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JEWELRY

Tiffany's H1 sales fall 3pc amid weaker tourist demand

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Tiffany has taken a hit from lowered tourist demand. Image credit: Tiffany

By STAFF REPORTS

Jeweler Tiffany & Co.'s sales for the first half of the year fell short of expectations, driven by a decline in shopping tourism and unfavorable currency exchange rate changes.

Tiffany's sales for the second quarter and the first half of the year through July 31 declined 3 percent year-over-year. Despite its challenges in the first half, Tiffany is retaining its outlook for the full fiscal year, projecting low single-digit growth in global sales.

Tourist traffic

In the first six months of the fiscal year, Tiffany's net sales were $2.1 billion.

All regions saw flat year-over-year growth or sales declines from 2018, as a growth in local consumption could not make up for a decline in tourist traffic.

Despite double-digit growth in mainland China, Asia-Pacific net sales were down 1 percent in both the first half and second quarter. Much of the decline is tied to unfavorable currency exchanges, since sales were up 3 percent for both periods when measured at constant currency rates.

In Asia Pacific, Tiffany opened new stores and increased its sales via wholesale channels.

Japanese sales were flat in the second quarter and declined by 2 percent over the first half.

Similarly to Asia Pacific, European results were hit by currency changes. While reported sales fell 4 percent in both periods, the region's sales were flat in the second quarter and rose 2 percent in the half year when measured on a constant currency basis.

Sales in the Americas, Tiffany's largest region, decreased 4 percent year-over-year in the first half, driven by a reduction in tourist spending.

Tiffany's sales were down or flat across all regions in the first half. Image credit: Tiffany

Tiffany's jewelry collections were flat, while engagement line sales fell 4 percent over the half year and designer jewelry declined by 12 percent in the first half.

The company's net earnings for the first half were $261 million, 9 percent lower than the same period of fiscal 2018.

"Our second quarter and first half results were mixed with sales coming in below, but net earnings exceeding, our expectations," said Alessandro Bogliolo, CEO of Tiffany, in a statement. "As with the first quarter, we are encouraged in the second quarter by sales growth attributed to our local customer base globally, which was again led by double digit growth in mainland China.

"With the tough comparison to last year's strong performance in the first half behind us, and in spite of the headwinds of weak demand from foreign tourists, currency exchange rate pressures and continuing business disruptions in Hong Kong, we are actively managing what is in our control and positioning our brand to win - accelerating new product introductions and keeping a visible profile," he said.

During the year ending Jan. 31, Tiffany is expecting to grow its net retail square footage by 3 percent through 10 openings and 17 renovations or relocations, along with five closings.

In August, Tiffany also announced it is expanding to India through a joint venture, catering to the growing population of luxury clientele in the market.

Through a partnership with Reliance Brands Limited, Tiffany plans to open stores in Delhi and Mumbai. The jeweler operates boutiques in more than 20 countries, with a significant presence in Asia Pacific (see story).