

Jewellery: Competition Between Precious Metals

Euromonitor International

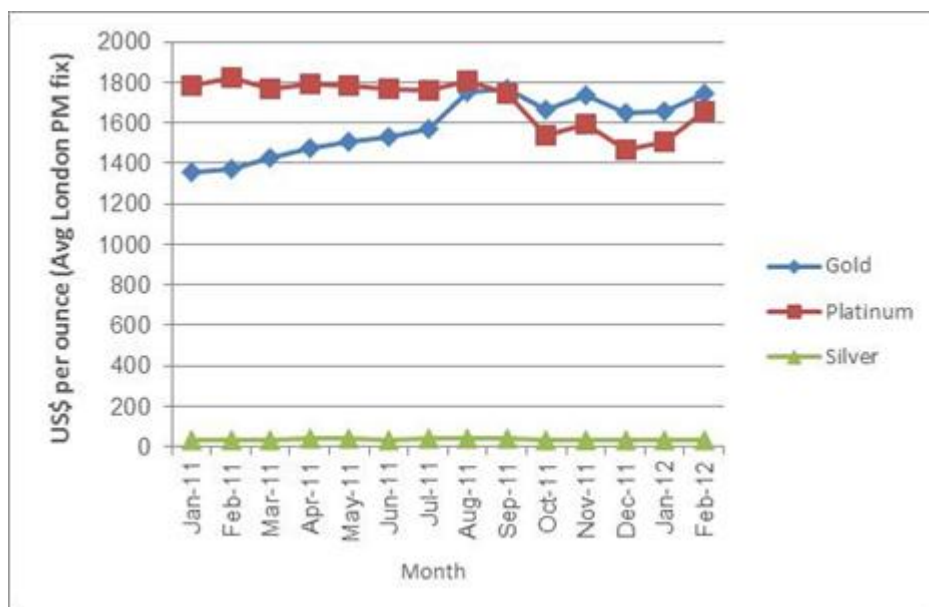
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Amid widespread concerns about rising raw material prices, Euromonitor International examines how different precious metals contribute to the global jewellery market.

PRICE VOLATILITY

Gold, platinum and silver are by far the most popular metals used in the manufacture of real jewellery around the world. Although all three saw appreciable price fluctuations in 2011, September 2011 was the first time gold overtook platinum in US dollar terms per ounce according to the London PM fix. March 2012, in fact, has been the first time platinum has been priced above gold since September last year.

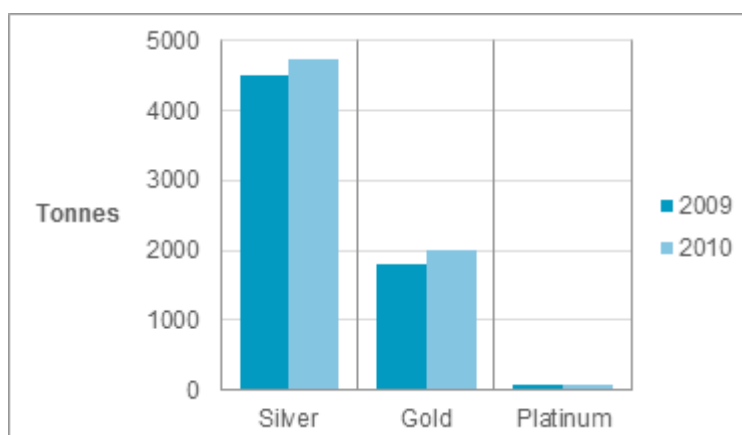
Chart 1 Figure 1: Changes in Precious Metal Unit Prices Over 2011 and 2012



Kitco Metals Inc

The pace of the reduction in the price gap between platinum and gold over 2011 is encapsulated by the contrasting performance of their prices. The monthly average prices depicted above reflect that gold prices appreciated by 22% while platinum prices dropped by 18% over the calendar year. Although silver also continued its steady ascent in terms of unit price, it was priced more than 50 times lower than gold in February 2012. The rising gulf in price continues to encourage jewellers to utilise silver in real as well as costume jewellery.

Chart 2 Figure 2: Total Metal Volume Used in Jewellery Manufacturing



Platinum Today (Johnson Matthey), The Silver Institute, World Gold Council

Despite silver being the largest contributor to jewellery in terms of weight, gold comfortably outshines silver and other competing metals in terms of US dollar value contribution to jewellery.

Markets expected to influence global jewellery

Owing to the inherent popularity of gold jewellery associated with them, China and India are likely to continue to be mainstays of jewellery sales over the next few years. However, rapidly rising prices of gold will result in slowing volume sales growth for these markets, allowing more non-traditional markets to come to the fore. As such, geographical regions such as Southeast Asia and Eastern Europe are expected to register healthy growth and attract global manufacturers. On the other hand, jewellery sales in Western Europe and the US are most likely to bear the brunt of economic concerns surrounding the European Union.

Expected manufacturer strategies

With gold expected to be priced consistently above platinum in 2012, several consumers outside China and India are likely to see platinum as a viable alternative. Even within these markets, awareness of platinum jewellery is increasing rapidly – China was the largest consumer of platinum jewellery in 2010.

Given the above market conditions, global and locally dominant jewellery manufacturers are likely to employ a greater degree of portfolio diversification. While platinum jewellery will figure more prominently, gold alloys such as white, rose and pink gold may also become increasingly visible on jeweller shelves.

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