



GIT TRADE REVIEW 2014

Information Center, The Gem and Jewelry Institute of Thailand (Public Organization)

Thailand's Gem and Jewelry Import-Export Performance in 2014

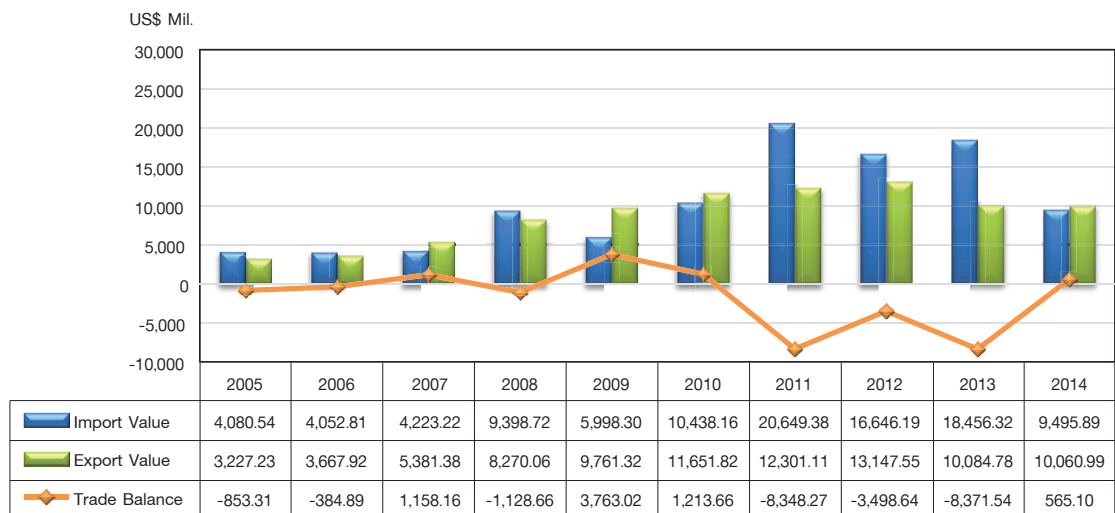
Thailand's overall gem and jewelry export value decreased by 0.24 percent while the import value also decreased as much as 48.55 percent. Jewelry was the most important export product while unwrought or semi-manufactured gold occupied the top position among import products. However, if unwrought or semi-manufactured gold is excluded, the export value would grow from the previous year by 6.89 percent. As for 2015, the export value is expected to grow at a lower rate compared to 2014 in spite of the US economic recovery. This is due to negative factors from the economic slowdown in trading partner countries and high fluctuation of global major currencies.

Thailand's gem and jewelry export value under Customs Tariff Schedule Chapter 71* dropped by 0.24 percent from 10,084.78 million US dollars in 2013 to 10,060.99 million US dollars in 2014. As the fourth most important category, gem and jewelry accounted for 4.42 percent of Thailand's overall export products. However, if the export of unwrought gold, which was mainly used for investment purpose and accounted for around 28 percent of the export, is deducted, the net export value of gem and jewelry would be 7,281.45 million US dollars, growing by 6.89 percent from the previous year.

Meanwhile, Thailand's gem and jewelry import decreased by 48.55 percent from 18,456.32 million US dollars to 9,495.89 million US dollars.

Regarding the trade balance in gem and jewelry, Thailand had a surplus of 565.10 million US dollars in 2014 as shown in figure 1. This is the first trade surplus in four years since 2011, as a result from the decrease in unwrought gold import, as well as the increased export of products which are value added in Thailand, such as jewelry and polished gemstone.

Figure 1: Thailand's Gem and Jewelry Import-Export Value in 2005-2014



Source: Ministry of Commerce, data calculation by The Gem and Jewelry Institute of Thailand (Public Organization)

Export Performance

The product with the highest export value in 2014 was **jewelry**, accounting for 38.29 percent of Thailand's gem and jewelry export value and growing at 3.42 percent. Details of each main product in this category are as follow:

Gold Jewelry had a 1.96 percent drop from previous year since the export to the United Arab Emirates and the United Kingdom, the third and the fourth most important markets, declined by 40.38 percent and 8.31 percent respectively. Meanwhile, the export to other main markets, including Hong Kong, the United States and Switzerland, as the first, the second and the fifth largest markets, increased by 4.41 percent, 10.38 percent and 23.81 percent respectively, showing the rise of consumers' demand in these countries.

