

Gem and Jewellery Industry



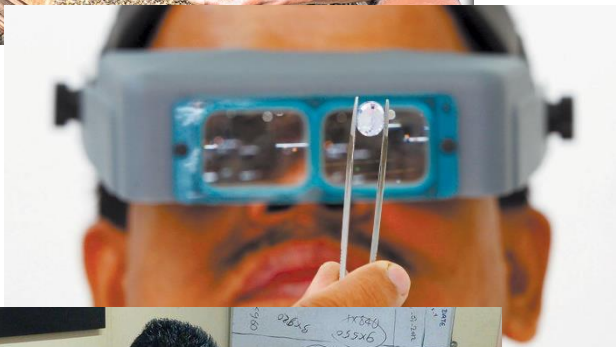
Real Sector Division - Economic Research Department
Central Bank of Sri Lanka

Gem and Jewellery Industry in Sri Lanka

- Sri Lanka has a long traditional association with the international gem and jewellery trade.
- Since historic times, the jewellery industry of Sri Lanka has developed considerably and today it has both traditional jewellery industry and export oriented industry.
- Sri Lanka is currently positioned in the global market as a supplier of high quality Gems and is **reputed to be a quality cutting & finishing centre in the world** producing stones that meet the highest standard.
- Sri Lanka is also **reputed for diamond cutting skills** where quality is a pre-requisite.



Contemporary Status of the Industry



- The gems, diamond and jewellery industry is export oriented and labour intensive, thus contributing greatly to the Sri Lankan economy in terms of foreign exchange and employment.
- According to the Export Development Board (EDB) and the National Gem and Jewellery Authority (NGJA),
 - Labour Force: Around **650,000** persons
(miners, cutters and polishers, dealers, jewellery designers and craftsmen, machinists and sales and marketing people)
 - Exporters: **900** exporters of gems, diamond and jewellery (**90% are SMEs** and scattered across the country)
 - Gem Traders: **3,000 registered** gem traders

Sri Lanka is a renowned gem mining destination

- Sri Lanka's gem industry has a very long and colorful history: '**Ratna-Dweepa**' which means Gem Island.
- Over **70 varieties** of coloured gemstones (precious to semi precious) out of 200 found in the world
 - *Among the five most important gem-bearing nations of the world.*
- World's **leading sapphire producer** (including blue, pink, yellow, golden, orange, purple etc.)
- Other popular gem varieties (alexandrite, cats eye, spinal, Aquamarine and other semi precious varieties)
- Best destination for collectors of **rare gems** (korerupine, singhalite, taaffeite, andalusite, sheelite etc.)



Vistas of Prosperity and Splendour

The ***Vistas of Prosperity and Splendour*** policy framework highlights the aim to increase the exports of gem and jewellery items

- Restrict export of currently identified natural resources (mineral sands, dolomite, phosphate and gems) in raw form
- Develop programmes to get higher prices for those through value addition before export.
- Make duty free on import of modern high-tech instruments used in jewellery industry in order to promote export of gems embedded in jewellery.

Budget 2021

- To develop the Rathnapura International Gem Industry City and enhance the gem and jewellery industry.

The Cabinet approval has given in December 2020 for the construction of the International Gem and Jewellery Trade Centre at Demuwawatha, Ratnapura at a cost of Rs. 365 Mn as the first phase

- Provide all the services and facilities under one roof
 - Independent quality testing services
 - laboratory services and banking services
 - Export services and required services for the sellers and buyers as in Bangkok and Hong Kong, the leading sales centres for Gem and Jewellery in Asia.

Key Varieties and Geographical Distribution

- Sri Lanka's mineral rich soils have been yielding never ending supply of high quality precious and semi precious gem stones such as sapphires.
- Outstanding gemstones that Sri Lanka has produced are
 - Blue Giant of the Orient (466 cts), Logan Blue Sapphire (423 cts), Blue Belle of Asia (400 cts)
 - Rossar Reeves Star Ruby (138.7 cts), Star of Lanka (393 cts. Star Sapphire)
 - Ray of Treasure (105 cts. Cat's Eye)
- There are 5 major gem producing areas with Ratnapura (the “city of Gems”) being the traditional gem mining area.
 - Most extensively gemmed areas are Eheliyagoda, Kuruwita, Ratnapura, Pelmadulla, Balangoda, Kalawana and Rakwana.
- Recent geological surveys suggest that the potential for gemstones is about 50% higher than previously expected.
- Mining activity in the past three decades showed some other locations (Buttala and Okkampitiya (Uva), Elahera (Matale), Nuwara Eliya basin, the Horton Plains, Maskeliya and Kandy.

Common Gemstones of Sri Lanka



Source: Sri Lanka Customs

Blue Sapphires

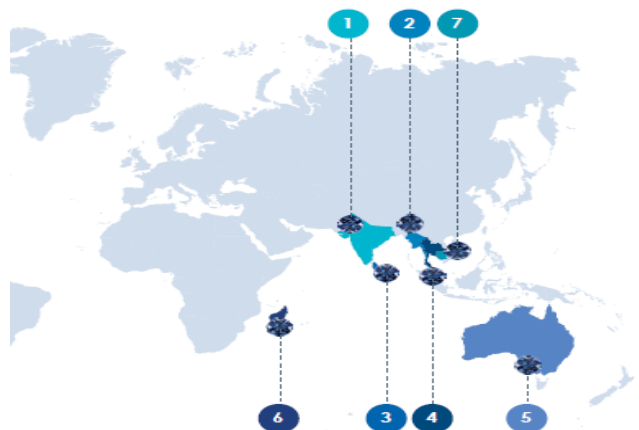
- World's leading sapphire producer (including blue, pink, yellow, golden, orange, purple etc.)



