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Will sanctions and inflation weigh on the gemstone market?

Russia's Alrosa's diamond boycott last April put a damper on the business of the world's second largest producer. Will the upcoming European Union sanctions against Russian diamonds, as well as inflation in the sector's largest import markets, cause prices to fall? Analysis.



By **CRISTINA D'AGOSTINO**

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De Beers, Alrosa and Catoca are the three main producers in the rough diamond trade (DR)

4,83 Bn \$

De Beers' turnover in 2021

3,98 Bn \$

Alrosa's turnover in 2021

72,4%

The volume of diamond production by the two largest players, De Beers and Alrosa

By 2021, Alrosa had produced 32.4 million carats, with sales estimated at over \$4 billion. This represented 90% of Russian production and 37.9% of the world's

rough diamond production market. The head of the company, Sergei Ivanov, whose father is close to Putin from the time they worked together at KGB, is now on the list of sanctioned companies. However, countries that do not apply these measures continue to import diamonds from Russia, and [Alrosa has still been able to sell](#) some of its production to the Gulf States, India and China.

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Major diamond producers are growing

the sanctions, Alrosa can sell less, and continue to do so in countries where the sanctions are not applied

GEMMOLOGIST, GEMSTONE WHOLESALER IN CONSULTANT TO BANKS AND AMBASSADOR OF THE PLATFORM

The world's rough diamond trade is driven primarily by three major diamond producers, De Beers, Alrosa and Catoca of Angola. De Beers, 85% owned by the British holding company Anglo American plc, is the leader in terms of value, having reached a record \$4.83 billion with 34.5% of the volumes produced in 2021. The [Russian Alrosa](#), first in volume with 37.9% of world

production (45.5 million carats) is in second place in value with 28.4% to 3.98 billion dollars in sales. Next in line are Catoca, owner of the fourth largest mine in the world, with 7% of world production, the Anglo-Australian multinational mining group Rio Tinto with 3% (Rio Tinto's production has fallen significantly in 2021), Petra 3% and Gem Diamonds 0.1%. The six producers alone account for just under 80% of the world's diamond production, according to the specialist platform Edhan Golan. Five months after the boycott initiative by some countries against Alrosa, what is the impact on the sector?

For Elke Berr, gemmologist, gemstone wholesaler in Geneva, consultant to banks and ambassador of the Gembridge platform: "Alrosa is a major player in the market, as it represents nearly 38% of production. Since the sanctions, it can sell less, that's a fact, but it can continue to do so in countries where the sanctions are not applied, such as India,



The volume that Alrosa is not selling represents at most between 10% and 15%, a volume that De Beers has quickly counterbalanced (...) Therefore, the sanctions are not having too much of an



Elke Berr, gemmologist, gemstone wholesaler in Geneva, consultant and ambassador of the Gembridge platform (DR)

Turkey, etc. So you can't say that there is a shortage of diamonds in the market. The volume that Alrosa is not selling represents at most between 10% and 15%, a volume that De Beers has quickly counterbalanced, since the diamond leader has increased its production accordingly. Therefore, the sanctions are not having too much of an impact on the market and the price of diamonds."

impact on the market and the price of diamonds

ELKE BERR, GEMMOLOGIST, GEMSTONE WHOLESALER IN GENEVA, CONSULTANT TO BANKS AND AMBASSADOR OF THE GEMBRIDGE PLATFORM

Tracking Diamonds Under Sanction



The market for coloured stones is growing, with better margins than rough diamonds (DR)

But how can we be sure that the diamond we buy is not an Alrosa diamond that has been smuggled through a third country that does not apply sanctions? Elke Berr continues: "It is difficult to be sure, the only way is to rely on one's network of serious suppliers who apply the sanctions. Good knowledge of the supplier network is crucial. The key word is to avoid trying to get a good deal and buy cheaper. Recently, there have been lots of diamonds on the market that have been sold at a lower price. There is a possibility that these contain [Alrosa diamonds](#). It is important to know who the supplier of rough diamonds is and who cut them. This is known as a sightholder, a dealer invited by the major producers to buy rough and who often incorporates a cutter. Their number is limited. For example, De Beers refers to a hundred or so approved sightholders. This is a guarantee of security for the merchant. In this case, traceability is possible."