The fall in the export to the United Arab Emirates was caused by its shift to import products from other trading partners, especially India. With trading network and close relationship between India and the UAE, as well as India's specialization in Arabian-styled jewelry which effectively respond to UAE consumers' demand, the UAE increased its import of gold jewelry from India.

The export to the United Kingdom went down because of its unstable economy. The UK consumers were still cautious in luxury spending, leading to a decrease in gold jewelry demand.

Thailand also achieved growth in its export to emerging markets like Singapore, Bahrain and Russia, which ranked at the 11th, 13th and 14th, showing the increase of 42.49 percent, 41.97 percent and 37.23 percent respectively. The export to Singapore was partly for domestic distribution and partly for re-export to other markets, while Bahrain and Russia imported Thai gold jewelry mostly for domestic consumption.

Silver Jewelry grew by 5.62 percent from the export to major markets, including Germany, Russia, Australia and Hong Kong, holding the second, third, fourth and fifth places, with the increase of 18.06 percent, 148.60 percent, 11.59 percent and 5.04 percent in export value respectively. Increasingly important markets like Singapore, Taiwan and Malaysia were at the 9th, 10th and 12th and grew as much as 63.03 percent, 187.23 percent and 142.73 percent respectively.

The export of silver jewelry to the United States, which had the largest share at over 37 percent, dropped 7.34 percent. With confidence in economic recovery, the US consumers shifted from affordable silver jewelry, which had been popular during the economic slowdown, to high-valued gold jewelry to be collected as personal asset.

Platinum Jewelry achieved an exceptional growth of 21.15 percent. The export value to major markets, including Japan, which dominated over half of the export, as well as Hong Kong, the United Kingdom and Switzerland, at the second, fourth, and fifth places, grew by 4.54 percent, 55.85 percent, 84.16 percent and 331.18 percent respectively. The export to potential markets including Singapore and Taiwan, rising to the sixth and the tenth places, also increased by 9.01 times and 3.18 times respectively. However, the export to the United States as the third most important market dropped by 7.13 percent. The increase in export value was due to the fact that platinum price per ounce is just slightly higher than gold price, but platinum jewelry has the image of luxury product comparable to gold jewelry. As a result, affluent consumers with high purchasing power have continuously increased their demand for platinum jewelry.

Unwrought or Semi-Manufactured Gold had the second highest export value with a 27.63 percent share of the overall gem and jewelry export. Its export

value dropped 15.06 percent due to fluctuation of gold price in the negative territory. The average gold price in 2014 was at 1,266.40 US dollars per ounce (www.kitco.com), 10.26 percent lower than in 2013. The decrease was caused by concerns over global economic situations in 2014, including the United States' strong economic recovery, possibility of increased interest rate by the Federal Reserve, the continuous decrease of crude oil price which led to US dollar appreciation, as well as the Russian economy on the brink of recession. Therefore, investors sell gold, which is safe-haven asset, and shift their investment to other risk assets which offer higher return.

However, gold price slightly increased at the end of 2014 and kept rising in January 2015, due to concerns over instability in the global economy. The central banks of many countries adopted measures to support their currencies and gradually accumulate gold reserves. The Swiss National Bank removed its cap on Swiss franc's value against the euro while the European central bank announced its large-scale quantitative easing policy. Moreover, there were concerns over political and economic situation in Greece. The above factors still influence the trend of gold price in the first quarter of 2015.

