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Why Jewelry Is Outperforming the Rest of the Luxury World

Expensive jewels are the choice of superwealthy households getting even richer from the stock market

By Carol Ryan Follow

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Tiffany's sales of fine jewelry, the most expensive pieces the brand makes, hit a record in the third quarter. DINA LITOVSKY FOR WSJ

The wealth gap in the U.S. is becoming so wide that even luxury brands are being divided into haves and have-nots.

Swiss luxury company Richemont CFR **-0.39%** ▼ has grown sales by more than 10% year-over-year in its Americas region for seven quarters in a row. Booming U.S. demand for its jewelry brands Cartier and Van Cleef & Arpels is fueling the rise.

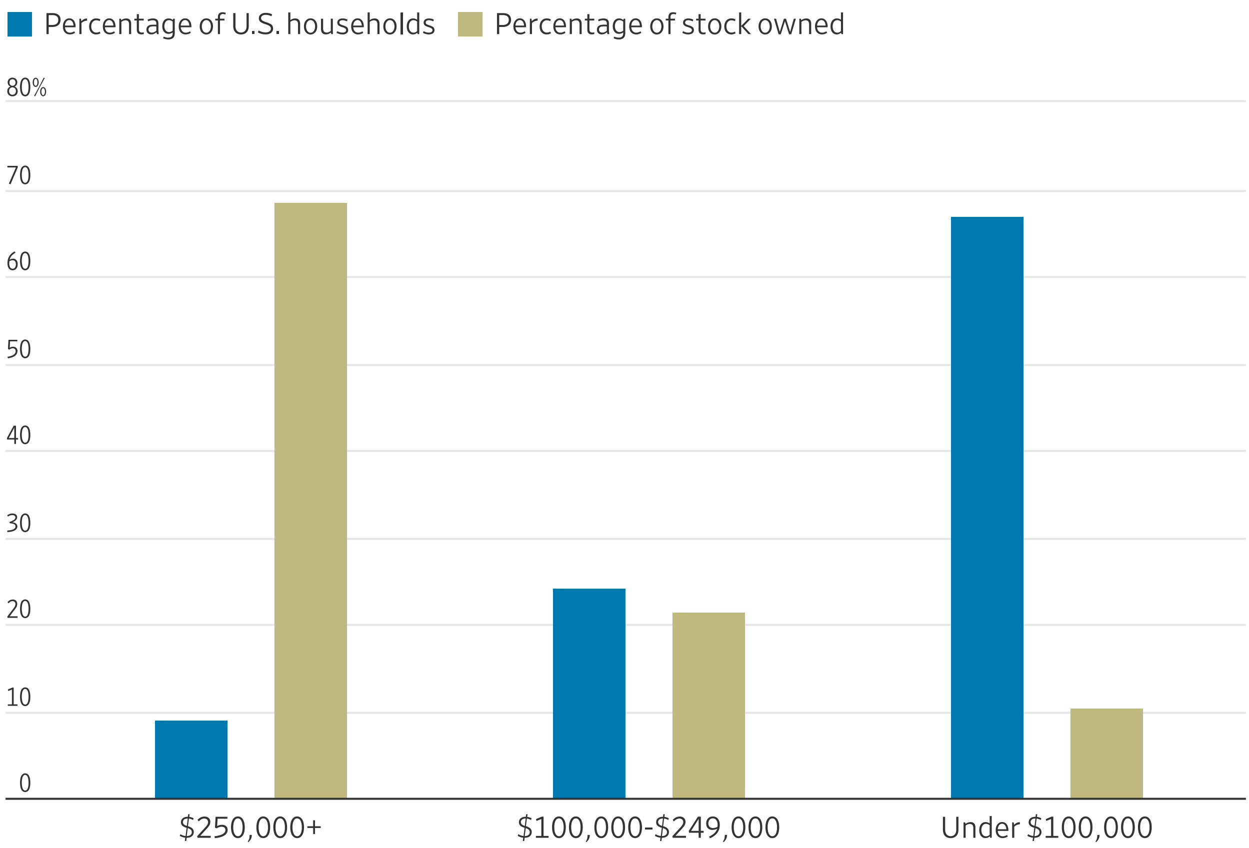
Tiffany & Co., owned by Paris-listed LVMH MC **-0.27%** ▼ , said sales of its fine jewelry globally, the most expensive pieces the brand makes, hit a record in the third quarter. Overall, jewelry is the best-performing category in the U.S. luxury market at the moment, and is outstripping sales of handbags and clothing, according to consulting firm Bain & Co.

