



PRESS RELEASE: BVSU Industry Report 2023

German jewellery and watch industry at a high level, slightly weaker in 2023

In its economic report, the Federal Association of the Jewellery and Watch Industry (BVSU) presents the first overall statistical figures for 2023. Imports and exports are still running at a high level, the predicted consolidation is taking shape.

Munich/Pforzheim, February 16, 2024. The word "stagnation" aptly described the situation of the German economy as a whole for large parts of 2023. It actually shrank at the end of the year. According to the Federal Statistical Office, gross domestic product fell by 0.3% in the fourth quarter compared to the previous quarter, adjusted for price, seasonal and calendar effects. Compared to the fourth quarter of 2022, the decline amounted to 0.2 %. Economic output had stagnated in the two previous quarters. Gross domestic product therefore fell by 0.3% in 2023 as a whole. Companies complained of falling demand in almost all sectors of the economy. In the fight against inflation, the central banks in Europe and North America have raised their key interest rates sharply, which is currently having an effect. The economy is also being burdened by a number of special factors. These include, for example, a high sickness rate towards the end of the year and various labor disputes in Germany.

Companies in the jewellery and watch industry nevertheless maintained their strong position, even if the figures weakened in the second half of 2023. Business development for 2023 as a whole can still be considered satisfactory, as a repeat of the exceptional year 2022 was not to be expected. Nevertheless, the consolidation predicted by the association in advance is dampening the mood in the industry. "The highs of 2022 have come to a halt for the time being and we are looking to the coming year with a little concern," says BVSU President Uwe Staib. "However, against the backdrop of international economic and political developments, we can be satisfied with the result for 2023 compared to the years before 2022."

The year 2023 in numbers

Just in time for Inhorgenta, the Federal Statistical Office published its preliminary figures. At around 1.698 billion euros, exports in the German watch industry fell by 0.93 % compared to the figures for 2022 (1.714 billion euros). With regard to the latter figure, it should be noted that all companies in the industry are included, regardless of their size, if they exceed an annual reporting threshold of 500,000 euros. Imports of watches fell by 5.62 % from 2.539 billion euros in 2022 to 2.396 billion euros in 2023. Imports of watch movements increased again by 3.48 % from 34 to 35 million euros.

A quarterly analysis of exports and imports in 2023 shows that watch exports in the first and fourth quarters were slightly higher than in the previous year, but below the figures for 2022 in the second and third quarters.

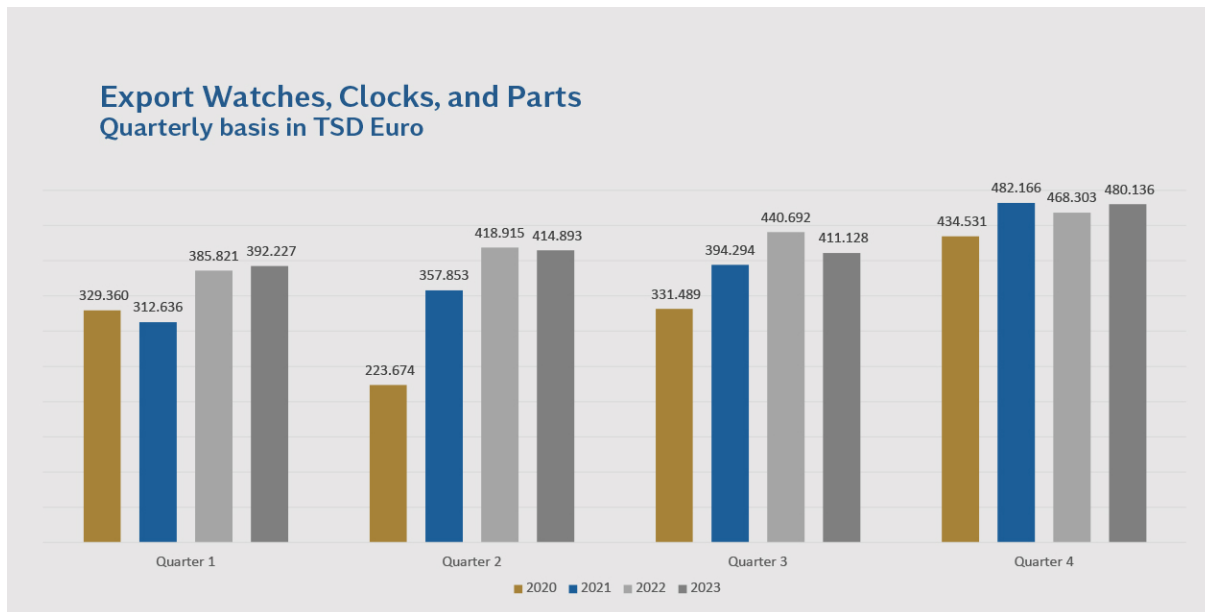


Figure 1: Export Watches on a quarterly basis, years 2020 to 2023 (source: Federal Statistical Office)

Imports of watch products to Germany only reached the previous year's record levels in the first quarter of 2023. In the fourth quarter, imports fell significantly year-on-year by 13% to around 639 million euros.

