



PRESS RELEASE: BVSU Industry Report 2021/2022

Despite Covid, the industry makes a brilliant comeback after the slump

In its economic report, the Federal Association of the Jewellery and Watch Industry looks back with satisfaction on the year 2021, but not without concerns about the development of the economic framework conditions.

Pforzheim, 08.04.2022. Last year's economic report in February 2021 was still characterized by a lockdown in the retail sector and gloomy prospects for the year as a whole. At the end of the 2021 financial year, the German Association of Jewellery, Watches, Silverware and Related Industries (BVSU) can state that it has been taught otherwise by a dynamic economy.

The German jewellery and watch industry was severely affected by the economic consequences from the beginning of the Covid crisis in 2020. Stationary trade with end consumers came to a temporary standstill worldwide, especially in the second Covid wave from November 2020. In Germany alone, specialist retailers had to hold out in lockdown until April, and both retailers and manufacturers were facing gloomy times. With the slow opening of society, starting from regions important for the jewellery and watch industry such as the Middle East and Asia, the industry economy in Europe and ultimately also in Germany started to pick up again. The resulting race to catch up was brilliant and in a way that could hardly have been foreseen. In our industry, too, supply chains had come to a standstill. The disproportionately high demand for precious metals, stones and semi-finished products resulting from the recovery could not always be met immediately, but could nevertheless be worked off successively.

Dr. Guido Grohmann, Chief Executive of BVSU, draws an overall positive conclusion: "In summary, we can report that although Covid has not passed the industry by without leaving a trace, most of our industry is now satisfied again with the development of business."

The year 2021 in numbers

At the beginning of March, the Federal Statistical Office published the final figures it had collected. According to these, the German watchmakers with more than 50 employees, which decreased from 13 to 12 in 2021, achieved sales of approximately €333 million, a 13.6% increase compared to 2020 (€293 million), with one fewer company counted. Similarly, the number of employees counted fell from 2,167 in the 13 companies previously counted to 2,101 in the 12 companies now counted. Exports also increased by 15.6% compared to the 2020 figures (€1.319 billion) to approximately €1.525 billion. In the case of

the latter figure, it should be noted that all companies in the sector are included, regardless of size, if they exceed an annual reporting threshold of €500,000.

	2020	2021	%
Turnover watches, clocks and parts in million Euro; companies with 50 or more employees	293	333	+13.6 %
Number of companies companies with 50 or more employees	13	12	-7.6 %
Number of employees companies with 50 or more employees	2,167	2,101	-3.1 %
Exports of watches, clocks and parts in million Euro	1,319	1,525	+15.6 %
Imports of watches, clocks and parts in million Euro	1,865	2,149	+15.2 %
Imports of movements in million Euro	28	30	+ 3.9 %

Table 1: Watch industry figures, comparing 2020 to 2021 (source: Federal Statistical Office)

The producers of jewellery, goldware and silversmithing with more than 50 employees, which dropped from 25 to the number of 22, recorded sales of approximately €485 million in 2021, an increase of 16.5% over the same period last year (€416 million). It also appears that the establishments remaining in this statistic have increased their number of employees, as the total number of employees in now 22 establishments decreased from 2,734 in 2020 to 2,723 in 2021, a decrease of only 0.4% with a total of three fewer establishments counted. Exports by the industry as a whole rose by 19.1% year-on-year from around €2.017 billion to €2.403 billion. Here, too, the reporting limit of €500,000 applies, irrespective of individual establishment size. Due to the reporting limit, the sales figures given here cannot nearly reflect total exports.

	2020	2021	%
Turnover jewellery, gold and silver goods in million Euro; companies with 50 or more employees	416	485	+16.5 %
Number of companies companies with 50 or more employees	25	22	-12.0 %
Number of employees companies with 50 or more employees	2,734	2,723	-0.4 %
Exports of jewellery, gold and silver goods in million Euro	2,017	2,403	+19.1 %
Imports of jewellery, gold and silver goods in million Euro	1,722	1,930	+12.1 %

Table 2: Jewellery industry figures, comparing 2020 to 2021 (source: Federal Statistical Office)

Since the above figures refer exclusively to companies with 50 or more employees, the semi-annual internal survey of member companies is also important for the BVSU's assessment of the economic situation, since around 60% of member companies have fewer than 20 employees. This shows, among other things, that none of the smaller member companies reported a decline in sales of more than 10% compared to the previous year, while 19% reported a decline in sales of between 5-10%. For about 29%,

sales were the same as the previous year, another 19% had 5-10% better sales, and 33% had a sales increase of 10% or more. As reasons for the fluctuations, 36% cite the loss or gain of important markets, 9% the high precious metal prices and 54.55% other reasons such as the pandemic in general and problems in shipping goods as factors. In terms of sales expectations for 2021, 65% of small businesses expect the figures to remain the same, while 35% anticipate a more favourable sales trend in 2022. This is a complete turnaround in the assessment compared with the previous year. It should be noted in this context that the survey was conducted before the dramatic intensification of the Russian crisis.

