Upscale jeweler Tiffany & Co reported an unexpected rise in second-quarter profit, driven by lower raw material costs, price hikes and the sale of more high-margin jewelry.

The company's shares rose 4.5 percent to $72 in premarket trading on Thursday.

However, Tiffany's sales dropped for the seventh straight quarter, and missed analysts' estimates, due to lower tourist traffic, which has also dented sales at other luxury retailers such as Michael Kors Holdings Ltd and Kate Spade & Co.

Signet Jewelers Ltd, which sells jewelry at lower prices than Tiffany, on Thursday reported an unexpected drop in comparable sales for the quarter due to weaker demand for its Sterling and Zale lines.

Tiffany's net income inched up to $105.7 million, or 84 cents per share, in the quarter ended July 31 from $104.9 million, or 81 cents per share, a year earlier.

Analysts on average were expecting profit to drop to $89.8 million, or 72 cents per share, according to Thomson Reuters I/B/E/S.

The company's selling, general and administrative costs fell 4.3 percent to $402.2 million, helped by lower marketing costs. Its gross margin increased to 61.9 percent from 59.9 percent.

Tiffany maintained its full-year profit forecast of a net sales falling in the low single-digits in percentage terms, and earnings per share declining in the mid-single-digit percentage range.

Tiffany's profitability for the rest of the year will likely get a boost from the recent drop in prices of precious metals such as silver, gold and platinum, Edward Jones analyst Brian Yarbrough wrote in a pre-earnings note.

The company's total net sales fell 5.9 percent to $931.6 million in the latest quarter, while analysts were expecting $934.7 million.
Sales at its stores open for more than a year dropped 8 percent, steeper than the 6.90 percent decline analysts were expecting, according to research firm Consensus Metrix.

"The global environment continues to reflect well known challenges that we believe have had broad effects on spending by local customers, as well as foreign tourists, especially from China," Chief Executive Frederic Cumenal said in a statement.

The company said sales were lower in continental Europe due to weak demand from both tourists and local customers, but sales in United Kingdom fared better.