



**BV Schmuck+Uhren**

German Association of Jewellery, Watches, Clocks  
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## PRESS RELEASE

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### **Jewellery and watch manufacturers stable in uncertain times**

*The German Association of Jewellery, Watches, Clocks & Supplying Industry presents its economic report for the year 2018 and looks with confidence to the year 2019.*

The German jewellery and watch manufacturers are facing similar challenges to the start of the new year 2019 as in 2018. However, the challenges have now adopted sharper contours as there are: further structural changes in the industry, a changing fair landscape and an even sharper international competitive pressure for the industry's predominantly medium-sized companies.

New additions include a number of momentous accompanying factors that could have a massive impact on business: the US-China trade dispute, the European struggle for Brexit and the uncooperative behaviour of the current Italian government towards the EU and its member states. In addition to the abundance in January, the Ifo Business Climate Index, the Ifo Export Expectations and, last but not least, the business climate in the Eurozone have deteriorated considerably. Even the discussion about the diesel affair does not stop at the watch and jewellery industry.

The first effects of these cross-industry changes can already be seen in the precious metals market. Thus, the price of palladium, which is used as a raw material in the production of gasoline catalysts, rose. Platinum as a raw material for diesel catalysts, however, fell in price. This trend thus brought platinum alloys into focus, especially in the wedding ring business, which is one of several factors in the rise in average wedding ring prices in 2018.

The price of gold also rose at the end of 2018, as a consequence of weakening stock indices. And so, the German jewellers trade association (BVJ) meanwhile reports the revival of the business with old gold purchase as a consequence of the increased gold price.

Dr Guido Grohmann, Managing Director of the Federal Association of Jewellery, Watches, Silverware and Supplying Industry e.V. (BVSU) makes it clear: "The exogenous factors of the global economy once again prove their direct impact on market developments in our highly

cyclical industry. However, a single development can always mean opportunities, as the current developments in the commodity and stock market show. "

Thus, the first quarter of 2019 will probably already show how individual developments in the global economy will directly influence the business of the member companies of BVSU. The first concrete information on this will be provided by the important trade fairs Inhorgenta Munich, Hong Kong International Jewellery Show and Baselworld.

### **International Fair Landscape in Transition**

And that applies in many ways. The international fair landscape is in the midst of a profound change. Direct selling is becoming increasingly important. The classic trade concept for brands is put to the test. Thus, trade fair events are increasingly used as a marketing and communication platform and less as a sales platform.

This rapid development is not without its effects on the large international exhibition centers such as Basel and Geneva. In the future, Baselworld and the Geneva watch salon SIHH will try to bundle their still different interests and to coordinate the dates for their trade fair events as optimally as possible for the benefit of their customers and visitors from around the world from 2020 onwards.

Only Inhorgenta Munich seems to be successfully countering this general trend and becoming more attractive to the industry from year to year. After all, the event will also be able to come up with a new exhibitor record in 2019. Exhibitors from more than 40 countries and visitors from more than 70 countries give Inhorgenta an outstanding international flair, which will benefit especially the numerous German exhibitors, who expect more and more of their commitment in Munich every year.

### **Used watches a new attractive segment**

That also seems to be urgently needed. Because the pressure on the German manufacturers and retailers alike from the direction of discount sales, the grey market and online trading is increasing continuously. In the wristwatch market, the electronics industry is also putting pressure on the traditional market with smart and connected watches. Although the proportion of watches sold in the specialized trade is relatively stable, the share of mechanical and quartz watches is decreasing to the advantage of electronic products. Last but not least, the market for used watches is expanding more and more and is proving to be the segment with the greatest growth potential. In this context, a recent survey by Inhorgenta Munich shows how closely the various distribution channels have come together. Leading the list are 44% of jewelers and watch retailers, 40% of department stores, 38% of online stores, and 37% of online stores, which consumers name as sources for purchase when looking for jewellery or watches. Thus it is hardly surprising that in the meantime the discussion about the competing sales channels is growing within the industry as well. "Stylistic blooms such as a in terms of antitrust laws extremely questionable call for a boycott to retailers by a management consultant, because a watch producer had announced the cooperation with two well-established online

channels, are among the populist influenced manners of our time, which do not help anyone in the industry", said BVSU Managing Director Grohmann.