- Kashmir Blue Sapphires** are praised as the superior sapphire due to their fascinating velvety blue color with a little purple hue or cornflower blue. They are highly priced because of their extreme rarity.
- Myanmar Blue Sapphires** bear bright blue color with a hint of purple or royal blue, a medium-toned blue similar to Kashmir sapphire. However, it is not as velvety as Kashmir sapphire. Myanmar blue sapphires are exceptionally appealing; hence they are in high demand in the global market and can fetch high prices.
- Ceylon Blue Sapphires** are of vivid in color but less bright than Myanmar blue sapphire. Ceylon blue sapphires are of lighter tones. Most of them are found as milky white rough stones, after heat treatment, bright blue sapphires are yielded.
- Thai Blue Sapphires** are quite dark with a little green hue. Some of them may exhibit slightly velvety texture.
- Australian Blue Sapphires** are of darker hues than Thai blue sapphires. Their colors may have a hint of green or yellow. No velvety texture is found.
- Madagascar Blue Sapphires** are found in various hues of blue similar to blue sapphires from Thailand, Australia, Sri Lanka and Myanmar. At present, most of the blue sapphires circulated in the markets are from the source. They usually have purple-blue color with good brilliancy.
- Cambodian Blue Sapphires** are of rich and relatively saturated blue color. They are quite expensive due to their rarity.

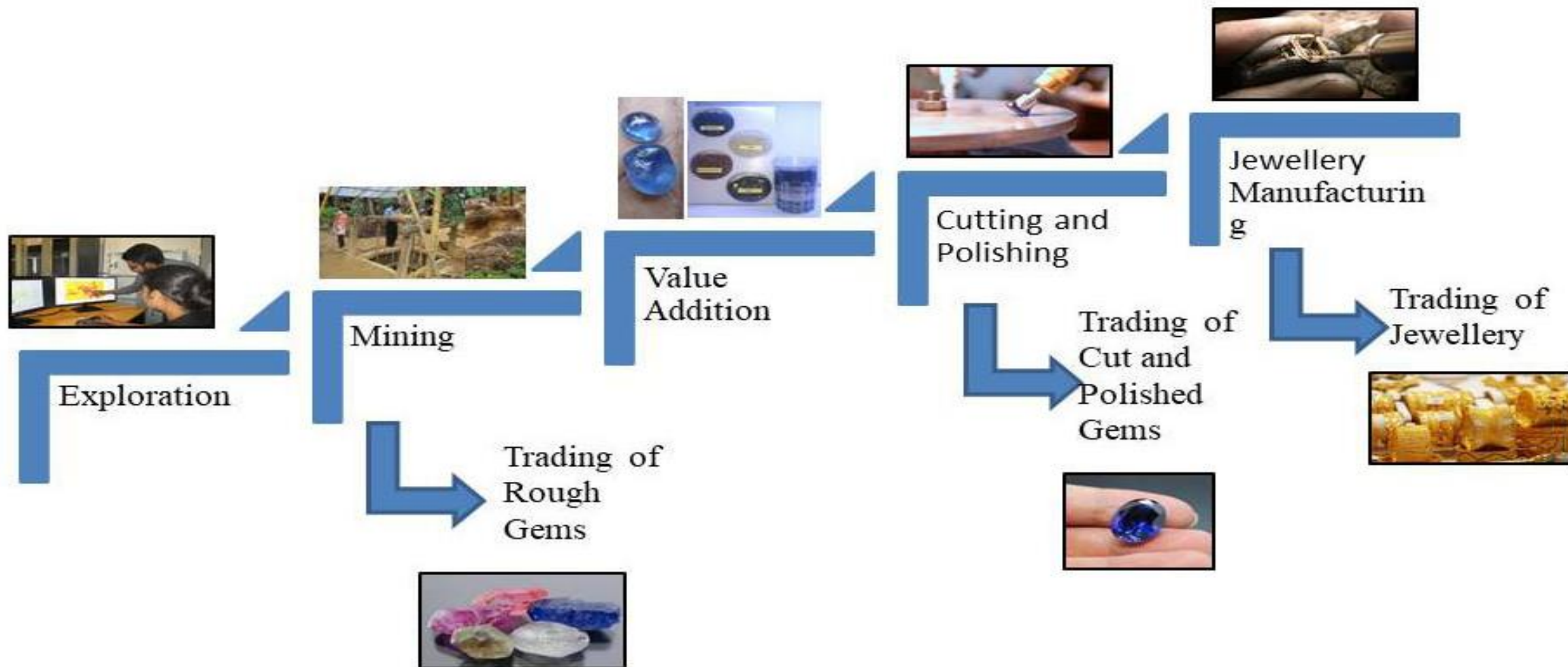
Source

Blue sapphires have been found in many countries. Generally, high quality sapphires discovered in different sources bear distinctive characteristics. Thus, they are called according to their sources such as:



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Value Chain of Gemstone Consists of ...