Diamond was the third most important export product, accounting for 18.25 percent and gaining a 9.61 percent increase in export value. Polished diamond was the main product in this category with 6.75 percent growth from the previous year. The top five markets of Thailand's diamond export were Hong Kong, Belgium, India, Israel and the United States, where the export value grew by 8.56 percent, 9.56 percent, 2.66 percent, 5.30 percent and 41.12 percent respectively. Thailand can also export diamond to potential markets like China and Armenia, which held the ninth and the tenth places, growing by 1.26 times and 33.12 times respectively.

Colored Stone was the fourth most important export product with a 9.11 percent share and 21.10 percent growth compared to the previous year. Details of each product category are as follow:

Polished Precious Stone (Ruby, Sapphire and Emerald) had 18.71 percent growth. Around 46 percent of the products were sapphire, which gained an increase of 14.70 percent, while ruby accounted for 36 percent of the export with 20.42 percent growth compared to the previous year. Strong growth in this category was a result from the increased export to the top five markets, including Hong Kong, which dominated over 46 percent of the export, the United States, Switzerland, China and India, with the high growth of 22.57 percent, 19.48 percent, 26.48 percent, 145.35 percent and 1.20 percent respectively. Thailand also exported polished precious stone to Sri Lanka, its 11th largest market, with an increase of over 2.44 times. Most sapphires were imported from Sri Lanka for polishing before being exported back.

Polished Semi-Precious Stone grew by 21.59 percent thanks to the export to major markets including Hong Kong, which had the highest share at 58 percent and a 24.91 percent value increase, as well as the United States, India, China and Switzerland, holding the second, third, fourth and fifth places with strong growth rates at 35 percent, 43.34 percent, 24.35 percent and 32.42 percent respectively. Emerging market like France climbed up to the ninth place, growing over 1.58 times.

Costume Jewelry was at the fifth place with a 4.04 percent share and 12.12 percent growth compared to the previous year due to the increase in export to major markets, including Liechtenstein, the United States, Singapore and the United Kingdom, at the rates of 31.72 percent, 0.22 percent, 39.12 percent and 10.55 percent respectively. This is partly because teenagers or young consumers with relatively low purchasing power prefer fashionable products which are affordable and adaptable to new trends. Being widely recognized in terms of quality, pricing and designs, Thai costume jewelry became popular among this consumer group. The only exception was in the export to Germany, the third largest market, where the export value dropped by 2.14 percent.

Table 1: Thailand's Gem and Jewelry Export Value from January to December 2013 and 2014

Category	Value (Million USD)		Share (Percent)		Change (Percent)
	Jan-Dec 13	Jan-Dec 14	Jan-Dec 13	Jan-Dec 14	
1. Jewelry	3,724.97	3,852.35	36.94	38.29	3.42
1.1 Silver jewelry	1,603.54	1,693.64	15.90	16.83	5.62
1.2 Gold jewelry	1,937.08	1,899.16	19.21	18.88	-1.96
1.3 Platinum jewelry	90.74	109.93	0.90	1.09	21.15
1.4 Others	93.62	149.62	0.93	1.49	59.82
2. Unwrought or Semi-Manufactured Gold	3,272.51	2,779.54	32.45	27.63	-15.06
3. Diamonds	1,675.38	1,836.42	16.61	18.25	9.61
3.1 Rough Diamond	130.44	175.83	1.29	1.75	34.80
3.2 Polished Diamond	1,537.68	1,641.51	15.25	16.32	6.75
3.3 Others	7.25	19.07	0.07	0.19	163.08
4. Colored Stones	756.94	916.69	7.51	9.11	21.10
4.1 Rough Stone	36.76	54.76	0.36	0.54	48.97
4.2 Polished Precious Stone	476.91	566.14	4.73	5.63	18.71
4.3 Polished Semi-Precious Stone	243.27	295.79	2.41	2.94	21.59
5. Costume Jewelry	362.34	406.27	3.59	4.04	12.12
6. Synthetic Stone	139.83	118.39	1.39	1.18	-15.33
7. Others	152.81	151.33	1.51	1.50	-0.97
Total (1+2+3+4+5+6+7)	10,084.78	10,060.99	100.00	100.00	-0.24

Source: Ministry of Commerce, data calculation by The Gem and Jewelry Institute of Thailand (Public Organization)

The highest-valued market for Thailand's gem and jewelry export in 2014 was **Hong Kong**, which accounted for 24.81 percent, but the export value decreased by 5.41 percent as a result of 33.61 percent decline in the export of unwrought or semi-manufactured gold, which was the main product at the share of around 27 percent, while other top products, including polished diamond, gold jewelry, polished precious and semi-precious stone, grew by 7.77 percent, 4.41 percent, 22.57 percent and 24.91 percent respectively.