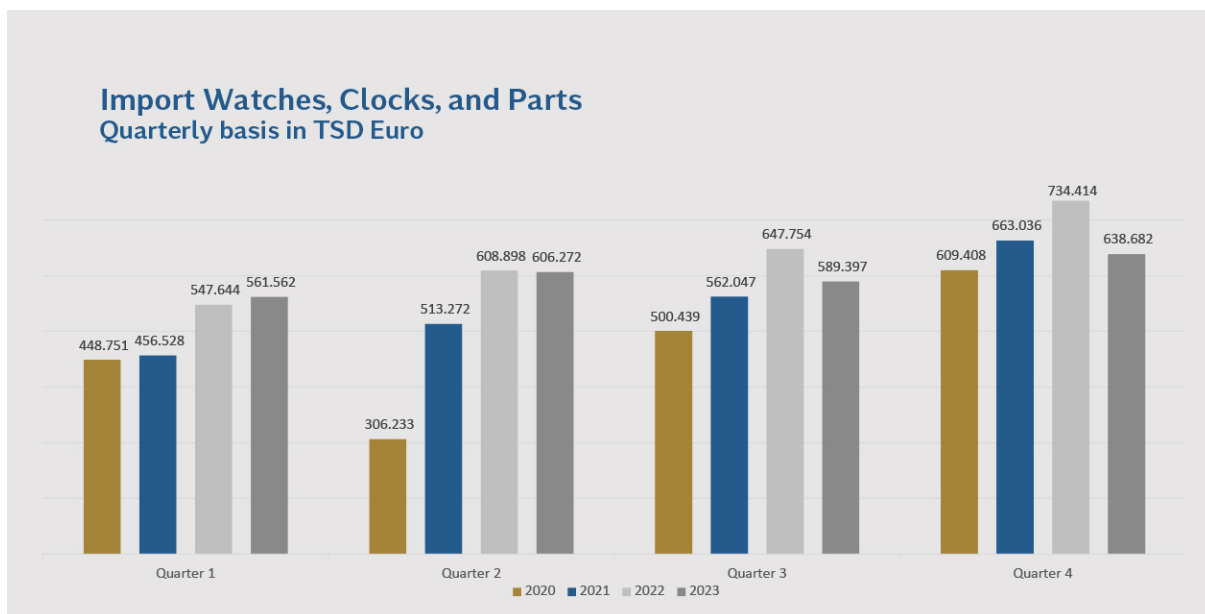


Figure 2: Import Watches on a quarterly basis, years 2020 to 2023 (source: Federal Statistical Office)

	2022	2023	%
Exports of watches, clocks, and parts in million Euro	1.714	1.698	- 0,93 %
Import of watches, clocks, and parts in million Euro	2.539	2.396	- 5,62 %
Imports of movements in million Euro	34	35	+ 2,94 %

Table 1: Watch industry figures, comparing 2022 to 2023 (source: Federal Statistical Office)

Exports by producers of jewellery, gold and silversmith products fell by 2.98% compared to the previous year, from around € 3.022 billion to € 2.932 billion. The reporting threshold of 500,000 euros also applies here, regardless of the individual company size. Imports of jewellery products fell by 6.57% from 2.359 billion euros in 2022 to 2.204 billion euros in 2023.

	2022	2023	%
Exports of jewellery, gold, and silver goods in million Euro	3.022	2.932	- 2,98 %
Import of jewellery, gold, and silver goods in million Euro	2.359	2.204	- 6,57 %

Table 2: Jewellery industry figures, comparing 2022 to 2023 (source: Federal Statistical Office)

A look at jewellery exports and imports in the individual quarters also reveals a differentiated picture. In terms of exports, the first quarter delivered a clearly positive result compared to the previous year, with all three subsequent quarters falling slightly year-on-year.