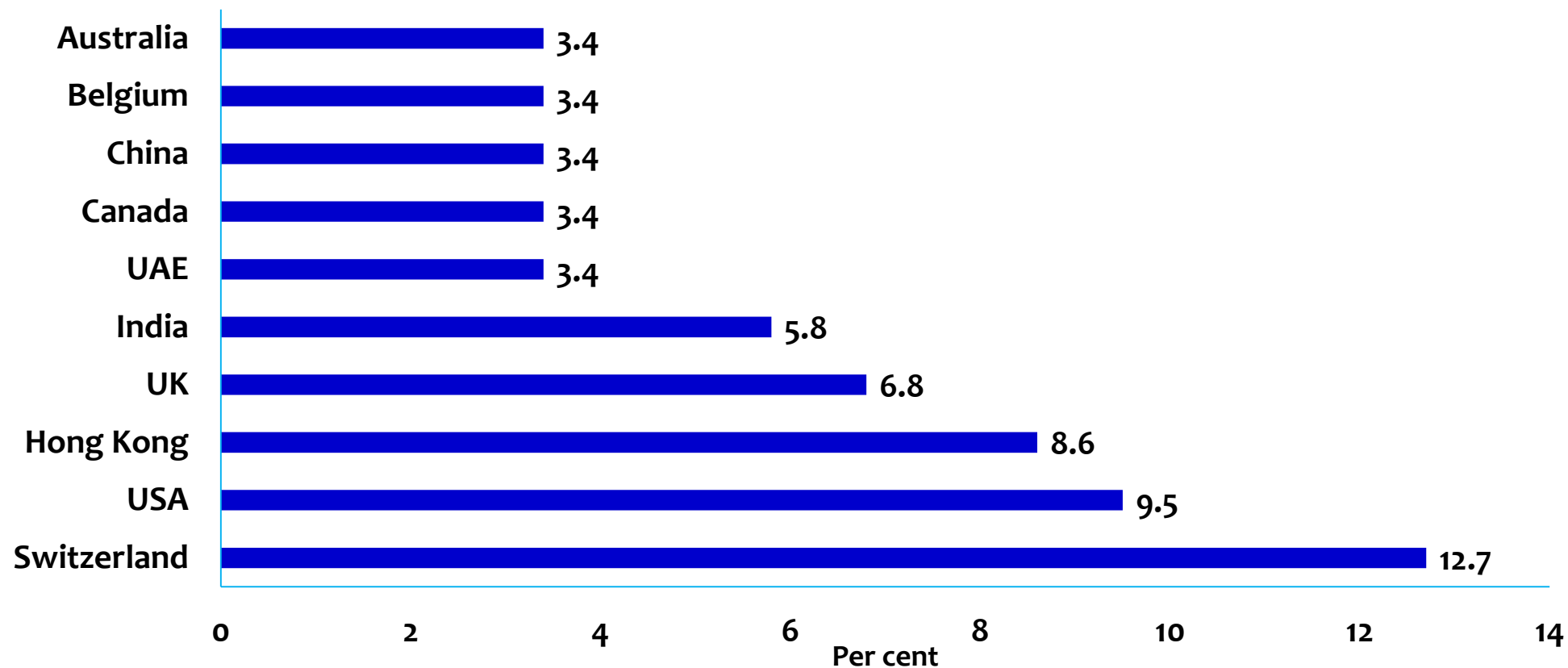


Source: National Gem and Jewellery Authority

Industry Status - Global

- World Exports of Gems and Jewellery in 2019 was US Dollars 629.1 Bn

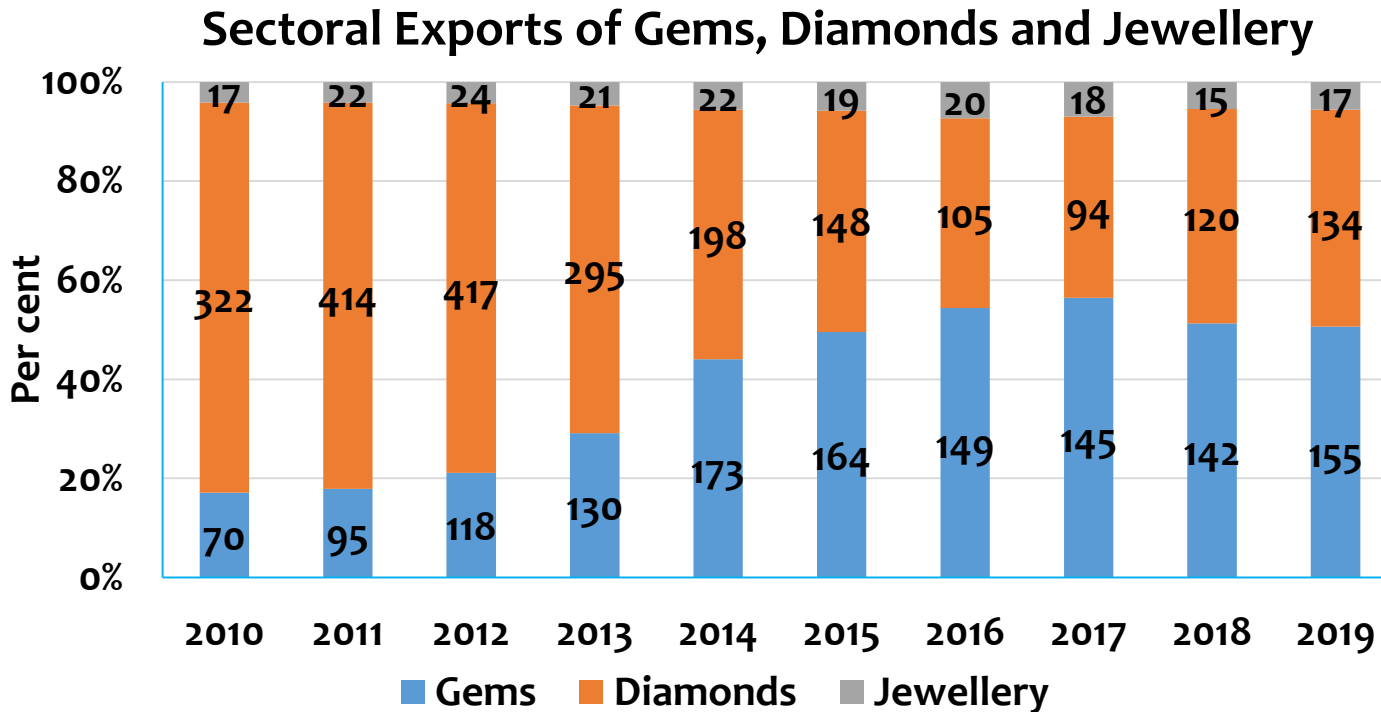
Country Shares in Global Exports of Gems and Jewellery - 2019