The United States was the second most important market, accounting for 13.52 percent of the overall export and achieving 3.06 percent growth. Over 77 percent of the export was jewelry, most of which was silver jewelry with a 7.34 percent decrease.

However, gold jewelry export still increased by 10.38 percent while polished diamond, polished precious stone and polished semi-precious stone grew as much as 39.33 percent, 19.48 percent and 35 percent respectively.

Switzerland was the third most important export market with a share of 11.52 percent and a large increase of 42.28 percent as a result of 50.70 percent growth in unwrought or semi-manufactured gold, which was the main product at the share of almost 80 percent. Thailand also had a 26.04 percent increase in its jewelry export to this market; almost all of the products were gold jewelry.

Germany was the fourth most important export market with a share of 6.07 percent and the growth of

15.18 percent. Jewelry was the main export product in this market, accounting for around 89 percent, most of which was silver jewelry at the growth rate of 18.06 percent. Thailand also gained an increase in gold jewelry export at the rate of 12.44 percent.

Thailand's fifth most important market was **Singapore**, having a 4.81 percent share and a 46.18 percent decrease. This was because the export of unwrought or semi-manufactured gold, the most important product which accounted for over 72 percent, had a 56.21 percent decrease as global demand for investment products like gold was in decline. On the other hand, other major export products, including costume jewelry, gold jewelry and silver jewelry, still grew by 39.12 percent, 42.49 percent and 63.03 percent respectively.

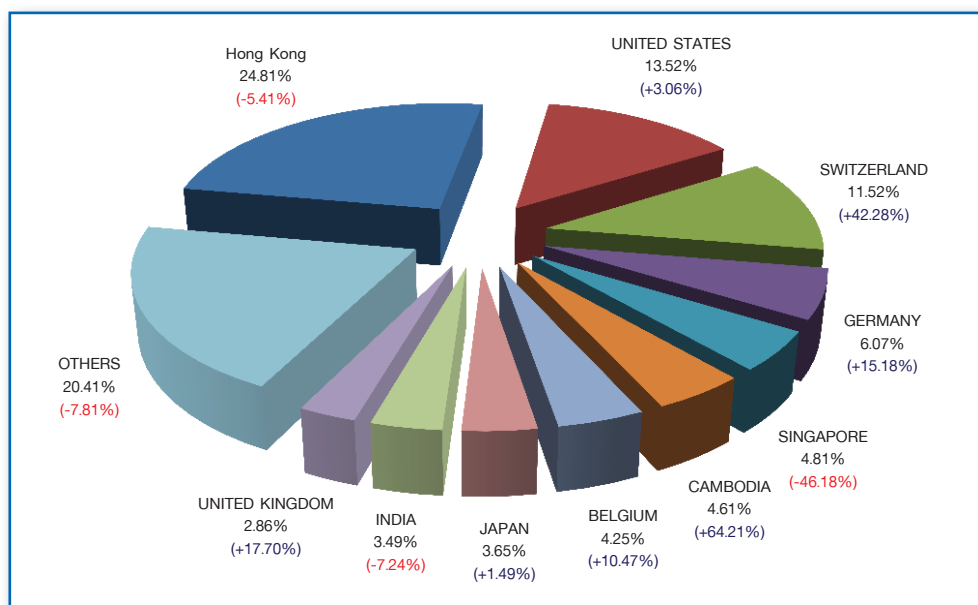
As for other major markets with high growth in export value, including **Cambodia, Belgium, Japan** and **the United Kingdom**, the export value expanded by 64.21 percent, 10.47 percent, 1.49 percent and 17.70 percent respectively. Almost all products being exported to Cambodia were unwrought or semi-manufactured gold, of which the export value increased as much as 65.62 percent while most export to Belgium was polished diamond, which grew by 7.96 percent.

