

Market Analysis

General Trade Environment

The current trade environment continues to show that the business norms within the diamond industry has changed in the previous few years. Traditionally, the season under review is a period in which the diamond industry replenishes inventory following the holiday seasons, preparations for the much-anticipated Chinese New Year as well as the optimism for the Valentine's Day. However, the market has been subdued due to several reasons. The lack of Alrosa goods in the market has been a major factor in the industry influencing mostly the availability of rough and pricing at a producer level. While the US sluggish economy prevails in influencing the buying power of consumers and the Asian market not performing as expected.

Nonetheless, the quarter ended with the facilitation of one of the industry important events being the industry at International Diamond Week. Among the highlights of this event was the confidence that Martin Rapoport gave in terms of the current negative position of lab grown diamonds, and reemphasising the fact that man-made diamonds cannot share the same value as natural diamonds. In this Martin Rapoport stressed the fact that natural diamond retains value by nature and that shouldn't be overlooked. In his speech, he emphasised on the sentimental and long-term investment value that natural diamond has over the lab grown diamonds.

Polished Diamonds Market

The China and Hong Kong opening of the economy following relaxation of Covid 19 restrictions improved market sentiments temporarily, however the urgency of trading in these centres hasn't lived to expectations yet. The March 2023 Hong Kong Show contributed to improved optimism of the market, but polished trading remains pressured. Dealers are in possession of long list of polished goods, but are struggling to get good prices for their products. This is a difficult position for dealers that do not have the luxury of holding on to stock in anticipation of a turn around. However, those that

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can hold on to stock are in a better position. AS such fashion is driving demand for elongated Ovals, Emeralds and Radiants. The market is slow for 0.30 to 1.20 carats diamonds but stable in the 1 to 2 and larger carats of F-J colours in the VS-SI categories.

Rough Diamonds Trade

Producers are still holding on to premium prices resulting in rough trade continuing to be very selective in different categories. The market witnessed price increase of smaller goods (-3gr+11 ROM) in the second quarter of the month leading to further squeezing of manufactures' profit margins.

Trade in different Diamond Centres

United States

The US market is stabilising following a slow start to the year with sluggish Valentine's day sales and the Hong Kong Show. Dealers expressed that they have been struggling to buy at international markets due to low availability of fresh goods. However, the trade has anticipated a positive push for the goods before Mother's Day. Fancies cuts such as elongated ovals are seen to be doing better. Nonetheless, triple excellent round cuts of 1 to 2 carats, of G-J colours within VS-SI regions are recording good demand. Melee trade is also recorded to be stable in the market. It is noted that bridal is not as strong as previous years as Covid-19 disrupted dating scene, resulting in delayed drop in engagements.

Belgium

The Belgium market is reported to be slow but better than few months ago. Optimism was driven by hopes on the Hong Kong show after China's January border-opening stimulated trading in the region. Small goods are steady, with solid sales of 0.50 to 0.90 carats with G-J colours and VS-SI qualities. There is uncertainty in the rough sector following De Beers price changes in February 2023. The industry is concerned that

small, polished categories are not seeing same upward movement as corresponding rough.

Israel

The Israel market closed the quarter with some level of activity in the bourse during various events taking place over International Diamond Week. The event was reported to have been attended by almost 450 buyers from over 40 countries and 150 exhibitors. Good demand for 20 to 30 pointers is therefore recorded in the market, while weak interest is recorded in the 50 pointers to 3 ct. There is however, interest in the nice fancy shapes with a shift back to US memo market.

India

Trade is stable as manufacturers monitor recovery of US and Asian markets. Chinese dealers and retailers gradually increasing their purchases, supporting demand for 20 to 50 pointers of 3X cut no fluorescence diamonds. Profit margins are thin amid high rough prices on secondary market. Polished production below capacity with factories keeping workers busy with lab-grown or low-cost natural rough. Indian wedding season driving domestic jewellery sales. Polished production is gradually increasing as Chinese jewellers have resumed buying. Rough prices are high relative to polished, squeezing manufacturing profit margins.

Hong Kong

Although the March Hong Kong Show didn't satisfy the industry expectations that mainland buyers will make purchases after months of slow movement, sentiments are improving across the region as market continues to reopen. As such there is steady appetite for 0.30 to 2 carats commercial colours. Jewellery retailers are seeing growth but still below pre-pandemic levels. On the other hand, Chinese consumer spending is slow with gold selling better than diamonds.

Dubai

Dubai continues to see a significant amount of diamond trading activity, mainly through the rough tender houses. Rough prices in certain areas have softened on account of the prevailing market conditions. The UAE has been announced as the Vice Chair of the Kimberley Process (KP) for the 2023, and will chair the KP in 2024.

Namibia

Namibia apparently has over 200 abandoned mining sites. The government now has the challenge of rehabilitating the areas in which they are situated. With the new Climate-Smart Mining Initiative, Nedbank says it will from now on only finance mining projects which follow a strict environmental, social, and governance (ESG) and financial factors that they have laid down.

Botswana

Sight 1 for the Botswana-based factories was reportedly a much smaller than usual for the time of year. De Beers adjusted prices across the board, by varying degrees, which allowed Sightholders to bring forward certain boxes where they felt there was a better supply demand equilibrium. No boxes were said to be refused.

It has been reported the 2023 ITO will supply closer to 40 Sightholder factories in the country, which brings the total number of Botswana factories to a tipping point, where De Beers will have to strike a balance in its supply levels between the established factories and recent wave of new entrants. It was announced the current supply contract, due to end this year, will be extended by a year to 2024.

This will allow for the new local factories to continue supply without interruption and presumably ensure adequate time to incorporate any adjustments from the impending sales contract negotiations. Botswana government to buy 24% of HB Antwerp and supply HB with rough through Okavango Diamond Company; deal puts spotlight on delayed De Beers-Botswana negotiations.

South Africa

The De Beers and Petra Diamonds began facilitating their 2023 business trade at their brand-new premises based at Bonaero Park, Kempton Park, just outside OR Tambo International Airport. In this, these producers joined the likes of State Diamond Trader and the South African Diamonds and Precious Metals Regulator. With many diamond manufacturers now planning to move into the same precinct this area could well become the new formal diamond centre for South Africa.

State Diamond Trader

The State Diamond Trader continued navigating the current tough diamond trade market, in which the organisation inspected 39 production cycles, where 22 of these businesses were bought and sold to 17 registered clients. The entity continued with its strategy of ensuring that equitable access to rough is attained by inviting clients that haven't bought in a longer period. Achievement of this strategy remains a difficult as majority of targeted clients are of small business sizes and commitment to primum prices remains a challenge. However, partnership of emerging businesses and established continues to be a possible trade solution.

Forecast

Continues change in the trade patterns brought forth by mainly macro-economic factors, continues to be the new norm in the global diamond industry. The world economic landscape prevails in pressuring luxury goods sectors. Consequently, the diamond market is anticipated to continue be sluggish and trade being difficult. Success in this type of market will require individual business' innovation, diversification and collaborations while awaiting the much-anticipated turn around.