

Thailand's Gem and Jewelry Import-Export Performance in 2010

Overall, Thai gem and jewelry export value grew by 19.37 percent while the import value jumped 74.01 percent with unwrought or semi-manufactured gold as the main product for both export and import.

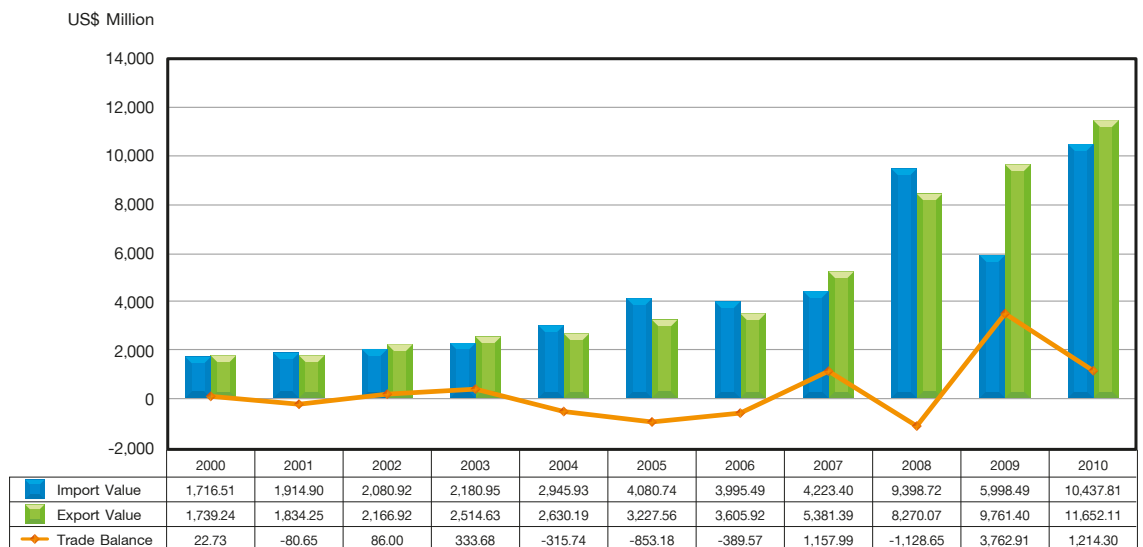
In 2010, Thailand's gem and jewelry export value under Customs Tariff Schedule Chapter 71* increased by 19.37 percent from 9,761.40 million US dollars to 11,652.11 million US dollars. Gem and jewelry was the third major category of export products, accounting for 5.97 percent of Thailand's total export value. However, if this export value is deducted by 55.73 percent share

of unwrought gold export, the remaining value would be 5,158.24 million US dollars, up 26 percent from the previous year.

Meanwhile, gem and jewelry import value jumped 74.01 percent from 5,998.49 million US dollars to 10,437.81 million US dollars.

Considering the trade balance in gem and jewelry category, Thailand earned a trade surplus of 1,214.30 million US dollars in 2010 as illustrated in Figure 1.

Figure 1: Thailand's Gem and Jewelry Import-Export Value in 2000-2010



Source: Thai Customs Department, data calculation by the Gem and Jewelry Institute of Thailand (Public Organization)

Export Performance

Product with the highest export value in 2010 was **unwrought or semi-manufactured gold**, of which the export value increased by 14.58 percent as a result from strong growth in the second and the fourth quarters at 6.36 times and 1.55 times year-on-year respectively, although the export value in the first and the third quarters plunged 87.20 percent and 45.52 percent respectively. Thailand's overall gold export value in 2010 moved in the positive territory while performance of other main products including jewelry, diamonds, colored stones, imitation jewelry and synthetic stones will be explained in details as follows:

Jewelry held the second position in terms of export value after unwrought or semi-manufactured gold, accounting for 26.80 percent of the overall gem and jewelry export value, with the growth rate of 25.29 percent. Details of each main product in this category are as follow :

- *Gold jewelry* grew 16.67 percent from the previous year. However, although the export value to main markets such as the United States and Hong Kong grew 41.28 percent and 25.06 percent respectively while India was a high potential emerging market growing 1.89 times, there was decline in some markets such as the United Arab Emirates, the United Kingdom, and Switzerland, to which the export value dropped 10.37 percent, 7.10 percent and 12.07 percent respectively. As a result, the overall export value of gold jewelry had a moderate expansion rate.

