

Luxury goods will return to growth in 2010

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MILAN (Reuters) - Luxury goods sales will return to growth next year with profitability increasing more than revenues thanks to strong cost containment policies in 2009, according to a Bank of America Merrill Lynch report.

Sales will likely grow by 5 percent next year while core profit will rise 17 percent. Net profit will increase 13 percent, the report said, citing a consensus of estimates from analysts.

The report was presented at the Milan Fashion Global Summit on Tuesday.

Luxury groups are focusing on winning trade from consumers as they emerge from the worst economic crisis in decades. The downturn has sapped demand for designer clothes, accessories, jewelry and watches and sales of luxury goods shrank last year.

U.S. consultancy Bain & Co expects global luxury sales to fall 8 percent this year to 153 billion euros (\$228.1 billion). It foresees timid growth next year.

Paola Durante, head of corporate broking for Bank of America Merrill Lynch in Italy, said the effects of cost-cutting and efficiency measures that luxury goods makers have been carrying out this year will be evident in 2010.

"No one can allow themselves to be inefficient," she said, adding that companies should not be looking to increase prices to boost margins.

She said accessories -- specifically shoes and handbags -- were performing better than other sectors, with revenues seen up 5 percent this year.

Designer clothes sales are seen falling 9 percent this year. Watches and jewelry will see sales down 6 percent.

China remains the fastest-growing major market for luxury brands. However, Durante said companies should not abandon "the mature consumer -- in Europe, Japan -- which remains very important" while looking for growth in emerging areas.

While companies are reluctant to give out forecasts, some are looking to next year with a degree of optimism.

"The situation is easier now, even if it is not the moment to make big forecasts," Andrea Guerra, chief executive of Italian eyewear maker Luxottica ([LUX.MI](#)), told the summit.

(\$1=.6708 Euro)

(Reporting by Cristina Carlevaro; Editing by Jon Loades-Carter)

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