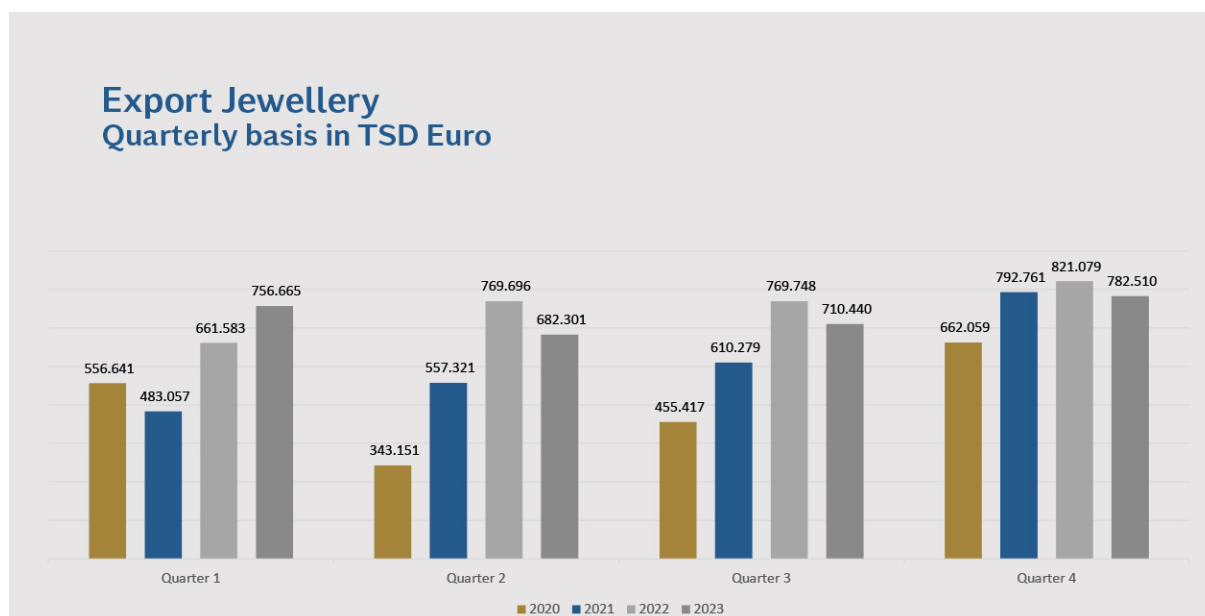


Figure 3: Export Jewellery on a quarterly basis, years 2020 to 2023 (source: Federal Statistical Office)

In terms of jewellery imports, all four quarters of 2023 were below the previous year's figures. While the decline in the third quarter was somewhat more pronounced, the lower figures in the other quarters were moderate.

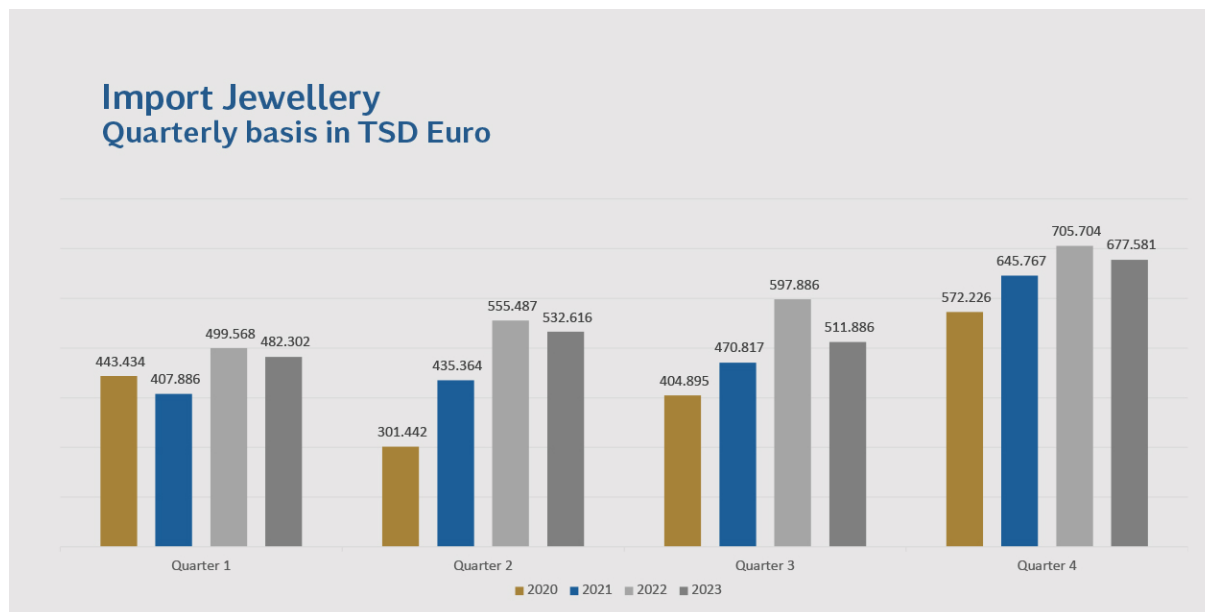


Figure 4: Import Jewellery on a quarterly basis, years 2020 to 2023 (source: Federal Statistical Office)

The BVSU's semi-annual internal survey of member companies is also important for assessing the economic situation. This shows, among other things, that around 18 % of smaller member companies reported a fall in turnover of more than 10 % compared to the previous year, while more than 27 % reported a fall in turnover of between 5-10 %. Around 9 % reported the same turnover compared to the previous year, a further 27 % reported an increase in turnover of 5-10 % and 18 % reported an increase in turnover of 10 % or more. As reasons for this very volatile overall statement, 42% cite the loss or gain of important markets, another 42% the high precious metal prices and around 17% other reasons. In terms of turnover expectations for 2024, 60% of small businesses expect the figures to remain the same, while 40% expect turnover to develop less favorably in 2024.