The U.S. remain the world's largest diamond buyer

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ghtly down by 5% to 10% for the

GEMMOLOGIST, GEMSTONE WHOLESALER IN
NSULTANT TO BANKS AND AMBASSADOR OF THE
PLATFORM

The power of No. 1 De Beers is also measurable in diamond pricing policy. It has long been the market player that sets world prices. The company, which is very discreet and reluctant to give precise information on the price of rough diamonds per carat, states that at the beginning of 2022, the firm was increasing its rough diamond prices by 8% and even more for smaller rough diamonds. If world diamond demand was strong in the first half of the year, driven by the US market, what is the situation today, after the usually quieter summer break? According to Elke Berr, "The diamond market is currently stable, even slightly down by 5% to 10% for the blended. In September, a recovery is generally expected, but the U.S. market, leader in the sector, is suffering the consequences of inflation. The middle class is spending less on jewelry, and tends instead to sell on the secondary market. Already in 2020, this market was largely fueled by the sale of jewelry and stones belonging to individuals and had compensated for the cessation of production of the primary market, due to the pandemic. This did not reduce the supply of diamonds. Today, the trend is reversing. The secondary market is becoming more significant. For all these reasons, the purchase of important stones is not going to weaken, because the wealthiest people are always investing more in tangible goods." As we can see, inflation is weighing on the diamond market, globally. This phenomenon should be seen in the context of another factor that does not favor a rise in the price of diamonds: the world's diamond deposits are not decreasing, unlike colored stones, which are becoming increasingly rare.



De Beers, the world's largest producer, has long been the market player that sets world prices (DR)

In 2021, if the first market remained the United States with about 50% of world sales, China came in second with 20% of demand, followed by Japan, India and the Gulf

countries with 5% each. In 2022, some changes are expected: "The USA is still the largest market," explains Elke Berr. On the other hand, Asian demand has dropped slightly due to the pandemic, while the Gulf countries have increased their market share. Dubai is aiming to become a new and very important hub for the diamond trade. Many stone cutters are currently setting up shop in the state. In fact, the next ICA (International Colour Gemstones Association) annual congress will be held in Dubai in February 2023." According to the Gemguide platform, the UAE recorded a trade in rough and polished diamonds worth \$11 billion in the first quarter of 2022, an increase of 36% year-on-year. Further evidence of the area's desire to become a major hub, the Gemological Institute of America (GIA) has announced that it will open a laboratory in Dubai in the heart of the DMCC in 2023.

Colored gemstone market on the rise

For the colored gemstone market, the price variations are quite different. Elke Berr explains: "Everything that is rare has risen enormously in recent years. The price of tourmalines, but also of spinel, increases by 15% every year. I have just verified this again in Namibia, in the mines I visited recently. Sapphire is also rising sharply; depending on quality, Sri Lankan sapphire has doubled in price in five years, for example. This upward trend is reflected in all markets, the auction market, the secondary market, right out of the mine or at fairs. There is a shortage of beautiful stones."





Unheated Burma Sapphire 6.00 cts, Unheated Mozambique Ruby 2.03 cts, Unheated Mozambique Pigeon Blood Ruby 3.01 cts (DR)

It's also a market that allows for better margins, unlike diamond, which generates smaller profits (about 5%). "Margins can be as high as 30%," according to the specialist, "because there is more risk-taking. There is no fixed price given in advance for a stone, unlike the diamond. Right now, it's the connoisseur stones, such as Paraíba tourmaline and spinel, that have great upside potential."

What impact will inflation have on the colored stone market? On the Gemstone platform, its impact will be different depending on the price. Jewelry in the \$2500-\$4000 range will be impacted much more than jewelry with a starting price of \$50,000. The investment value of colored gemstone jewelry is always significant.



Everything that is rare has risen enormously in recent years. The pr

Today, demand is focused on high quality sapphires, emeralds and rubies, as well as aquamarines, spinel and tourmalines. This safe haven value is also reflected in the secondary market. Elke Berr concludes: "It is in times of crisis that the value of stones and jewelry becomes apparent. I am also talking about crises in conflicts, as we can see in the Ukraine today. I have already had to do appraisals of very beautiful antique jewelry, with very beautiful antique pink topazes, brought by Ukrainian refugees. These jewelry sales allow them to settle down, to send their children to school. This is not a new phenomenon. The whole gemstone market has been structured since the Middle Ages with the movements of people and refugees."

tourmalines, but also of spinel, incr by 15% every year

ELKE BERR, GEMMOLOGIST, GEMSTONE WHOLESAL GENEVA, CONSULTANT TO BANKS AND AMBASSAD GEMBRIDGE PLATFORM

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BUSINESS

Alrosa, from Siberia to African diamonds

Since the Russian diamond boycott, Alrosa and its hundreds of mines beneath the Siberian permafrost have been in the news. Who is this Russian mining giant and where does its influence in the global

diamond network stop? Our analysis.

By EVA MORLETTO



INNOVATION & KNOW-HOW

Boycotting Russian diamonds or component shortage, complex cogs that await watchmaking and jewelry in 2022

Boycotting Russian diamonds or component shortage, complex cogs that await watchmaking and jewelry in 2022

By CRISTINA D'AGOSTINO

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