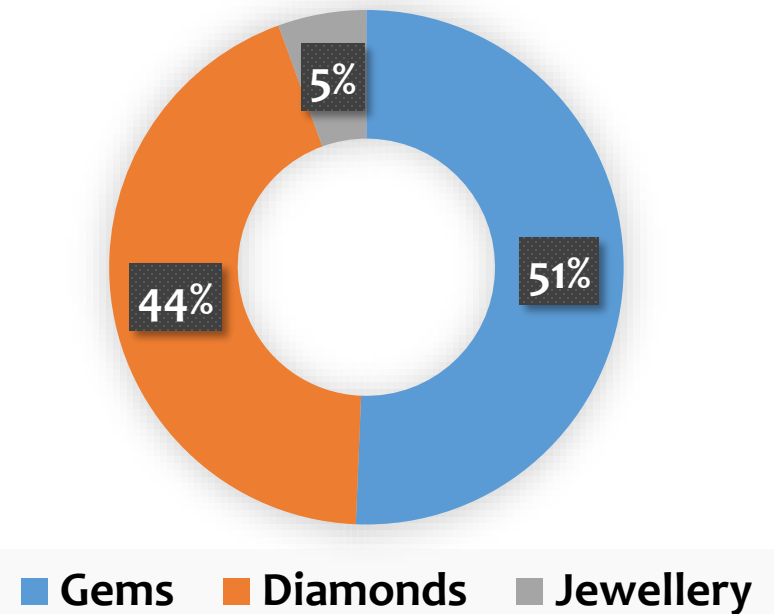
Source: Ministry of Commerce and Industry, India

Industry Status - Sri Lanka

- Due to the highly diverse nature in this sector it is hard to determine the size of production.
 - However, the value and quantity of exported diamonds, gems and jewellery are available.



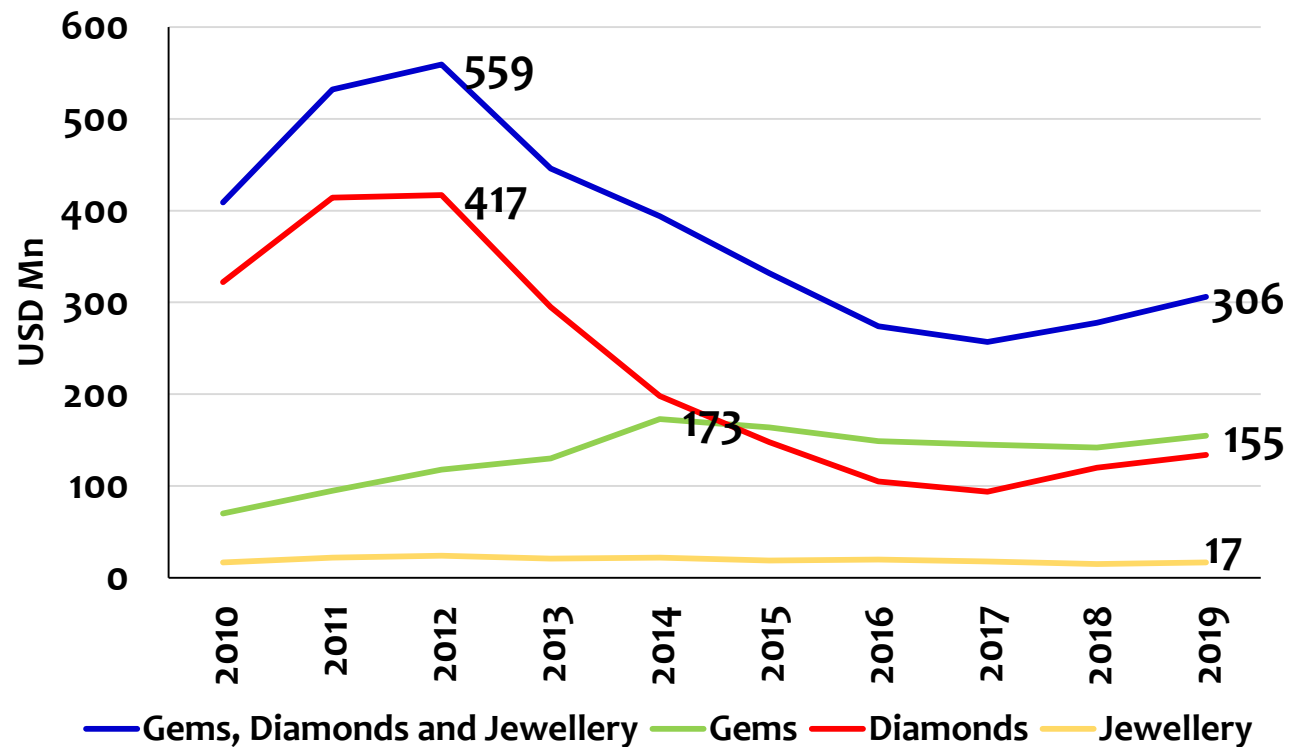
Sectoral Shares of Exports of Gems, Diamonds and Jewellery - 2019