- *Silver jewelry* achieved a steady growth at 36.45 percent. The export value to main markets such as the United States, Denmark, Germany and Australia increased continuously at 32.31 percent, 92.20 percent, 18.94 percent and 15.86 percent respectively.

- *Platinum jewelry* showed a strong growth of 61.31 percent, the highest in jewelry category, even though the current export value was relatively small. This was a result from the export to main markets such as Japan, the United States, and Hong Kong, where the export value maintained a steady growth at 77.41 percent, 161.47 percent and 56.03 percent respectively.

Diamonds were the third major export product, accounting for 9.42 percent of the overall gem and jewelry export value and having a strong growth of 34.15 percent. Polished diamonds were the main export product in this category growing at 28.81 percent compared to the previous year. The major markets include Hong Kong, Belgium, Israel, India and the United States respectively.

Color stones accounted for 4.06 percent of Thailand's overall gem and jewelry export value, with the growth rate of 19.17 percent. This category can be divided into following products:

- *Polished precious stones (ruby, sapphire and emerald)* expanded 28.01 percent from the previous year. The export value to main markets such as Hong Kong, the United States, India and Switzerland maintained a rather strong and steady growth although the export value to Japan was in decline. It should also be noted that polished precious stones regained their role in export after losing their significance in 2009.

- *Polished semi-precious stones* grew 11.15 percent as a result from expanding export to major markets such as Hong Kong, the United States and India. However, the export value to Switzerland was dropping continuously.

Table 1: Thailand's Gem and Jewelry Export Value from January to December 2009-2010

Categories	Value (Million US\$)		Share (Percent)		Change (Percent)
	Jan-Dec 09	Jan-Dec 10	Jan-Dec 09	Jan-Dec 10	
1. Unwrought Gold or Semi-Manufactured Gold	5,667.46	6,493.87	58.06	55.73	14.58
2. Jewelry	2,492.06	3,122.27	25.53	26.80	25.29
2.1 Silver jewelry	956.29	1,304.83	9.80	11.20	36.45
2.2 Gold jewelry	1,388.69	1,620.24	14.23	13.91	16.67
2.3 Platinum jewelry	26.02	41.97	0.27	0.36	61.31
2.4 Others	121.06	155.24	1.24	1.33	28.23
3. Diamonds	818.36	1,097.85	8.38	9.42	34.15
3.1 Rough	112.09	189.57	1.15	1.63	69.12
3.2 Polished	704.92	907.98	7.22	7.79	28.81
3.3 Others	1.35	0.30	0.01	0.00	-77.56
4. Colored Stones	396.94	473.05	4.07	4.06	19.17
4.1 Rough	16.44	19.98	0.17	0.17	21.50
4.2 Polished precious stones	178.74	228.82	1.83	1.96	28.01
4.3 Polished semi-precious stones	201.76	224.26	2.07	1.92	11.15
5. Imitation Jewelry	213.02	288.27	2.18	2.47	35.32
6. Synthetic Stones	59.96	82.21	0.61	0.71	37.12
7. Others	113.60	94.59	1.17	0.81	-16.74
Total (1+2+3+4+5+6+7)	9,761.40	11,652.11	100.00	100.00	19.37

Source: Thai Customs Department, data calculation by the Gem and Jewelry Institute of Thailand (Public Organization)

