

Gem & Jewellery FY18 Trade Data Disappoints

Contact:

Madan Sabnavis
Chief Economist
Madan.sabnavis@careratings.com
+91-22- 6754 3489

Saurabh Bhalerao
Associate Director
Saurabh.bhalerao@careratings.com
+91-22-6754 3519

Mradul Mishra (Media Contact)
mradul.mishra@careratings.com
+91-22-6754 3515

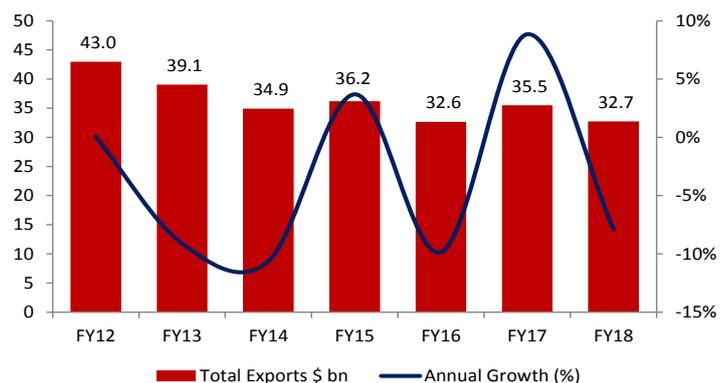
Gems & Jewellery Exports dip, while Import growth slows

The gems and jewellery industry reportedly contributes approximately 7% to India's GDP, accounts for nearly 15% of the merchandise Exports and employs over five million currently.

The Gems & Jewellery Export Promotion Council (GJEPC) announced the trade data for the gems and jewellery products for FY18. The trade numbers are disappointing, with FY18 exports of \$32.7bn registering a drop of 7.9% over FY17 numbers, while import growth slowed down to \$31.5bn by 9.7% over FY17, the import growth in FY17 had been 18.6%.

Exports

Gems & Jewellery Exports



Source: GJEPC, CMIE

Gross cut and polished diamonds exports, which account for over half of the total exports, reached \$23.7bn in FY18, a subdued growth of 4.2% over \$22.8bn in FY17.

Gross gold jewellery exports which account for nearly a quarter for the total exports, stood at \$9.7bn, an increase of 10.9% over \$8.7bn in FY17.

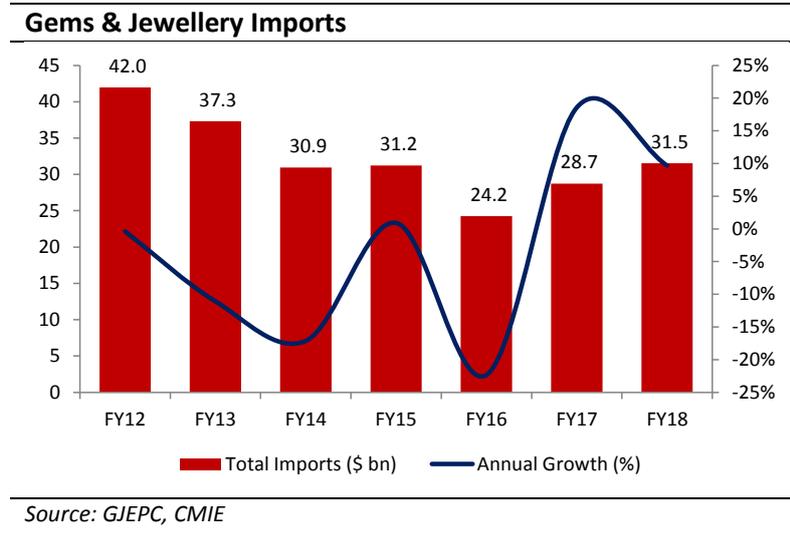
This increase in exports was offset as silver jewellery exports reached \$3.4bn in FY18, a decrease of 15.8% over FY17. Silver jewellery exports in FY17 had increased by 35.6% over FY16.

Further, Gold medallion exports reached \$1.9bn in FY18, drop of 63.5% over FY17. The drop can be primarily accounted by the government not permitting the export of gold medallions and other articles above 22-carat purity to arrest round tripping in the bullion.

Disclaimer: This report is prepared by CARE Ratings Ltd. CARE Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Ratings is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE Ratings has no

The major export destinations include Hong Kong (33% share in FY18), UAE (25% share in FY18) and US (23% share in FY18). The US jewellery demand has fallen, while UAE demand was also negatively impacted after the imposition of the 5% value-added tax in FY18. Further the drop in exports can also be attributed to rising returns, consignments worth \$8.3 bn were returned in FY18 compared with \$7.7 bn in FY17. The consignment returns as a percentage of gross exports were 18% in FY17 which increased to 20% in FY18.

Imports



In FY18, rough diamonds imports increased by 10.6% to reach \$18.9bn from \$17bn in FY17. One of the reasons for the increase has been the anticipated price increase by international diamond companies. Imports of gold bar were up 34% to \$5.7bn from \$4.2bn in FY17. On the other hand, import of cut & polished diamonds declined by 15.1% to reach \$2.2bn in FY18 from \$2.6bn in FY17.

CARE View

The exports are concentrated with the top three countries accounting for more than 50% of the exports. The industry needs to diversify the geographic customer base to reduce the concentration risk

The exports could be further impacted if bank credit availability to the sector is reduced

As the industry employs a significant number of people directly and indirectly, any slowdown could negatively impact the employment in the sector