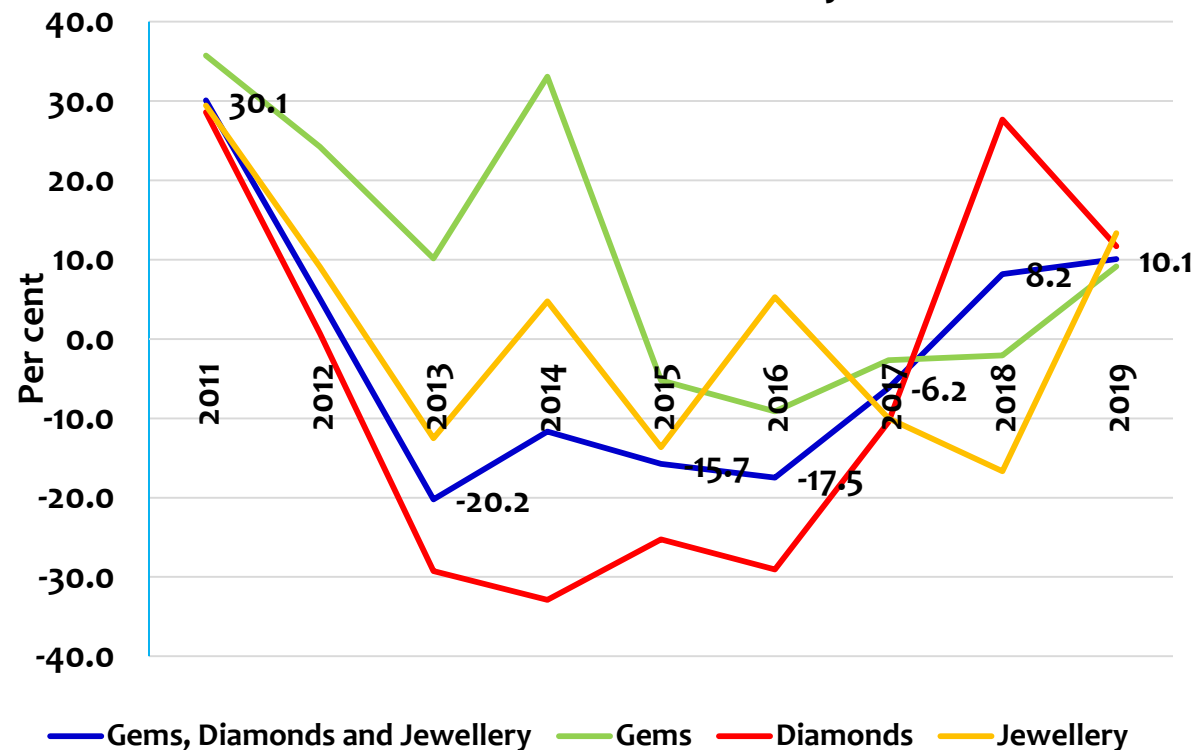
Source: Sri Lanka Customs, Central Bank of Sri Lanka

Reducing Export Revenue from the Gem and Jewellery Industry

Sectoral Exports of Gems, Diamonds and Jewellery



Y-o-Y Growth of Sectoral Exports of Gems, Diamonds and Jewellery



Source: Central Bank of Sri Lanka

- Sri Lanka's gems and jewellery industry exports in 2020 : US dollars 211.2 Mn**

Industry Status - Sri Lanka

Sri Lanka's Exports of Gems, Diamonds and Jewellery Vs World Demand

	2016	2017	2018	2019
World Imports (US \$ Mn)	202,745	210,538	227,071	212,392
Sri Lanka Exports (US \$ Mn)	274	257	278	306
Share in Global Exports (%)	0.14	0.12	0.12	0.14
Percentage of Total Exports (%)	2.7	2.3	2.3	2.6
Percentage of Total Industrial Exports (%)	3.5	3.0	3.0	3.2

**Sri Lanka's gem
and jewellery
exports
2020
US dollars 211.2 Mn**

Source : Export Development Board, World Trade Map

Total Imports of Diamonds, Precious Stones and Metals to Sri Lanka

	2015	2016	2017	2018	2019	2020
Diamonds, Precious Stones and Metals (US \$ Mn)	162	514	772	573	201	117.2
Percentage of Total Imports (%)	0.9	2.7	3.7	2.6	1.0	0.7

Source : Sri Lanka Customs

Key Industry Players – Sri Lanka

Gems

- Ellawala Exports Pvt Ltd
- Gem Paradise
- Priyanta Gems
- Sapphirus Lanka Pvt Ltd
- Punsiri Gems

Diamonds

- Lanka Diamond Polishing Ltd
- Diamond Cutters Ltd
- Brooky Diamond Pvt Ltd
- Colandiam Pvt Ltd
- Nisol Diamonds Pvt Ltd

Jewellery

- Tropical Findings Pvt Ltd
- Wellawatta Nithyakalyani Jewellers
- Alankara S K R Pvt Ltd
- Blue Diamonds Jewellery Worldwide Plc
- Natural Sapphires Ceylon Pvt Ltd



Major Export Markets for Gems, Diamonds and Jewellery

Gems

- France
- Thailand
- Switzerland
- Italy
- India
- Singapore

Diamonds

- Israel
- Belgium
- Switzerland
- Hong Kong
- USA
- India
- Japan

Jewellery

- Singapore
- Hong Kong
- UAE
- Switzerland
- Germany

Major Competitors

- India
- China
- **Thailand**
- Myanmar

Thailand's Success Story

- Gem and jewellery exports rank **third** in Thailand's total export value.
- As per Gem and Jewellery Institute of Thailand (GJIT), the industry employs more than 700,000 people.