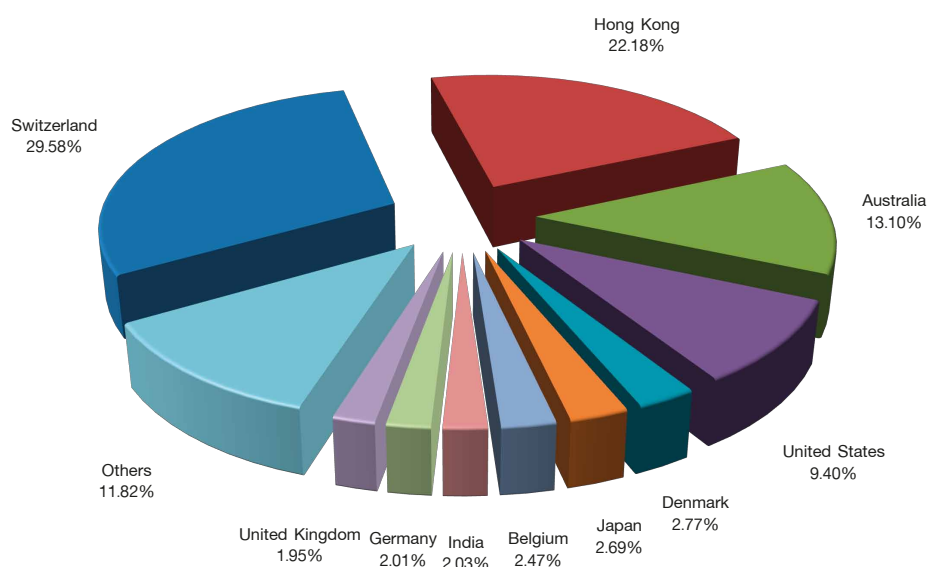
Thailand's top three gem and jewelry export markets in terms of value in 2010 were **Switzerland, Hong Kong and Australia**, which accounted for 29.58 percent, 22.18 percent and 13.10 percent respectively. The export value to Switzerland and Hong Kong increased by 30.75 percent and 35.14 percent respectively while the export value to Australia dropped 25.73 percent. However, the main product which achieved a strong growth in export value to Australia was jewelry, with silver jewelry growing 15.86 percent and gold jewelry growing 14.51 percent. The main export product to Switzerland, Hong Kong and Australia was unwrought or semi-manufactured gold.

The United States held the fourth position in the list of gem and jewelry export markets, accounting for 9.40 percent of the total value and expanding at the rate of 30.32 percent. The main export products

(over 80 percent) were silver jewelry and gold jewelry, which grew 32.31 percent and 41.28 percent respectively.

The fifth export market was **Denmark**, gaining a share of 2.77 percent and a growth of 81.99 percent in export value as a result from the rise in main products such as silver jewelry, which had 92.20 percent growth. Other markets in the following positions which continued their steady growth include **Japan, Belgium, India and Germany**, to which the export value increased by 60.79 percent, 9.13 percent, 69.90 percent and 20.36 percent respectively. Main export products to Japan were gold jewelry and platinum jewelry, as well as unwrought or semi-manufactured gold while almost all export products to Belgium were polished diamonds. As for the Indian market, the main export product was gold jewelry, and for Germany, silver jewelry was the main one.

Figure 2: Thailand's Gem and Jewelry Export Markets in 2010



Source: Thai Customs Department, data calculation by the Gem and Jewelry Institute of Thailand (Public Organization)

Considering Thai gem and jewelry export value (excluding unwrought or semi-manufactured gold) to various regions during 2007-2010 as in Table 2, it is found that the export value was on the rise in every region, especially in emerging markets like China and India, of which the export share increased consistently and the export value grew over 60 percent. Among the export products to China, gold jewelry, silver jewelry, and polished precious and semi-precious stones were doing well. For export products to India, gold jewelry, polished diamonds and polished precious stones were making progress. Moreover, the export value to Japan was also increasing, being mainly

driven by higher value in gold jewelry and platinum jewelry export.

The existing/main markets like the United States, the European Union and Japan kept nearly the same share in Thailand's gem and jewelry export (excluding gold), at 53.87 percent in total. Meanwhile, emerging markets like China, India, Russia and countries in the Commonwealth of Independent States, the Middle East countries, the ASEAN, and Pacific Island countries had a moderate share of 19.90 percent. However, they had rather high growth potential and can be considered as promising markets gradually gaining more importance.

Table 2: Thailand's Gem and Jewelry Export Value (Excluding Gold) by Market Regions in 2007-2010

