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**DIAMONDS IN THE ROUGH: GLOBAL DIAMOND INDUSTRY EXPERIENCES
CHALLENGES ACROSS VALUE CHAIN LEADING UP TO HOLIDAY SEASON**

*The ninth annual global diamond study from Bain & Company and the Antwerp World
Diamond Centre finds softer demand for both polished and rough diamonds globally*

Moscow – Dec. 11, 2019 – Following a period of mild growth through 2017 and 2018, the global diamond industry has struggled to maintain buoyancy in the first three quarters of 2019. The short-term decline is driven by changes in the two largest markets, the United States and China, with retail sales dipping as a result of decreasing consumer confidence and geopolitical uncertainty. Even though local currency sales are expected to remain stable, the depreciation versus US dollars could result in an expected 2 percent drop in global diamond sales in 2019, pending final holiday sales numbers. Additionally, sales of rough diamonds are expected to fall by as much as 25 percent. These are the key findings from the [ninth annual report on the global diamond industry prepared by the Antwerp World Diamond Centre \(AWDC\) and Bain & Company](#).

“Despite several short-term challenges, we expect a positive outcome for the diamond market in the long-term,” said [Olya Linde](#), a partner with Bain & Company and lead author of the report. “First, though, the industry has to weather some uncertainty in 2019 and 2020, due to continued geopolitical instability, strong signs of an impending recession and limited marketing support, especially for nonbranded and lower-end jewelry. On the other hand, the branded luxury diamond jewelry segment, which accounts for about 15 percent of the total diamond jewelry market, is expected to perform well, growing at high single digits – in line with the growth of personal luxury goods.”

“Olya Linde and her team at Bain & Company have put together what I believe is the most insightful Diamond Report to date,” said AWDC CEO Ari Epstein. “While sentiment in the rough diamond market remains cautious, having been impacted by the oversupply of polished diamonds and the challenging situation in India’s financial sector, the major producers have made efforts to stabilize the diamond pipeline, reducing supply and lowering prices. All signs now point toward the gradual reestablishment of a balance in the market in the coming year. Explaining in intricate detail the developments that have led to the ‘crisis year’ of 2019, Bain &

Company provide a welcome sense of perspective about how the industry will emerge from this crisis, most likely stronger than before.”

Diamond jewelry retail by the numbers

In 2019, **United States** diamond jewelry retail sales are expected to fall 2 percent, in contrast to 3 percent growth in 2018. There are three key reasons for the reversal. First, consumer confidence fell to its lowest point since 2016 because of uncertainties surrounding the labor market, trade tension and a possible recession. Second, a continuous decline in Chinese travelers to the US lowered luxury purchases overall. And third, an extra 15 percent tariff on Chinese jewelry went into effect in September 2019 and could impact sales during the crucial holiday season.

Last year, the **Chinese** market, including Hong Kong, grew 4 percent. In 2019, that trend reversed; the Chinese market is expected to decrease by 5 percent in US dollars. The shift is attributed to yuan depreciation, declining consumer confidence stemming from trade tension between the US and China and significantly lower sales in Hong Kong amid protests in the area.

In **India**, the diamond jewelry market declined by 1 percent in 2018 following rupee depreciation and the bankruptcy of large jewelry retailer Gitanjali in India. In 2019, sales are expected to return to healthy 3 percent growth due to increased customer confidence, a growing population of working women and a shift in preference from occasion-only to everyday jewelry.

In 2019, performance in **Europe** was negatively affected by political uncertainty in the UK and social unrest in France, but this was partially offset by higher tourism spending in the euro zone.

Japan is expected to remain stable in 2019 because of lower consumer confidence and decreased spending by Chinese tourists.

“Learning from past diamond industry recessions, we foresee a resolution in the next two years,” said Linde. “Assuming the industry deploys appropriate marketing support, and barring any unforeseen economic or political shocks, it will rebalance. The most effective campaigns will target the mass market, which branded advertisers do not traditionally cover.”

Key developments and trends in the diamond industry

Last year, global production fell 3 percent to 147 million carats, following a record-breaking production year in 2017. A 26 million-carat production increase in 2017 was the largest single-year volume increase since 1986, and it created a surplus that affected the entire value chain. As a result, inventory in the mining and midstream markets increased through 2019. Prices and revenues declined in both segments in 2019 despite only a slight decrease in consumer demand. Assortment sales shifted toward smaller stones in 2019, which also contributed to lower sales. In 2019, production is expected to drop an additional 4 percent.

In 2018, cutting and polishing revenue grew 3 percent, supported by a healthy increase in consumer demand for diamond jewelry. However, polished diamond sales are expected to drop

10 percent to 15 percent by the end of 2019 because of slowing demand for diamond jewelry globally, lower diamond content in jewelry designs, inventory optimization by major retailers and declining available financing for midstream players.

According to the report, four trends have the highest potential to impact the industry in the near term:

1. **Rapid growth of online sales channels:** At just 5 to 10 percent, the share of online diamond jewelry sales lags behind other consumer products. However, e-commerce is accelerating, and major diamond jewelry retailers in the US and China increased their online sales to 13 and 11 percent, respectively.
2. **Increased marketing spending to support the natural diamond industry:** Mining companies increased their marketing efforts, both brand-focused and generic, and raised marketing budgets to historically high levels. In 2019, more than \$200 million was invested in diamond industry marketing, including \$70 million to \$80 million of generic marketing channeled through the Diamond Producers Association.
3. **Developments in lab-grown diamonds:** In 2018 and 2019, production of lab-grown diamonds increased 15 to 20 percent, with majority of the growth coming from China. As the lab-grown market evolves, several business models are emerging. Chinese companies primarily use high-pressure, high-temperature (HPHT) technologies to produce rough diamonds, competing on lowest production cost. In the US, companies are pursuing a vertically integrated business model by selling premium branded jewelry.
4. **Increased focus on the environment and sustainability:** Both consumers and investors are demanding more transparent and environmentally responsible practices. Multiple industry initiatives are focused on pipeline transparency and traceability, which could increase the confidence of both lenders and consumers. Midstream operations may become more transparent and more efficiently managed as a result.

Editor's Note: For a copy of the report or to schedule an interview with Olya Linde:

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About Bain & Company

Bain & Company is a global consultancy that helps the world's most ambitious change-makers define the future. Across 58 offices in 37 countries, we work alongside our clients as one team with a shared ambition: to achieve extraordinary results that outperform their competition and redefine their industries. We complement our tailored, integrated expertise with a curated ecosystem of digital innovators to deliver better, faster and more enduring outcomes to our clients. Since our founding in 1973, we have measured our success by the success of our clients. We proudly maintain the highest client advocacy in the industry, and our clients have outperformed the stock market 4:1. Learn more at www.bain.com and follow us on Twitter @BainAlerts.

About AWDC

The Antwerp World Diamond Centre (AWDC) supports, coordinates and officially represents the Antwerp diamond industry, the world's leading diamond trade center. In this role, the AWDC promotes the entire diamond industry at home and abroad. The AWDC is also recognized internationally as the host, spokesperson and intermediary for the entire Belgian diamond community.

86% of all rough diamonds and 50% of all polished diamonds pass through Antwerp. Diamonds represent 5% of all Belgian exports of goods and services and 15% of all Belgian exports outside the EU, making diamonds the country's most important export product outside the EU.