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## India-based diamond processing hub re-opens at lower volumes

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After being closed for almost two months due to the coronavirus pandemic, the diamond manufacturing hub of Surat, India, where most of the world's rough diamonds are cut and polished, reopened in a formal, but limited, capacity on May 20.

However, a ramp-up in business to pre-pandemic levels could take months as many industry workers left the city to return home to rural villages in March, April and May, due to a lack of work amidst the lockdown. As of June, the larger manufacturers that have resumed business are operating with an estimated workforce of less than 50%.

Business has also partly resumed in Mumbai, India's primary diamond trade and export hub. The Indian diamond manufacturing trade group, the GJEPC, recently reported that Indian diamonds are being exported at 30-40% of "normal" volume.

According to industry sources, most all of the current export activity is being directed to Hong Kong and the Greater China market, as most business activity there has now returned to pre-pandemic levels.

As of May, Richemont, luxury conglomerate and parent of Cartier and Van Cleef & Arpels, said all of the company's 462 stores in China have reopened. Last month, Greater China's largest jeweller, Chow Tai Fook, said it had reopened over 90% of the company's stores by mid-April.

Despite the resumption of mid-stream business in India, the GJEPC, along with four other related organizations, called for a one-month voluntary import ban on rough diamonds in June in an effort to limit excess inventory held by the industry. The groups are also hoping to limit the subsequent negative impact that the excess inventory would have on credit availability to industry participants. In a letter to the trade group in late April, the organizations explained: "it was assessed that

such import stoppage will help the industry face the challenge that has arisen out of turmoil in the global gems and jewellery market."

Circumstances due to the pandemic and the global lockdown could result in inventory indigestion in the diamond pipeline, especially until end-consumers start buying diamonds again, creating a demand pull through in the supply chain.

However, if a significant number of manufacturers hold off on buying rough diamonds for an additional month or two, following the already three-month-plus mandatory lockdown, it will likely further strain the financials of diamond miners, especially the independent miners, a number of which are already facing severe cash flow challenges.

In an open letter to the trade group in early May, De Beers said: "Today, we are faced with a challenge not to one part of the [industry], but to the entire [industry] ... When this crisis ultimately recedes, as it will, if the upstream is intact but there is no functioning downstream, or a midstream but a significantly depleted source upstream, then we have no functioning [industry] at all."

Industry leaders De Beers and Alrosa have already cut 2020 production guidance by over 10 million carats, and given all of the combined pandemic-related production suspensions, curbs and curtailments across the industry, global production is estimated to fall to under 110 million carats this year. That is almost a 25% year-over-year decline, and would represent the lowest level of global output since the mid- to late-1990s. *TNM*

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