

2008 4Q Jewelry Sales Down Sharply

All segments of the diamond industry are struggling, from retailers to the mines. After more than two decades of steadily increased prices and demand, jewelry sales are declining along with other luxury goods.

Despite lowering prices, Tiffany's sales were down more than 20 percent in the fourth quarter, with decline in American sales affecting it most. Sales in Asia-Pacific and Europe were down, but only by three and two percent, respectively. Tiffany anticipates a decline into 2010, but is moving forward with plans to open 13 new stores this year. Signet Jewelers Ltd, which operates 1,400 stores in the US and 558 in the UK, saw sales decline almost 15 percent in the fourth quarter. Overall sales for 2008 were down 13 percent compared to same store sales the previous year.

Blue Nile's fourth quarter sales declined 23 percent, with the value of the average order three percent less. Sales of engagement rings accounted for 69 percent of revenue. Blue Nile's overall 2008 sales were down 7.5 percent, with those for other online retailers down 12 percent. An estimated five percent of retail jewelers went out of business in 2008. Many businesses were over-leveraged and unable to sustain a prolonged recession.

Most jewelers are currently shrinking inventory, which some analysts consider to be positive. In an interview with *Bloomberg*, Tacy Ltd analyst Chaim Even-Zohar commented that "the destocking process is healthy and something that needs to take place. You are still better off selling diamond jewelry than new cars."

In 2009 sales are expected to fall by 50 percent in Botswana, the world's biggest diamond producer. Debswana, a joint venture between De Beers and Botswana's government, which mines about a fifth of the world's diamonds, announced the closure of four mines in February.

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