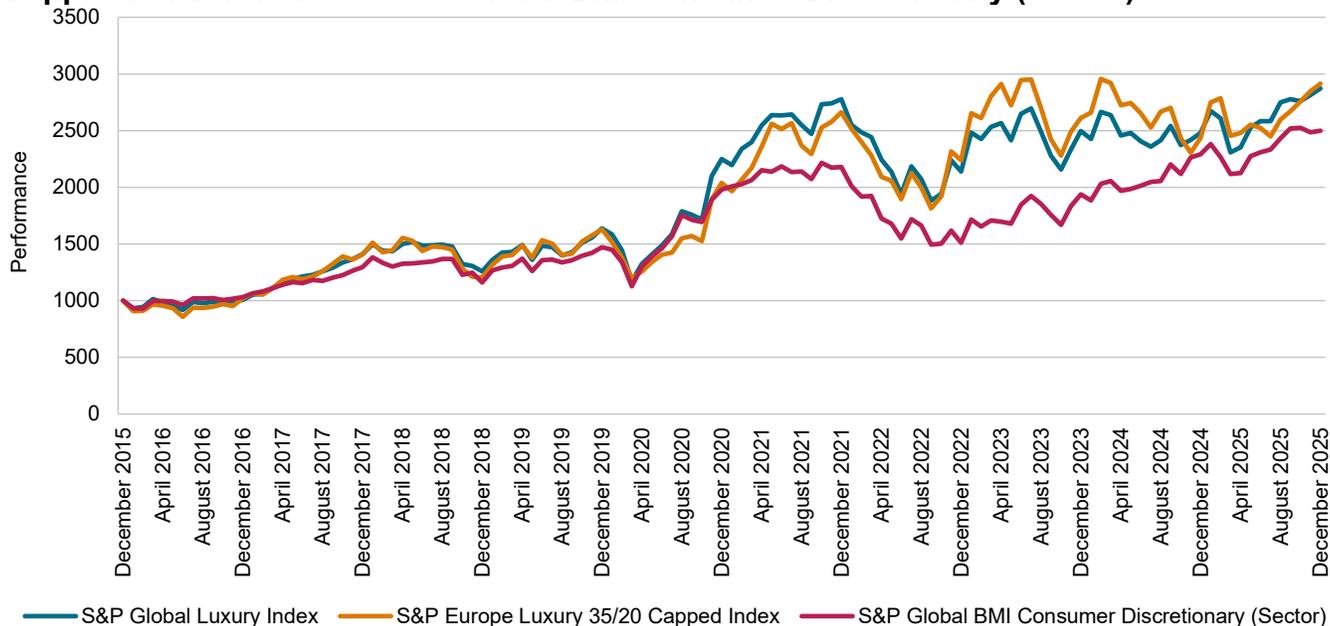
Source: S&P Dow Jones Indices LLC. Data as of January 2026. Chart is provided for illustrative purposes.

Over the back-tested 10-year period, both the S&P Global Luxury Index and S&P Europe Luxury 35/20 Capped Index outperformed the [S&P Global BMI Consumer Discretionary \(Sector\)](#) (see Exhibit 2). This can be attributed to the strong brand equity, pricing power and resilient demand that leading luxury companies tend to command, which have enabled them to sustain higher margins and consistent growth even during periods of market volatility. Notably, during the COVID-19 pandemic, while many industries faced significant challenges, the luxury

¹¹ [“Luxury discounting on the rise as years of price increases bite.”](#) Financial Times. Jan. 2, 2026.

segment rebounded more quickly than the broader Consumer Discretionary sector, reaching new peaks by the end of 2021.

Exhibit 2: Performance of the S&P Global Luxury Index and S&P Europe Luxury 35/20 Capped Index versus the S&P Global BMI Consumer Discretionary (Sector)



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2015, to Dec. 31, 2025. The S&P Europe Luxury 35/20 Capped Index was launched Nov. 25, 2024. All data prior to such date is back-tested hypothetical data. Indices were rebased to 1,000 on Dec. 31, 2015. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

The luxury industry in Europe is characterized by a concentration of market power among a handful of mega-cap conglomerates (see Exhibit 3 for an example), whose history and vision have shaped the global luxury landscape.

Exhibit 3: Associated Brands of Richemont

Cartier Jewelry	Piaget Watches	Baume & Mercier Watches	Montblanc Accessories	Vacheron Constantin Watches
Panerai Watches	Van Cleef & Arpels Jewelry	Jaeger-LeCoultre Watches	IWC Schaffhausen Watches	Dunhill Fashion
A. Lange & Söhne Watches	Roger Dubuis Watches	Buccellati Jewelry	Delvaux Leather Goods	Alaïa Fashion

Source: [List of Brands Owned by Richemont 2026 - Complete Brand Family](#). Data as of January 2026. Chart is provided for illustrative purposes.

This dominance—backed by a strong focus on core luxury segments—is reflected in the S&P Global Luxury Index and S&P Europe Luxury 35/20 Capped Index. For example, the “Big Three,” comprising LVMH, Richemont and Hermès, collectively accounted for 26.8% and 62.0% of the index weight, respectively (see Exhibit 4) at the end of 2025. A key feature of these indices is that constituents are weighted and capped¹² based on each company’s exposure to the luxury theme, using multiple factors, including revenue derived from luxury activities and public brand perception.

Exhibit 4: Top Constituents

S&P Global Luxury Index		S&P Europe Luxury 35/20 Capped Index	
Company	Index Weight (%)	Company	Index Weight (%)
LVMH-Moet Vuitton	10	LVMH-Moet Vuitton	30
Compagnie Financiere Richemont SA	9	Compagnie Financiere Richemont SA	18
Hermes Intl	7	Hermes Intl	14
Ferrari NV	5	L'Oreal	8
Tesla, Inc	5	Ferrari NV	7

Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2025. Table is provided for illustrative purposes.

Conclusion

Structural tailwinds—rising global wealth, evolving consumer preferences and digital transformation—continue to shape and set the luxury sector apart from the broader Consumer Discretionary market, even amid recent headwinds. The S&P Global Luxury Index and S&P Europe Luxury 35/20 Capped Index reflect these dynamics by providing targeted benchmarks for the world’s leading luxury companies, offering a benchmark to assess performance and understand the forces defining the nature and future of luxury spending.

¹² Constituents in both indices are weighted based on float-adjusted market capitalization (FMC) and luxury exposure. Only constituents of the S&P Global Luxury Index are capped according to their level of luxury exposure. For more information, please refer to the [S&P Global Luxury Indices Methodology](#).

Performance Disclosure/Back-Tested Data

The S&P Europe Luxury 35/20 Capped Index was launched November 25, 2024. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance, and is based on the index methodology in effect on the index launch date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. Complete index methodology details are available at www.spglobal.com/spdji. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

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