Stock analysts following luxury companies initially thought that American consumers were buying jewelry to get ahead of tariffs on imported luxury goods. Now they are asking if the strong growth is a sign of deeper shifts in the U.S. economy.

Even after recent declines, the S&P 500 is up 16% this year, creating an additional $7.9 trillion of stock wealth. The increase has been driven by buzz about AI.

Those who are already rich are benefiting the most. Households that earn over $250,000 a year own 68% of the stock market, despite being only 9% of all American households, according to Edward Wolff, a professor of economics at New York University. People who earn less than $100,000 a year own just 10.3% of the stock market, but make up two-thirds of all U.S. households.

Stock-market ownership by income level



Source: Calculations by Edward N. Wolff, professor of Economics, New York University from the Survey of Consumer Finances

Some of the stock-market spoils are spilling into high-end jewelry stores where one-off pieces can cost $5 million or more. Richemont Chief Executive Nicolas Bos said very wealthy consumers are splurging based on “their assets or their perceived wealth, and [the] stock exchange does play a role.”

A similar trend is being felt in other parts of the economy. Delta Air Lines said revenue from first-class and higher-cost cabin seats will soon overtake revenue from coach seats for the first time in the company’s history.

The very top of the art market is reigniting after three years of sluggish performance. A Gustav Klimt painting fetched $236.4 million at a Sotheby's auction in New York last week, the second priciest work of art ever sold at auction.

Meanwhile, less wealthy Americans are feeling squeezed. Costs for goods and services in the U.S. are up 25% since 2020, even if the overall rate of inflation has been slowing. The diverging experience of consumers at the top and the bottom of the wealth spectrum is being referred to as a K-shaped economy.

Rising gold prices may also be having a halo effect on jewelry. But American consumers probably aren't buying luxury jewelry purely for its commodity value.

A 16 cm Cartier Love bracelet costs $8,655 including sales tax, and contains around 31 grams of 18 karat gold. A consumer would recoup only around $3,000 if they sold the bracelet for the weight of the gold at today's prices.

Even so, shoppers see luxury jewelry offering better value for money than clothing or handbags. Big brands hiked prices on handbags more aggressively than for jewelry. Prices for Cartier's Love bracelet have increased 4% a year on average since 2020, compared with gains of 11.2% a year for Chanel's classic flap handbag, and 8.6% for a Lady Dior handbag, a Bernstein analysis shows.

A necklace box at Tiffany's flagship store. DINA LITOVSKY FOR THE WALL STREET JOURNAL

Luxury companies need a certain amount of wealth inequality to thrive by giving consumers something to aspire to. Over the past 30 years, most of the industry's expansion has come from a swelling middle class who bought Louis Vuitton handbags and Rolex watches to try to keep up with the superwealthy.

But if the middle-class falters, whether from continued inflation or perhaps white-collar job losses to AI, it will be hard for some luxury brands to grow: 55% of global luxury sales by value come from shoppers who spend up to $2,300 a year on fancy goods, Boston Consulting Group estimates. Within the luxury industry, brands that count on aspirational shoppers for a sizable chunk of their U.S. business include the likes of Gucci, Burberry and Saint Laurent.

The message for investors is that companies that cater to the super rich, like Birkin handbag maker Hermès, jewelers Cartier or Van Cleef & Arpels, are the best bet in this lopsided economy.

The caveat is that U.S. sales are increasingly tied to what happens in the stock market. If there is a bubble, and it bursts, the shine could come off jewelry quickly.

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