

# newsroom

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## **IDEX Online Research: Strong U.S. Jewelry Sales in May Skips Specialty Jewelers (Full Analysis)**

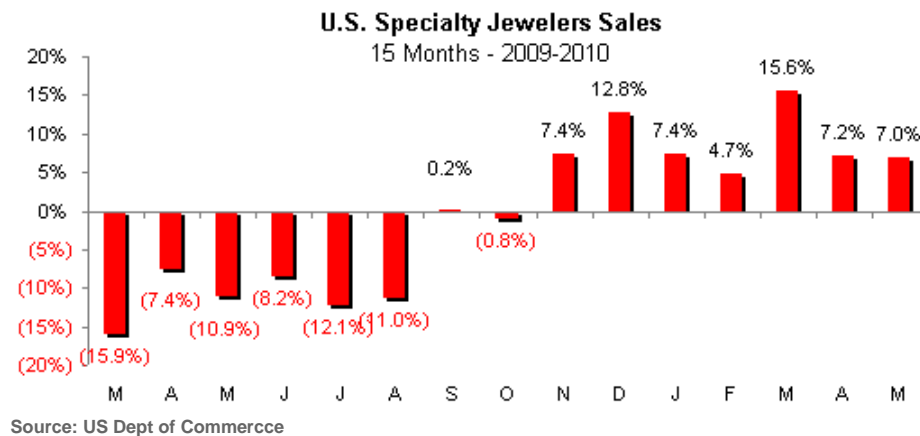
(July 19, '10, 8:02 Ken Gassman)

Jewelry sales in the U.S. market strengthened during May, driven by Mother's Day demand. Examining figures released by the U.S. Department of Commerce, a number of details emerge.

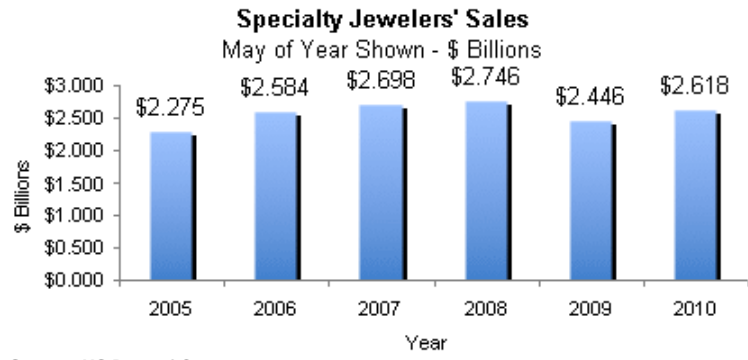
Highlights of May jewelry sales in the U.S. market include the following:

- Specialty jewelers posted a solid 7.0 percent sales gain in May 2010 versus the same month a year ago. This was about in line with April's revised sales gain of 7.2 percent (revised from a preliminary gain of 7.3 percent). In March, specialty jewelers' sales had jumped by an unusually strong 15.6 percent gain, which we view as an aberration. However, in a recovery cycle, individual monthly sales comparisons can be volatile.

The graph below summarizes specialty jewelers' monthly sales gains for the past 15 months. There is significant variation in the monthly sales gains since the recovery began in September 2009, as the graph illustrates. However, the trend is clear: jewelry sales have risen for the past seven months on a year-to-year basis.



