

Diamond Trade Dealing in Smaller, Fewer Goods

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Source: National Jeweler

New York--The RapNet Diamond Index for diamonds improved in March as the Hong Kong jewelry show turned out better than expected and there were steady orders from jewelers in the United States and China.

The RAPI is the average asking price in hundred \$/carat for top quality, Gemological Institute of America-graded diamonds offered for sale on RapNet.

The RAPI for 0.30-carat diamonds rose 4 percent while the index for 3-carat diamonds was up 3 percent. For 1-carat diamonds, it was essentially flat (up 0.1 percent) while the RAPI for half-carat stones fell 2 percent.

Year-to-date, however, the index for 1-carat diamonds is down 1 percent and has fallen 7 percent over the past year.

In its monthly report for March--this month titled "Diamond Trade Adjusting to Lower Inventory"--the Rapaport Group noted that softness in the market for 1-carat diamonds in the first quarter of the year is unusual.

It's being driven by consolidation in the U.S. jewelry market, which, together with Canada, lost 1,190 stores last year, slowing growth in China, and a shift to lower-priced goods.

Rapaport Group noted that there was good demand for 0.30- to 0.49-carat diamonds in the first quarter, with dealers who specialize in these sizes doing particularly well at the Hong Kong show, and melee prices are strong as well.

On the retail end, the report pointed to Tiffany & Co.'s statement in its year-end report that it did well merchandise priced under \$500 and will offer more of it. Signet Jewelers Ltd. too noted strength in fashion jewelry sales in 2016.

Rapaport Group's report also noted that American consumer confidence continued to improve in March, according to the Conference Board Index, but said: "Whether the jewelry industry can capitalize on that remains a question, as consumption patterns continue to change.

On the rough end of the business, De Beers' had its final sight of the contract period but had not released sales figures as of press time.

Rapaport Group estimated Alrosa's sales at \$500 million in March, greater than the approximately \$374 million it sold in both January and February.

Profit margins continue to be an issue for manufacturers, though Indian companies are operating at near-full capacity and are continuing to drive rough demand.

Large Indian diamond manufacturers, like Kiran Gems, which opened a new 200,000-square-foot factory in Surat in 2016, are investing in factories while other countries, including China, continue to downsize their diamond cutting and polishing industries.