Before the start of Inhorgenta and Baselworld, the industry has reviewed 2018 after the first closing statistics for 2018 (without December 2018) are available, with final definitive statistics for 2018 expected to be available in March.

Thereafter, the 16 German watch manufacturers with more than 50 employees (only these are initially covered by the Federal Statistical Office) achieved with approximately € 375 million in the first eleven months about the same turnover as in the same period in 2017. The number of employees also remained stable at around 2800. Exports also remained unchanged at around € 1.5 billion. For the latter, it should be noted that all businesses in the industry, regardless of their size, are covered in the statistic if they exceed an annual reporting limit of € 500,000.

From January to November 2018, the 24 producers of jewellery, gold and silver products with more than 50 employees recorded sales of around € 370 million, an increase of around 5% compared to the same period of the previous year. However, it should be added that the number of companies with more than 50 employees increased from 20 to 24. Accordingly, the number of employees increased by approx. 14% to approx. 2,500. However, exports of the entire industry fell by around 5% to approximately € 2.3 billion in the same period in 2017. Here, too, the reporting limit of € 500,000 applies, regardless of the individual size of the business. Due to the statistical distinction between individual, different company sizes, the sales figures mentioned here cannot be related to total exports.

### **Data collection of BV Schmuck & Uhren**

Therefore, the internal statistical data collection of BV jewellery and watches is of significance, as over 60% of the member companies have less than 20 employees. It shows, among other things, that both the larger and the smaller member companies report about 50% of the same turnover in the second half of 2018 compared to the corresponding previous year. Around 35% speak of a slightly higher turnover.

As far as sales expectations are concerned in the first half of 2019, the larger firms expect 40% to be more profitable, and around 35% to remain the same. By contrast, only 8% of smaller companies and 85% anticipate the same development as in 2018. In exports, larger companies expect a more favourable development (47%) (previous year: 40%). In the domestic market, 35% (previous year 20%) expect a positive development. The smaller companies expect their sales expectations to be around 80% with a constant share of exports and the domestic market.

The labour market remains difficult. On the one hand it suffers from a shortage of skilled labour, on the other hand, factors such as the ambitiously high collective bargaining agreement in the precious metals industry are putting pressure on both collective bargaining and non-collective bargaining companies in the second instance due to skyrocketing labour costs. The relocation of jobs abroad is a logical consequence, and in the long term it also leaves employee representation as the loser of the wage bargaining round in 2018. Therefore, it is not surprising that 80% to 90% of the member companies of the BVSU do not plan any increases in staff numbers. Around 10% still want to try hiring new employees.

The trade fairs in Germany and abroad continue to be important marketing and communication platforms for the BVSU member companies. According to the latest survey, the following rankings were awarded: 1st place Vicenza Oro (January), 2nd place Inhorgenta, 3rd place Hong Kong (September) and 4th place Baselworld.

### **Retail shows successful end of the year**

Overall, according to BVSU President Uwe Staib, the association and its dedicated member companies are quite optimistic about the coming challenges facing the industry. Accordingly, the mood in the preparations for Inhorgenta in Munich, the most important German trade fair event in 2019, is correspondingly good. In addition, the past Christmas business in Germany was on the whole quite good. After a hot summer with weakly-frequented inner cities and corresponding drop in sales at the retailer, December has almost offset the decline of 3.8% to November compared to the previous year. After all, the industry generates almost 25% of its annual turnover in the closing months of November and December.

The German Association of Jewellery, Watches, Clocks & Supplying is concerned about dealing with the growing business with synthetic diamonds. The partially consumer misleading marketing measures of isolated, predominantly foreign manufacturers increase the pressure on industry and trade to protect the over centuries established value of the diamond as scarce natural product. "Our association of the federal associations of the German jewellery and silverware trade as a bracket around the industry and specialized trade associations of the industry supports expressly the initiative of the world jewellery federation CIBJO. CIBJO and others have issued the so-called diamond terminology guideline, a set of rules, which makes it possible to distinguish diamonds and synthetic stones clearly in the linguistic usage and thus keeps the diversity of the products crystal clear in the minds of manufacturers, dealers and end consumers", said BVSU President Staib.

## The German Association of Jewellery, Watches, Clocks & Supplying Industry

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The German Association of Jewellery, Watches, Clocks & Supplying Industry (BV Schmuck & Uhren) 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 and Uhren is a member of the Responsible Jewellery Council (RJC).