Increased export to Japan was a result from the export of unwrought or semi-manufactured gold, gold jewelry, platinum jewelry and polished diamond, which grew by 45.33 percent, 12.96 percent, 4.54 percent and 4.13 percent respectively.

The export to the United Kingdom had strong growth from important products, including silver jewelry and costume jewelry, which grew by 3.35 percent and 10.55 percent respectively, although the main export product like gold jewelry had 8.31 percent decline.

The export value to India as the ninth largest market dropped by 7.24 percent since the export of gold jewelry and unwrought or semi-manufactured gold, which had previously been the main product in this market, decreased by 25.91 percent and 97.49 percent respectively due to India's measure to curb its import of Thai gold and gold jewelry since 2013. Over half of the export to India was polished diamond at 3.03 percent growth rate. Other main products included silver, polished precious stone, rough stone and polished semi-precious stone, growing by 1,292.41 percent, 1.20 percent, 54.15 percent and 43.34 percent respectively.

Figure 2: Thailand's Gem and Jewelry Export Markets in 2014



Source: Ministry of Commerce, data calculation by The Gem and Jewelry Institute of Thailand (Public Organization)

Regarding the export value of Thai gem and jewelry (excluding gold) to different markets/ regions in 2011-2014 as shown in Table 2, it is found that the export value to most major markets was on the increase in 2014; for example, the export to Hong Kong, the European Union, the United States, India, ASEAN, Pacific Islands, Russia and the Commonwealth of Independent States (CIS), and China showed growth of 12.22 percent, 3.83 percent, 3.09 percent, 11.39 percent, 29.78 percent, 6.10 percent, 114.88 percent and 93.43 percent respectively. This strong growth was supported by the sustained recovery of the world's largest economy like the United States. This recovery positively affected the overall global economy, boosting confidence in luxury spending among consumers who had previously slowed down their purchase during the economic slump. As a result, consumption demand in gem and jewelry category was on the rise.

The market which Thai exporters should increasingly concentrate on is ASEAN. In spite of moderate export value, its share has steadily been increasing each year, with a large room for growth from the ASEAN Economic Community (AEC). Thailand's major export market in ASEAN was Singapore, which grew as much as 34.32 percent from an increase in the export of costume jewelry, gold jewelry and silver jewelry. The second largest market was Malaysia with a large increase of 53.15 percent from the increased export of main products including silver jewelry, gold jewelry and polished diamond. Vietnam was at the third with a 45.74 percent growth in export value. The main products were polished diamond and silver jewelry, of which the export was on the increase.

Russia and the CIS countries is another potential market where Thailand should focus its marketing effort. This market offered high growth in export value and had an increased share in Thailand's export compared to the previous year. The main factor was the increase in export to Russia at the rate of 98.57 percent. The main export products which enjoyed growth in this market were silver

jewelry and gold jewelry. Another important market was Armenia, to which the export value dramatically increased by 6.19 times. The main products were rough diamond and gold jewelry, both of which had strong growth.

The increase in the export to the European Union was a result from strong growth in main products including silver jewelry, gold jewelry and polished diamond. Thailand's top three markets in the European Union were Germany, Belgium and the United Kingdom, where the export value increased by 18.55 percent, 10.47 percent and 1.60 percent respectively.

The export to the Middle East countries decreased in terms of market share and value compared to the previous year since the export to the major market, the United Arab Emirates, significantly dropped by 33.26 percent. The export of main products, including gold jewelry, polished diamond, polished precious and semi-precious stone, drastically decreased, partly due to the conflict and violence in the Middle East caused by the Islamic State (IS) militant group. As a result, consumers cut their spending on luxury products, leading UAE to decrease import of gem and jewelry which partly are for re-exporting to other countries in the Middle East. The UAE also imported these products through other countries like India and Hong Kong, instead of directly importing from Thailand. The export to other important markets including Israel and Bahrain increased by 5.99 percent and 44.06 percent respectively in terms of value. Main export products to Israel were polished diamond and rough diamond while products for Bahrain were mostly gold jewelry.