Country/Region	Value (Million US\$)				Share (Percent)				Change (Percent)		
	2007	2008	2009	2010	2007	2008	2009	2010	08/07	09/08	10/09
United States	1,025.37	1,071.40	837.22	1,094.10	26.51	21.93	20.45	21.21	4.49	-21.86	30.68
European Union	1,134.08	1,463.51	1,215.23	1,454.70	29.32	29.95	29.68	28.20	29.05	-16.96	19.71
Japan	170.62	181.62	150.02	230.14	4.41	3.72	3.66	4.46	6.45	-17.40	53.41
China	13.89	11.97	11.40	20.30	0.36	0.24	0.28	0.39	-13.86	-4.79	78.16
India	93.72	147.24	138.97	228.33	2.42	3.01	3.39	4.43	57.11	-5.62	64.30
Russia and CIS countries	30.16	48.12	23.00	28.60	0.78	0.98	0.56	0.55	59.57	-52.21	24.37
Middle East countries	587.07	668.10	404.53	506.91	15.18	13.67	9.88	9.83	13.80	-39.45	25.31
ASEAN	41.90	50.01	46.25	52.47	1.08	1.02	1.13	1.02	19.36	-7.52	13.47
Pacific Island countries	99.20	149.03	164.18	189.72	2.56	3.05	4.01	3.68	50.23	10.17	15.56
Others*	672.10	1,095.41	1,103.15	1,352.94	17.38	22.43	26.96	26.23	62.98	0.71	22.64
Total	3,868.11	4,886.40	4,093.94	5,158.24	100.00	100.00	100.00	100.00	26.33	-16.22	26.00

Source: Thai Customs Department, data calculation by the Gem and Jewelry Institute of Thailand (Public Organization)

Note: * Important countries in "Others" category include Switzerland, Hong Kong, Liechtenstein and South Africa.

Import Performance

Gem and jewelry import value in 2010 increased by 74.01 percent. **Unwrought or semi-manufactured gold** was the top import product in terms of import value with the growth rate of 1.07 times due to increasing import during the gold price decline to make profits when the price went up. As a result, gold import value in the first and the third quarters of 2010 grew over 9.06 times and 1.89 times respectively.

The next import product is **diamonds** with a 0.10 percent decrease in import value; most products were polished diamonds of which the import value grew only 0.99 percent. Other important products include **silver, jewelry,** and **colored stones,** of which the import value grew 45.63 percent, 8 percent and 16.95 percent respectively. In general, most import products at over 93 percent were raw materials.

Table 3: Thailand's Gem and Jewelry Import Value from January to December 2009 - 2010

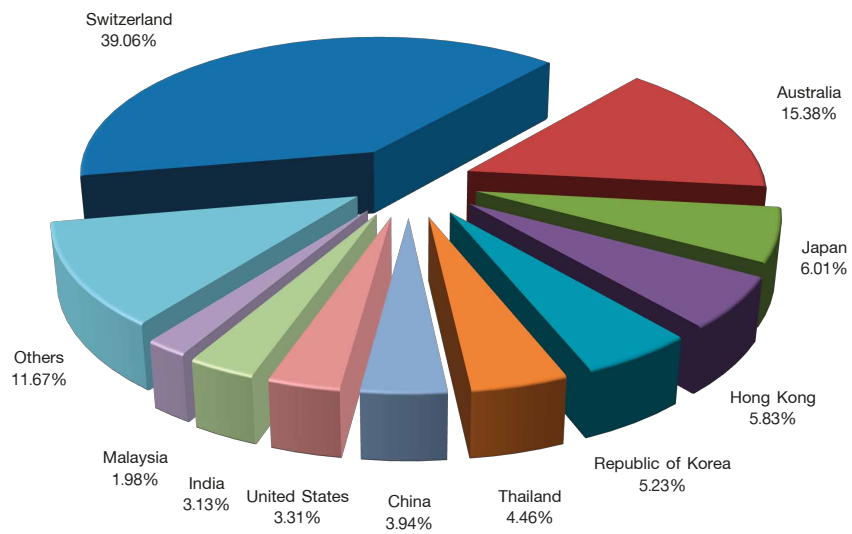
Categories	Value (Million US\$)		Share (Percent)		Change (Percent)
	Jan-Dec 09	Jan-Dec 10	Jan-Dec 09	Jan-Dec 10	
1. Unwrought or Semi-Manufactured Gold	3,785.32	7,848.61	63.10	75.19	107.34
2. Diamonds	774.16	773.42	12.91	7.41	-0.10
2.1 Rough	175.28	170.42	2.92	1.63	-2.77
2.2 Polished	590.22	596.05	9.84	5.71	0.99
2.3 Others	8.66	6.95	0.14	0.07	-19.72
3. Silver	520.66	758.23	8.68	7.26	45.63
4. Jewelry	507.02	547.57	8.45	5.25	8.00
4.1 Silver jewelry	46.65	60.92	0.78	0.58	30.59
4.2 Gold jewelry	427.34	457.16	7.12	4.38	6.98
4.3 Platinum jewelry	8.33	5.43	0.14	0.05	-34.84
4.4 Others	24.69	24.06	0.41	0.23	-2.55
5. Colored Stones	233.56	273.16	3.89	2.62	16.95
5.1 Rough	18.11	9.90	0.30	0.09	-45.33
5.2 Polished precious stones	101.76	127.09	1.70	1.22	24.88
5.3 Polished semi-precious stones	113.68	136.17	1.90	1.30	19.78
6. Synthetic Stones	51.17	70.18	0.85	0.67	37.16
7. Others	126.62	166.64	2.12	1.60	31.60
Total (1+2+3+4+5+6+7)	5,998.49	10,437.81	100.00	100.00	74.01

