

First.

The jewellery supremacy

The Vicenza Fair, from 13 to 20 January 2008

Economic outlook

The gold and jewellery market confirms that we need to aim for an increase in the product's added value and repositioning upwards is the direction to follow if improvements are to be made in terms of both quantity and marginality.

For the Italian gold jewellery sector it is still an uphill climb where competitiveness and development are concerned, but companies that have made the most of these opportunities are already headed down the right road.

According to the latest ISTAT figures regarding exports carried out by the Vicenza Fair Study Centre, there are contradictory elements on this scenario: on the demand front, some markets, like Russia, the Arab Emirates, Hong Kong, Turkey and Australia show positive trends, while others like the United States report a drop, due to the well-known financial crisis of high-risk mortgages. The Italian market, again in 2007, repeats its recession.

Between January and September 2007, exports grew by 19% in value, while volume remained stationary. There has been a change of pace compared to more difficult years, but the extremely volatile nature of the markets makes the situation uncertain, also because the last quarter of the year posted a slowdown.

Although showing a few encouraging signs, mainly in the middle months of 2007, the value of gold jewellery exports during the first ninth months of the year just finished were actually almost a quarter below the levels reached in 2000.

Making the situation even more complicated, there is the big increase in the price of precious raw materials (gold, platinum and silver) that in recent weeks have reached record levels and the super-euro, which has definitely penalised export to markets linked to the United States currency.

Our world share remained almost the same in 2007 at 5.4% of the total market. Italy, despite the difficulties of recent years, still holds its first position on the world ranking list of jewellery-exporting countries.

As far as markets are concerned, the first nine months saw the Middle East (+65.6%) and Eastern Europe (+50.7%) "soar", backed by greater financial resources and therefore with a higher propensity to consume.

While the subprime mortgage crisis has put American purchasers in difficulty (-7.3%).

Uncertainty is also the prevailing signal from the Mercosur area (-18.9%) and Japan is undergoing a full-blown crisis (-25.1%).

Mention must be made however of recovery in the value of sales (therefore with a relevant price component) in countries in Eastern Asia (17.9%) and in Eurozone partners (+12.5%).

Leading the group of markets with the most interesting growth rates are Switzerland, the United Kingdom, Denmark, Poland, Sweden, Turkey, the Ukraine and the Czech Republic.

At +85.8%, Russia is nearly in the top ten, where the Arab Emirates are by now close on the heels of the USA for first place.

Average value increases by 19.2%, even when the increase in raw material is taken into consideration, confirming the growth trend of added value injected into jewels by more dynamic companies.

Quality, style and design/fashion play an increasingly more decisive role in consumer choices, in line with evolution in the luxury sector: the performance of quality jewellery is by now an acquired fact in international market dynamics.

With regard to progress by gold districts, the Vicenza and Arezzo production chains are still leaders of the main Italian districts that export gold jewellery, with 35.2% and 31.6% of the total respectively. Over two thirds of Italy's gold jewellery exports are concentrated in the top two "widened" gold jewellery districts. Followed by Valenza, Milan and Rome.

Again in 2007 export was the real driving force behind the sector, because on the domestic front demand continued to decrease. Negative consumption figures resulted in further effects on retail distribution, with a reduction of over 18 thousand sales points.

On the one hand there are the uncertainty of the overall picture, increasingly more aggressive competitors, continual fluctuations in the cost of raw materials and currencies. On the other, big opportunities provided by emerging markets and the European ones that show growing interest in Made in Italy. Given this picture, the way to free the gold jewellery sector from the weight of the turbulences of the economic cycle is to compete on quality, style and the unique original appeal of products, leaving aside the dangerous territory of price wars.

Attachments: Export Table