Exports of gems and jewellery from Thailand : 2006 - US Dollars 4 bn
2015 - US Dollars 10.9 bn
2019 - US Dollars 15.7 bn



- Thailand's unique selling point is that it specialises in **lower-quantity** BUT **higher-quality** products and service.
- As domestic supply of rough stones (rubies, sapphires, emeralds and diamonds) are insufficient for commercial-scale operations, the majority of precious metals and gems used in the manufacturing of jewellery pieces are imported, **accounting for roughly 70% of industry import values** in a year (GJIT).

• **KEY POLICY MEASURE:**

- ✓ Complete liberalization of imports as well as exports enabled Bangkok to be a vibrant trade centre for gemstones and thereby rapidly reach business scale running into billions of dollars
- ✓ International buyers preferred Bangkok as a sourcing centre for the width and depth of selections available, price competitiveness and the relative ease of doing business.

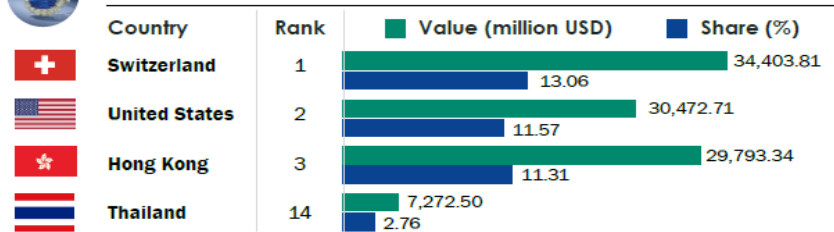


Thailand ranks in the top of the pack across different sectors of the industry

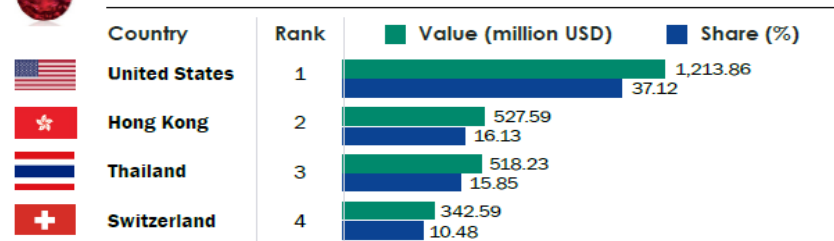
(Jan-June 2019)



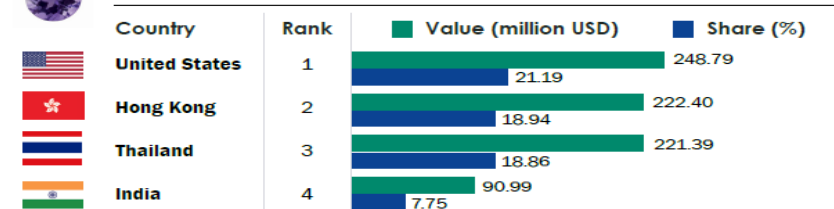
World's Gem and Jewelry Export Value Ranking



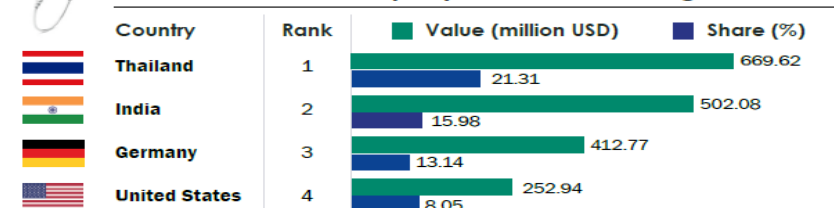
World's Polished Precious Stone Export Value Ranking



World's Polished Semi-Precious Stone Export Value Ranking



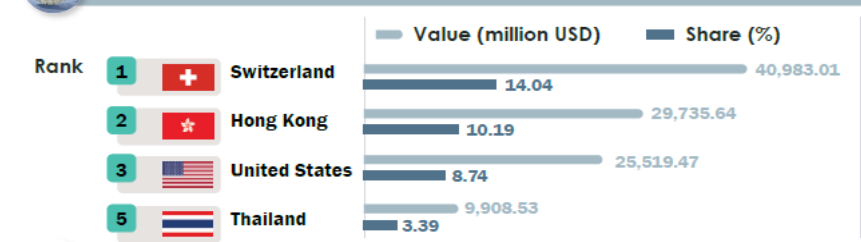
World's Silver Jewelry Export Value Ranking



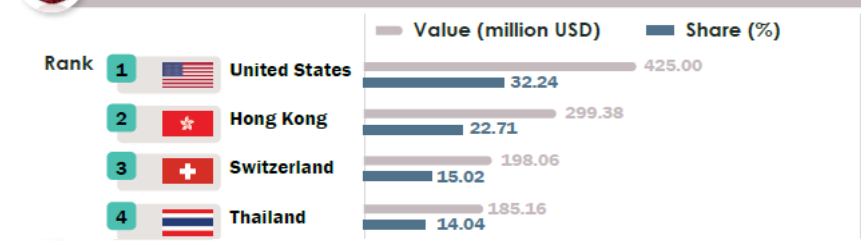
(Jan-June 2020)