The evaluation for companies with more than 20 employees looks even more favourable. Here, 57% of the companies report an increase in sales of more than 10% for 2021, around 21% report an increase in sales of 5-10%, for 7% it remained the same, and just over 14% report a decrease in sales; for none of the companies, however, was this in the range of more than 10%. As far as sales expectations in 2022 are concerned, 35% of the larger companies expect a more favourable development, 50% expect the trend to remain the same and 14% expect it to be less favourable.

The figures published today by the German Jewelers' Trade Association (BVJ) at Inhorgenta show that the overall market in Germany has also developed positively, irrespective of the company size classifications in the domestic market. According to these figures, the overall market for jewellery and watches recovered slightly in the second year of the pandemic. Sales increased by 3% to almost €4.4 billion in 2021. However, after a market decline of more than 11% last year, the sales volume is still far from the pre-crisis level.

Hope: The reawakening of the trade fair business

Since Covid brought the trade show business to a complete standstill from the beginning of March 2020, and since then only a few smaller or much scaled-down events have been able to take place, the industry is hoping for a revival of the trade show business that is so important for the industry. In terms of major international trade shows, Vicenzaoro in Italy officially kicked off last month, followed by Watches & Wonders in Geneva at the beginning of April. With the start of Inhorgenta Munich today, we can also breathe a sigh of relief. The leading trade show of the German jewellery and watch industry is back! Four exciting trade show days, personal conversations, an Inhorgenta Award that is sure to be glamorous, and many other opportunities for direct exchange without technical aids promise excitement and a little return to normality.

Covid and war: it is necessary to remain vigilant

After many had still hoped for a different development at the beginning of the year, Russia's brutal war of aggression in Ukraine became reality on February 24. Coupled with the global corona crisis, which has not (yet) been resolved, it is currently difficult to make accurate predictions about the development of the industry in the current year. With regard to the Russian crisis, two main questions arise: What is the significance of Russia as a supplier and consumer for the jewellery and watch industry? What consequences will the war in Ukraine have for the global economy and thus also for our industry?

Due to the sanctions imposed almost worldwide and the proactive reactions of the industry, the role of Russia as a supplier for our industry must be considered first of all, because Russia is an important supplier of gold (global production share 9%), diamonds (global production share 25-30% according to estimates) and palladium (global production share approx. 45%). The boycott of these sources of supply will, for better or worse, depress the prices of these raw materials in the medium term and thus also have an impact on the pricing policy for watches and jewellery. However, supply bottlenecks are not to

be expected, at least not in the short term. The biggest problem will be created by palladium, which is required in the jewellery industry for the production of white gold.

When considering the impact on Russia as a consumer, it is important to note that the Russian domestic market for jewellery and watches is comparatively small. The German jewellery industry exported 0.85% of its total exports by value to Russia in 2021, while the German watch industry exported 1.06%, compared with 1.2% for the Swiss watch industry. Russian citizens' spending on watches and jewelry abroad is much more difficult to assess. While this is likely to be significant, it is unlikely to exceed a 5% share of total consumption by international tourists and thus does not compare favorably with spending by Chinese, American or Central European tourists.

In the internal view of the industry, the direct consequences of the war in Ukraine and the sanctions, both in terms of supply and sales, should be noticeable, painful in the short term, but not threatening to the company's existence in the long term. The situation may be quite different if the complete implications for the global economy are taken into account. The crisis caused by Russia comes at a time when the situation of the world economy was already tense due to the Corona pandemic. Many countries have incurred large debts to cushion the crisis for the economy and population. The war in Eastern Europe will cause additional debt worldwide due to increased military spending, high energy costs and many other factors, inflation will continue to increase everywhere. All these issues will have an impact on global consumer behaviour, the magnitudes of which are not quantifiable at the present time. They will not stop at our industry. BVSU President Uwe Staib is therefore certain: "For 2022 and beyond, it is important for every entrepreneur to remain vigilant and to constantly reassess the global economic situation. This applies despite all the joy about the industry's business running well under the current circumstances."

German Association of Jewellery, Watches, Clocks & Supplying Industry (BVSU)

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The German Association of Jewellery, Watches, Clocks & Supplying Industry (BVSU) was founded in Pforzheim in 1947. As a lobby group for over 170 predominantly medium-sized member companies, BVSU represents the interests of its members at a national, European and international level. BVSU is a member of the Federation of German Industries (BDI). It is responsible for coordinating the federal associations of the German jewellery and silverware industry. In this capacity it is also integrated in global efforts of the World Jewellery Confederation, CIBJO. BVSU represents the interests of the German watch and clock industry at a European level as a member of the European watchmaking associations EUROTemptus and CPHE. BV Schmuck und Uhren is a member of the Responsible Jewellery Council (RJC).