



## **STATE DIAMOND TRADER**

Tel: +27 11 334 2691 Fax: +27 11 334 1540

Email: [infosdt@statediamondtrader.gov.za](mailto:infosdt@statediamondtrader.gov.za)

225 Main Street, Johannesburg 2001

### **Diamond Market Report**

**Jan – Mar 2016 (Q4 2015-16)**

The Polished diamond market indicated improved sentiments as polished prices began to stabilise. The market attributes this stability to shortages of polished diamond supply, as manufacturing reduced drastically in the second half of 2015 due to high rough prices and weak polished price.

Although buyers remained selective and insisting on excellent-shape proportions, there has been a steady demand for 30 points to 1 & 2 carats stones, D-J colour in VS-SI quality. The trade believes that Jewellers are buying to refill stock, while some wholesalers are slowly increasing inventory levels as they expect prices to firm further in the few coming weeks.

The U.S market remained stable as a result of a strong dollar exchange rate, while demand in the Far East continues to be weak due to slow China economic growth and fuelling further caution about Chinese consumer demand.

Nonetheless, the Hong Kong show exceeded the low diamond dealer expectations but remained slow for jewellery trading. The reports from the show indicate a positive mood in the diamond section with suppliers feeling better about the market. Dealers' and manufacturer's profitability is said to have improved with new lower-cost polished supply, but old stock remain difficult to sell because of it being expensive.

Rough trading in the primary market has been much stronger compared to end of 2015, this followed the De Beers price reductions estimated to be 7 – 10% in their first sight of the year. Reports indicated a significantly improved rough diamonds demand in the beginning of the quarter at both primary and secondary diamonds markets. Appetite for the melee goods (-3grs+11) in the right price began to emerge as well. This can be attributed to the fact that banks in India have been financing rough purchases which explains the demand for rough.

### **Forecast**

There however exist mixed sentiments on whether or not this current upswing will continue.

There is some concern that manufacturers are falling into a familiar trap of speculating on short-term gains in lieu of long-term sustainability. While dealers see some improvement in profit as

#### **Board members**

Mrs D.D. Mokgatle (Chairperson), Ms P.N. Zikalala Mvelase (CEO), Mr I. Goondiwalla, Mr N.A. Kelder (Alternate), Mr M.A. Luhlabo, Ms Z.P. Manase, Ms S. Mohale, Ms M. Kobe (Alternate), Brigadier N.H. Mokoena, Major-General P.J. Arendse (Alternate), Mr T. Montoedi, Ms N.F. Mpuntsha, Mr S.M. Motloung, Ms S.T. Nxumalo, Mr G.L. Rapoo

polished prices firmed in the past few months, the question remains whether this is sustainable and will their enthusiasm to buy rough encourage the miners to raise prices at upcoming sales?

If there is one thing the industry needs right now, is a measured approach in the release of rough supply – at prices that reflect polished demand – to ensure stability and profitability for manufacturers and rough dealers.

The market estimates \$2-3 billion worth of rough diamonds in the trade produced in the first quarter of the year. This production should be offered as polished in the second quarter of the year, which traditionally is the slower period for the industry. The fear is, “should rough production not be controlled, rough prices will increase again and thus put pressure on the price of rough”.