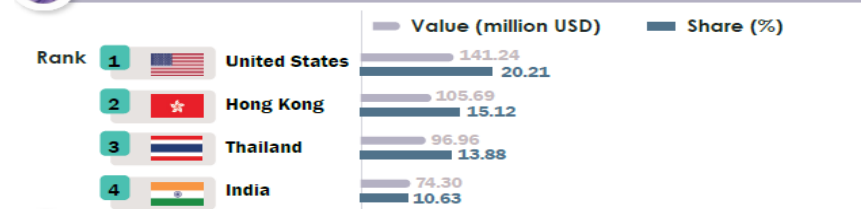
World's Gem and Jewelry Export Value Ranking



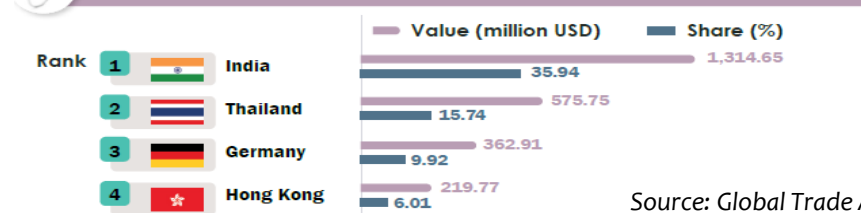
World's Polished Precious Stone Export Value Ranking



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World's Silver Jewelry Export Value Ranking



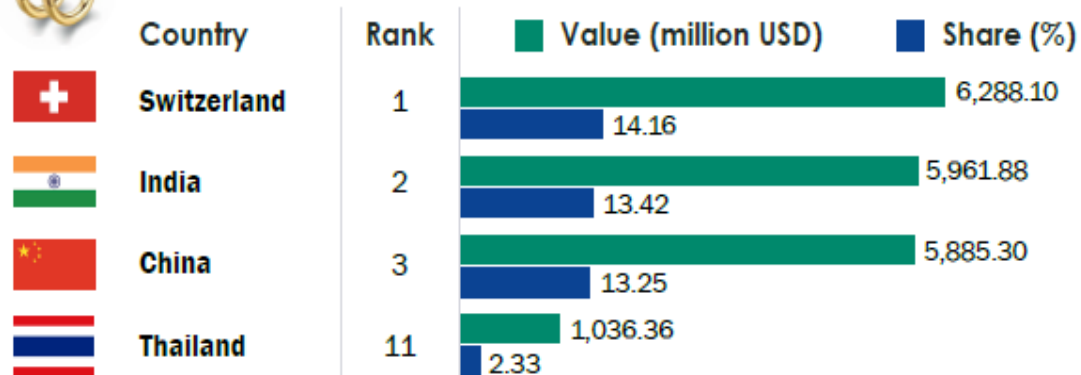
Source: Global Trade Atlas

Thailand Experience

(Jan-June 2019)



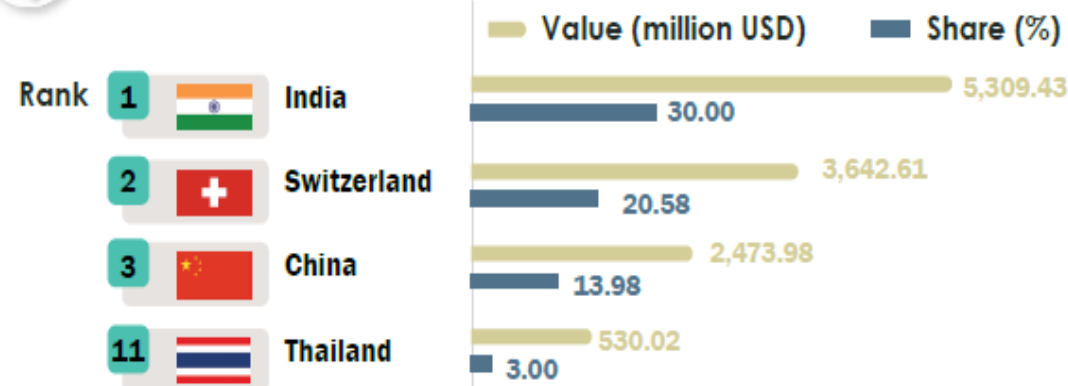
World's Gold Jewelry Export Value Ranking



(Jan-June 2020)