The analysis is somewhat different for companies with more than 20 employees. Here, only around 7 % of companies report an increase in turnover of more than 10 % for 2023, around 13 % report an increase in turnover of 5-10 %, 40 % report no change, 20 % report a decrease in turnover of 5-10 % and 20 % of companies also report a decrease in turnover of more than 10 %. As far as turnover expectations in 2024 are concerned, 8 % of the larger companies expect a more favorable trend, 50 % expect a stable trend and 42 % expect a less favorable trend.

The strong divergence in all company sizes, which report equal shares of higher or lower sales expectations, clearly underpins two trends. On the one hand, there is a lack of planning certainty due to global developments and the dithering course of politics within Germany, which is worsening the mood. Secondly, the actual figures show that the general mood in the German jewellery and watch industry is in some cases significantly worse than the overall result achieved. Statistically, the year 2023 remained more or less at the record high of the previous year, as the above-mentioned figures from the Federal Statistical Office clearly show. The continuing record level is also reflected in the figures published today by the German Jewellery Trade Association (BVJ) as part of Inhorgenta. According to the figures, the overall market for jewellery and watches in Germany maintained the strong level of the previous

year in 2023. Sales increased by 0.3% to 5.32 billion euros in 2023. Jewellery accounted for 4.07 billion euros (+ 0.1%), while watches accounted for 1.25 billion euros (1.0%). The increase in the retail sector contrasts with a slight decrease in the industry, which indicates a moderate reduction in stocks in the retail sector.

50 years of Inhorgenta: the start of the 2024 trade fair year

In the wake of the high waves of the Covid pandemic, 2023 has shown how indispensable physical trade fairs are for our industry. Even if not all global submarkets have been able to fully return to the pre-coronavirus era, the global commitment of industry participants to trade fairs was palpable. In 2024, the trade fair year will start with the 50th anniversary of the leading German trade fair Inhorgenta. In addition to curiosity about the elaborate supporting program for the anniversary, the industry is particularly interested in how the partial restructuring of the halls will be received by visitors. The anticipation is huge and we are expecting a trend-setting event in a positive sense. The strategic decisions that have been made will also help to drive forward the internationalization of the trade fair in the future.

The year 2024: unstable policy, implementation of diamond sanctions

The assessment of the outlook for 2024 is cautious against the backdrop of current developments. The war in Ukraine, the ongoing fighting in Gaza and dissatisfaction at home with the government's self-discovery process are clouding the prospects of a carefree and economically successful year. There are also a number of hurdles within the industry that need to be overcome. First and foremost are the G7 sanctions against Russian diamonds. In addition to bureaucratic hurdles, there are fears of lost sales due to the uncertain implementation of the measures. Industry experts around the world agree that the current sanctions plan will not be able to effectively affect the Russian diamond trade. The EU estimates Russia's total income from the diamond trade at 4 billion euros. According to industry experts, this sum is at least 50% too high. As the EU and G7 sanctions will only apply to goods of 0.5 carats or more in the final stage and the Russian ALROSA group is particularly known for its small goods, the sanctions will only affect a fraction of the Russian mining volume. BVSU Managing Director Guido Grohmann assesses the situation as follows: "The damage to our industry will be significantly greater than to the Russian diamond trade. The little we know about the implementation plans gives rise to fears that those really affected by the sanctions are not in Russia, but at the mines in Africa and with the cutters and traders in India and other places in the world. We fear a price increase due to greatly increased costs in the supply chain, especially for non-Russian diamonds." In a globalized economy, the sanctions will therefore also harm the entire jewelry and watch industry in the G7 countries in the second instance and put it at a disadvantage in terms of global competition.

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

February 2024

Appendix to the economic report

- BVSU Jewelry figures 2023, as at February 2024
- BVSU Watches and Clock figures 2023, as at February 2024
- BVSU Quarterly Report Jewelry and Watches, 4th quarter 2023, as at February 2024
- BVSU member survey for the year 2023, as at February 2024

Download these documents at <https://bv-schmuck-uhren.de>.

The German Association of Jewellery, Watches, Clocks & Supplying Industries (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 EUROTempus and CPHE. BVSU is a member of the Responsible Jewellery Council (RJC) and the Watch & Jewellery Initiative 2030.