

Holiday Sales Outlook Weak, But Could Be Worse

The sales forecast going in the critical holiday shopping period has been mixed. Jewelry sales in the US are projected to rise approximately 4% this season. Sales the past two years have been weak, with 2-3% gains posted, following gains of 5-7% in 2002-2004.

Although the forecast is not as high as the average yearly increase of 5%, it is still generally favorable as many had anticipated more negative numbers given recent economic troubles. The downturn in the housing and stock market, along with rises in food and energy prices (oil hit \$97 a barrel this week) are anticipated to significantly impact holiday sales. Unseasonably warm temperatures across the country is an additional worry for retailers.

There may be hope though. Unemployment rates have held steady, and although the stock market has been volatile, there has not been the crash that some are fearing. Back to school sales at retailers like Wal-Mart and Target were up about 4% in September, which is a positive indicator going into the holiday season. Luxury retailers did even better, with stores like Saks and Neiman Marcus seeing gains as high as 18%.

Online jewelry sales, particularly for Blue Nile and Amazon, have been strong in 2007, while sales for mass retailers like Zales and Kay have been flat. Zales even announced plans in October to cut inventory and offer a less expensive products in their 2,300 stores. Sales for jewelers specializing in engagement rings should spike as 20% of these purchases are made in November and December.

Luxury jewelers like Harry Winston and Tiffany are expected to do well, as their customers are less likely to feel the pinch from a recession, or let it impact their holiday shopping. The National Retail Federation reports that customers will be looking to bargain shop as early as the important Friday after Thanksgiving. The weeks following Christmas are also expected to be strong.

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