World's Gold Jewelry Export Value Ranking

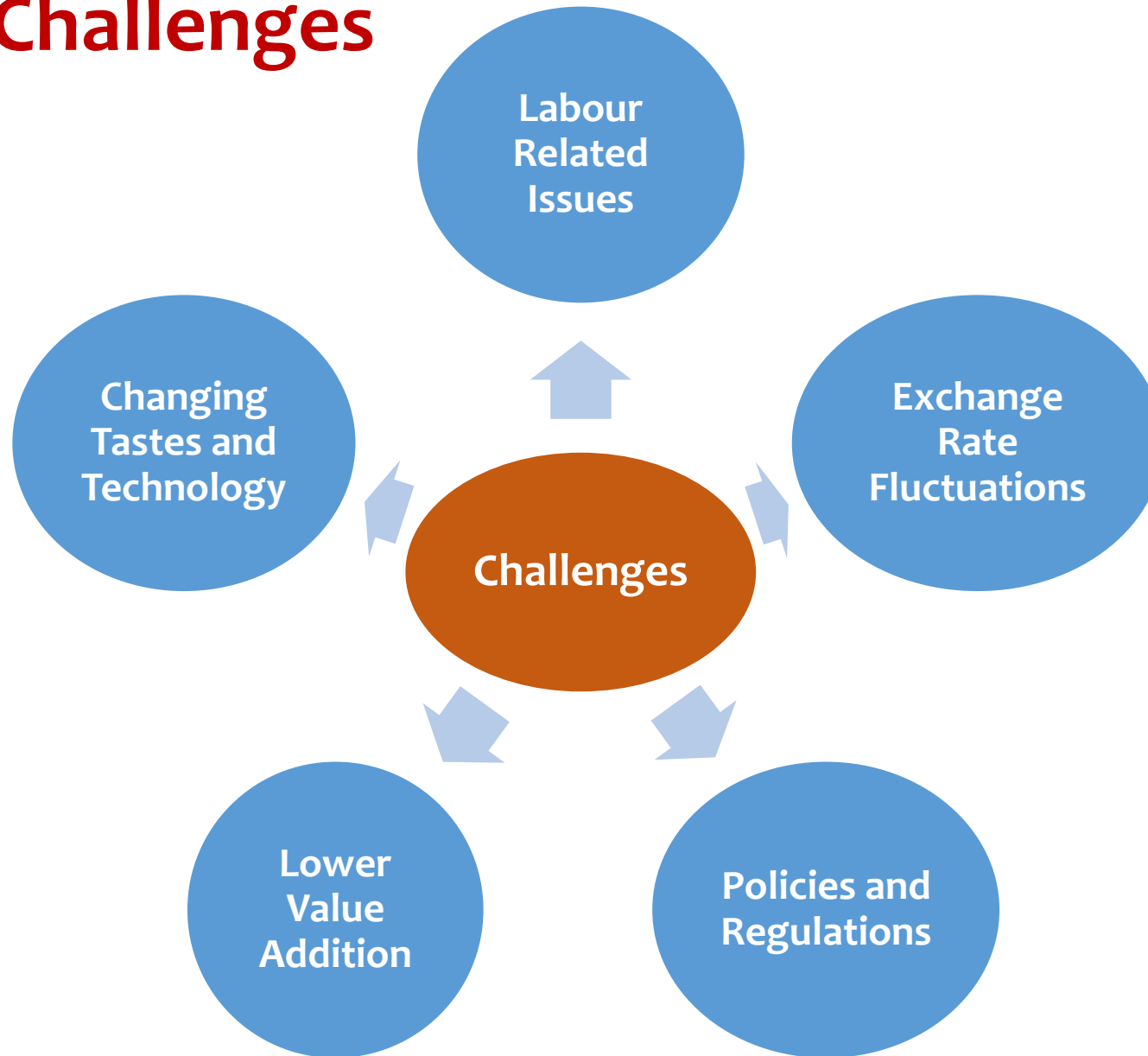


Source: Global Trade Atlas

Issues and Challenges

- Limited access to credit
 - Banks do not accept gems and jewellery stocks as collateral
- Not having an online system for document submission and licensing
 - Simplify export procedure
- Difficulties in pursuing online sales (online payment portals are required)
- Lack of access to the international market
- Lack of trainers to train and to provide the modern technical support and resources
- Skill gap
 - *Low participation of younger generation*
- Regulatory restrictions and inconsistent policies
- Absence of attractive tax system for private investors
 - Withdrawal of 15% Income Tax on profits of Gem and Jewellery exports
 - Remove 15% import duty on gold and other precious metals for exporters
- NGJA & SLTPB should intervene to restrict the commissions and other additional charges paid to tour guides and travel agents.

Issues and Challenges



CREATIVE MARKETING is essential!

- The diamond and diamond related jewellery sales amount to more than **90%** of total global sales of all diamond, gemstone and jewellery sales.
 - Marketing activity of the Diamond Trading Company (DTC) in the USA increased the share of brides receiving diamond engagement rings grow from **10% in 1939 to 80%** by the end of the twentieth century.
 - Need creative measures to convert more and more traders, jewellers and international designers to use coloured stones.
- Work with high profile designers to launch sapphire collections while Bollywood to feature sapphires in their movies
- Need an integrated and very effective campaign coordinated amongst all stakeholders to promote coloured gemstones and jewellery
 - Sri Lanka Tourism Promotion Bureau (SLTPB) should undertake measures to promote the Gem and Jewellery sector in all their promotional material whilst promoting Sri Lanka, e.g. extending 'Ceylon Sapphire' brand to other gemstones
- Continuously work on identifying and developing new markets for the future: **Sweden, Norway, Denmark, Australia and New Zealand** have sizeable market segments conducive to promote coloured stones.



Way Forward

Strengths

- Having over 70 varieties of colored stones
- Best source of fine sapphires
- The availability of a wide variety of precious and semi-precious gem stones
- Inherent craftsmanship
- SL is well known as a high quality cutting and polishing of Diamonds and Gem stones
- An educated and trainable workforce

**Capacity to
build a
lucrative gem
and jewellery
industry**

- Requires the concerted efforts of all stakeholders including industry associations, government, and CBSL.
- The significant areas that need immediate attention for the industry to achieve its full potential are
 - Improving access to finance
 - Enhance value addition, designs, product quality and standards
 - Streamline export procedures to be as flexible and convenient as possible
 - Skill development of workforce and improved working conditions
 - Enhance creative marketing for gem and jewellery sector

Thank you!

