



## **STATE DIAMOND TRADER**

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### **Diamond Market Report**

**Apr – Jun 2016 (Q1 2016-17)**

Polished prices stabilised quite well until the beginning of June 2016 in which the market saw softening of prices. This resulted in Rapaport price list recording a decline of +/- 5% in the prices of +2cts polished.

In avoidance of holding large inventory levels, buyers have been very selective and insisting on excellent proportions. There exist significant price differentials between excellent and average-cut stones. There has been a steady demand for .30 points to 1 & 1.99 carats, G-J colours in VS-SI qualities. The market records that new inventory sells much better than old stock. On the other hand, the market remains extremely sensitive towards fluorescence stones as buyers offer up to 60% below rap price for such.

Although the market felt that Las Vegas show failed to stimulate stronger demand as anticipated, reports indicate a healthy U.S. market. Far East diamond demand continues to be weak due to slow China economic growth. Diamond dealers hoped that the June Hong Kong show will keep the market moving but the show yielded negative results. Such is attributed to the show clashing with the ongoing month of Ramadan and buyers being price sensitive. Generally sentiments are low as the market enters its quite seasonal period and summer holidays beginning.

Rough trading remains steady as manufacturing profit margins tighten up and liquidity concerns deepen, following a successful start of the year. This prevails due to funding institutions exiting the industry and narrowing the credit facility. De Beers as well reported 8.5% rough sales reduction in their June sight with lower quality goods struggling to sell. The melee goods and the +3 carats demand is very soft in the market.

### **Forecast**

Trading difficulties are predicated to remain part of the diamond industry for a while. Polish trading is expected to continue moving on a slower pace more especially that the summer holidays are beginning which will end August and to be soon followed by Jewish religious holidays in September.

#### **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

The slowdown in the global economies is expected to continue impacting the industry directly. Nonetheless, the Diamond.Net indicated that it does not expect Brexit to significantly reduce the overall polished demand, however it will intensify the pressure banks are putting on the diamond trade.

It is therefore vitally important that rough diamond producers price their productions at levels that will ensure profitability and liquidity in the manufacturing sector during these uncertain times.