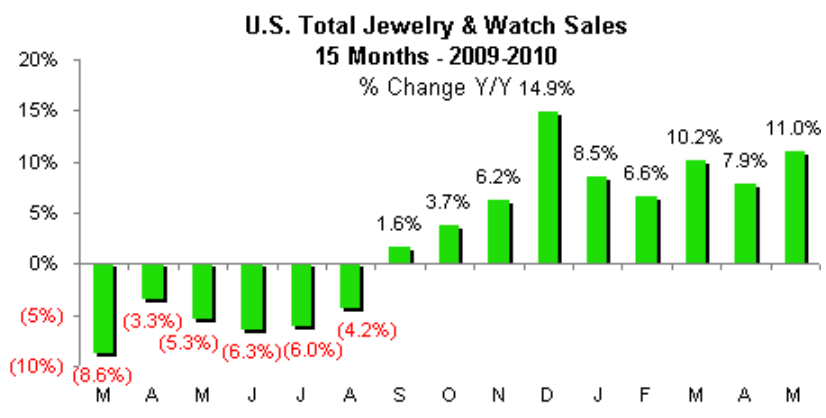
- Looking ahead, monthly sales comparisons remain relatively easy for specialty jewelers through the summer. Beginning in September – the first month of the recovery cycle, which began a year ago, monthly sales comparisons become more difficult. Thus, we expect modest sales gains for specialty jewelers later this year.
- Specialty jewelers' sales rose to about \$2.6 billion in May, well above May 2009's \$2.4 billion. Further, this was well above this year's March and April sales levels of \$2.0 and \$2.1 billion, respectively. May's sales were driven by seasonal demand related to Mother's Day – a seasonal spike of roughly \$500 million. While May's \$2.62 billion in sales by specialty jewelers was not a record, it was very close to 2007 and 2008 sales levels, both record years at the time. Specialty jewelers' sales represent just under half of total jewelry sales in the U.S.; the rest are made by other merchants, including multi-line retailers, online sellers and other specialty merchants.



Source: US Dept of Commerce

- Total U.S. jewelry and watch sales rose by 11.0 percent in May, the strongest gain this year. Year-to-date, total U.S. jewelry sales are up a robust 8.8 percent. This strong gain is typical of trends that we would expect in a recovery period. These figures include all jewelry and watches sold by any merchant – specialty jewelers, multi-line retailers, online sellers and any other retail channel. Jewelry and watch sales were an estimated \$5.3 billion, up from March and April sales levels of about \$4.0 and \$4.1 billion, respectively. Again, the incremental sales in May – roughly \$1.2 billion – were due largely to demand for Mother’s Day jewelry.

The graph below summarizes year-to-year changes in total U.S. jewelry and watch sales, which have shown positive comparisons for the past nine months. This supports the argument that the sales recovery of specialty jewelers’ has lagged somewhat, since that segment has posted positive sales comparisons for only seven months.



Source: US Dept of Commerce

- The current annual run-rate for total jewelry sales in 2010 is just over \$64 billion, based on Commerce Department figures. Not only is this well above 2007’s record jewelry sales of \$61.6 billion, but it is far ahead of our expectations. The annual run rate for U.S. jewelry sales has been rising modestly each month this year; as new data comes in, government forecasting equations have become increasingly optimistic.
- Watch sales have generally been stronger than jewelry sales in 2010, but this is largely due to easy comparisons against 2009 watch sales, which were dismal. The graph below compares watch sales (blue bars) to jewelry sales (red bars).



- Specialty jewelers continued to lose market share in May. In 2009, specialty jewelers ended the year with a 47.9 percent market share of all jewelry sold, down 1.4 points from the prior year's 49.3 percent. In January and February, specialty jewelers lost market share, but in March and April, the trend reversed. However, in May, specialty jewelers' sales were notably below the industry average, indicating that they lost market share again.

The graph below summarizes sales gains by specialty jewelers versus other merchants who sell jewelry.



**Outlook: Brighter for Jewelry**

While the recession brought about some changes in jewelry consumption in the U.S., we are seeing a “reversion to the mean” as the economy recovers. This is a mathematical expression that we’ve applied to consumer spending on jewelry: shoppers are continuing to revert to their pre-recession spending habits.

We’ve been predicting this trend: despite dire reports that consumer spending trends will be forever altered, it simply doesn’t happen that way. Spending trends change very slowly – by evolution, not revolution. The recession of 2008-2009 will not change consumers’ cultural affinity for jewelry.