Source: Thai Customs Department, data calculation by the Gem and Jewelry Institute of Thailand (Public Organization)

The most important source for gem and jewelry import was **Switzerland** with the share of 39.06 percent and 1.49 times growth in import value. Other major sources with high import value include **Australia, Japan, Hong Kong** and **South Korea,** accounting for 15.38 percent, 6.01 percent, 5.83 percent and 5.23 percent of the total import value

respectively. The import value from Australia, Japan and South Korea grew 65.81 percent, 1.72 times and 1.43 times respectively while the import value from Hong Kong dropped 23.58 percent. Products from these top five import sources were mostly unwrought or semi-manufactured gold.

Figure 3: Thailand's Gem and Jewelry Import Sources in 2010



Source: Thai Customs Department, data calculation by the Gem and Jewelry Institute of Thailand (Public Organization)

Conclusion

Thailand's gem and jewelry export value in 2010 increased by 19.37 percent. However, considering the export value excluding unwrought or semi-manufactured gold, the growth rate was at 26 percent, and considering the export value excluding unwrought or semi-manufactured gold and products being sent

back after the display in international trade fairs, the net export value of gem and jewelry grew 28.23 percent as shown in Table 4. This is a proof of real potential in Thailand's gem and jewelry export, which has consistently maintained a strong growth so far.

Table 4: Thailand's Gem and Jewelry Net Export Value from January to December 2009-2010

Description	Value (Million US\$)		Share (Percent)		Change (Percent)
	Jan-Dec 09	Jan-Dec 10	Jan-Dec 09	Jan-Dec 10	
Total gem and jewelry export value	9,761.40	11,652.11	100.00	100.00	19.37
Deducted by gold export value	5,667.46	6,493.87	58.06	55.73	14.58
Export value excluding gold	4,093.94	5,158.24	41.94	44.27	26.00
Deducted by the value of products sent back after the display in international trade fairs	434.67	465.85	4.45	4.00	7.17
Net export value	3,659.27	4,692.39	37.49	40.27	28.23

Source: Thai Customs Department, data calculation by the Gem and Jewelry Institute of Thailand (Public Organization)

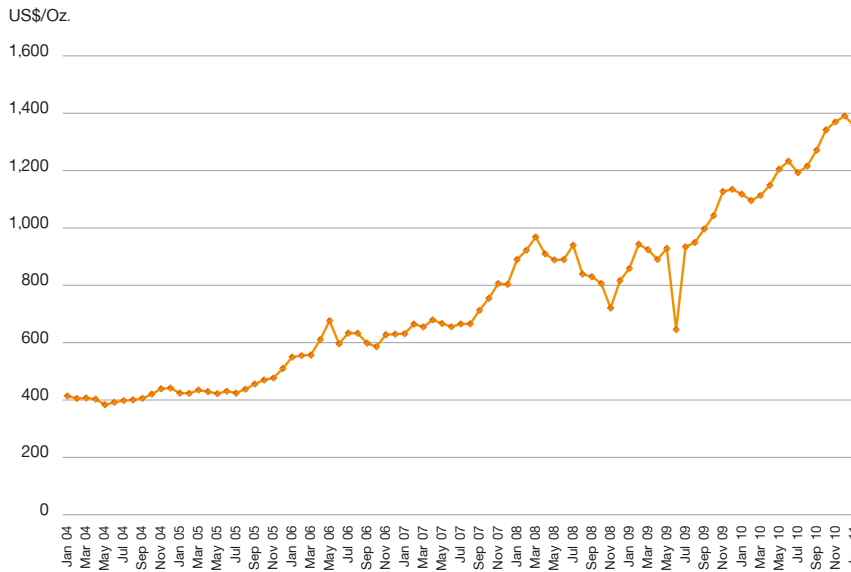
Thai gem and jewelry export value excluding gold has developed a good expansion. However,

from the current situation, the industry is facing several risk factors:

• **Fluctuating price of gold and silver raw material with high percent change** In December 2010, the average gold price was at 1,390.55 US dollars per ounce, jumping 24.38 percent from January 2010, while the average silver price was at 29.35 US dollars per ounce, up 65 percent from January 2010, although in January 2011, the gold price went down slightly to the average of 1,356.40

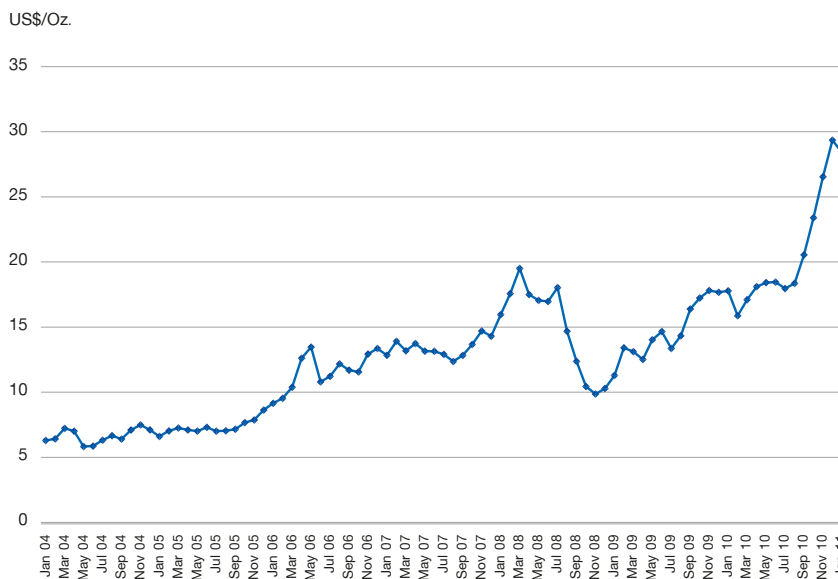
US dollars per ounce, while silver price also fell to the average of 28.40 US dollars per ounce. If the price of raw materials still fluctuates and maintains high level of movement as it does now, it may cause a negative effect on the demand in jewelry consumption in the global market, and finally on Thai gem and jewelry export value.

Figure 4: Average Gold Price in the Global Market in 2004-2011



Source: www.kitco.com

Figure 5: Average Silver Price in the Global Market in 2004-2011



Source: www.kitco.com

- **Concerns over the economic recovery of major trading partners**, including the United States, the European Union, and Japan, which suffered from economic slowdown in recent years, leaving effects on demand in gem and jewelry as well as the consumers' behavior. For example, the number of product quantity for each purchase order is dropping, and consumers tend to focus on price factor over product quality. Although the US economy is gaining a good growth potential, but still it cannot be determined whether this is a sustainable recovery. As for Europe, the problems from the public debt crisis have not yet been completely solved. Japanese economy is moderately recovering, but in the face of public debt problem, which is developing to a higher level. All of these are negative factors to Thai gem and jewelry export.

- **Thai baht appreciation compared to local currencies of competing countries** Even though Thai baht suggests a trend towards depreciation when compared to the last quarter of 2010, moving in the range of 30.00-31.00 baht to US dollar, it still has a

higher appreciation rate than many countries in Asia (except Japan, Malaysia, and Singapore), including major competing countries in the main markets, such as China and India. Moreover, Thai baht may continue its appreciation from 2010, during which it appreciated at a high rate of 8.33 percent (www.bot.or.th). Apart from the effect to price competitiveness of Thai products, this will also directly impact the revenue of Thai export companies.

Therefore, in the long term, Thai entrepreneurs should add value to their products, and manage their risk by searching for new opportunities in other potential markets like China, India, Australia, Russia and the Middle East. In the short to middle term, they should prevent the risk from conversion rate by implementing forward contracts, as well as take advantage from baht appreciation by upgrading their machinery to increase efficiency, and adopting suitable strategies in production cost management. With these approaches, Thai gem and jewelry export will be able to maintain its strong growth in the future.

* Customs Tariff Schedule Chapter 71 for "Natural or cultured pearls, precious or semi-precious stones, precious metals, metal clad with precious metal and article thereof; imitation jewelry; coin"

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