The export to Japan has steadily been decreasing since 2013, as a result of its increase of value added tax in April 2014. This policy was one of the factors involved in its economic recession since consumers significantly cut their spending due to this measure. However, in spite of its sluggish economy, some affluent Japanese consumers with high purchasing power have turned their interest to safe-haven assets like gold, gold jewelry and platinum jewelry.

Table 2: Thailand's Gem and Jewelry Export Value (Excluding Gold) by Markets/Regions in 2011 - 2014

Country/Region	Value (Million USD)				Share (Percent)				Change (Percent)		
	2011	2012	2013	2014	2011	2012	2013	2014	12/11	13/12	14/13
Hong Kong	1,324.16	1,498.78	1,623.61	1,822.07	20.68	23.02	23.83	25.02	13.19	8.33	12.22
European Union	1,640.17	1,586.23	1,600.78	1,662.16	25.61	24.37	23.50	22.83	-3.29	0.92	3.83
United States	1,340.18	1,276.03	1,319.11	1,359.87	20.93	19.60	19.36	18.68	-4.79	3.38	3.09
Middle East Countries	573.06	618.79	729.51	598.85	8.95	9.51	10.71	8.22	7.98	17.89	-17.91
India	411.90	350.85	314.22	350.00	6.43	5.39	4.61	4.81	-14.82	-10.44	11.39
Japan	253.51	307.19	285.08	255.81	3.96	4.72	4.18	3.51	21.18	-7.20	-10.27
ASEAN	88.65	119.72	158.41	205.58	1.38	1.84	2.33	2.82	35.05	32.31	29.78
Pacific Island Countries	205.16	181.44	171.30	181.74	3.20	2.79	2.51	2.50	-11.56	-5.59	6.10
Russia and CIS Countries	37.26	35.12	74.57	160.25	0.58	0.54	1.09	2.20	-5.75	112.35	114.88
China	56.14	48.43	57.40	111.03	0.88	0.74	0.84	1.52	-13.73	18.52	93.43
Others	473.62	487.35	478.28	574.09	7.40	7.48	7.04	7.89	2.90	-1.86	20.03
Total	6,403.81	6,509.93	6,812.27	7,281.45	100.00	100.00	100.00	100.00	1.66	4.64	6.89

Source: Ministry of Commerce, data calculation by The Gem and Jewelry Institute of Thailand (Public Organization)

Import Performance

Thailand's gem and jewelry import value in 2014 was 9,495.89 million US dollars, down 48.55 percent from the previous year due to the decrease in all major import products. **Unwrought or semi-manufactured gold** had the highest share at 69.64 percent of the import, in spite of a 56.08 percent decrease. This was because the overall gold price in 2014 moved in the negative territory in line with the United States' sustained economic recovery which led to US dollar appreciation. Moreover, the European Union, as well as Japan, have implemented measures for economic stimulation through quantitative easing policies. These factors helped in boosting the stock markets around the world and attracted investors to buy other kinds of assets which offer higher return. As safe-haven asset with lower return, the interest in gold has declined, resulting in less demand in 2014.

The second most important import product was **diamond**, with a 28.21 percent decrease. Most products were polished diamonds, of which the import decreased by 45.82 percent, while the import of **jewelry** and **silver**, at the third and the fourth places, dropped by 8.64 percent and 23.83 percent respectively. Most jewelry was gold jewelry, of which the import was in decline. As for the fifth most important product **colored stone**, the value increased by 9.06 percent. This included polished precious and semi-precious stones; some had been roughly cut to be polished in details by Thai craftsmen before being exported to other countries or used as raw material for domestic manufacturing. It should also be noted that over 90 percent of Thailand's import products were raw material.

Table 3: Thailand's Gem and Jewelry Import Value from January to December 2013 and 2014

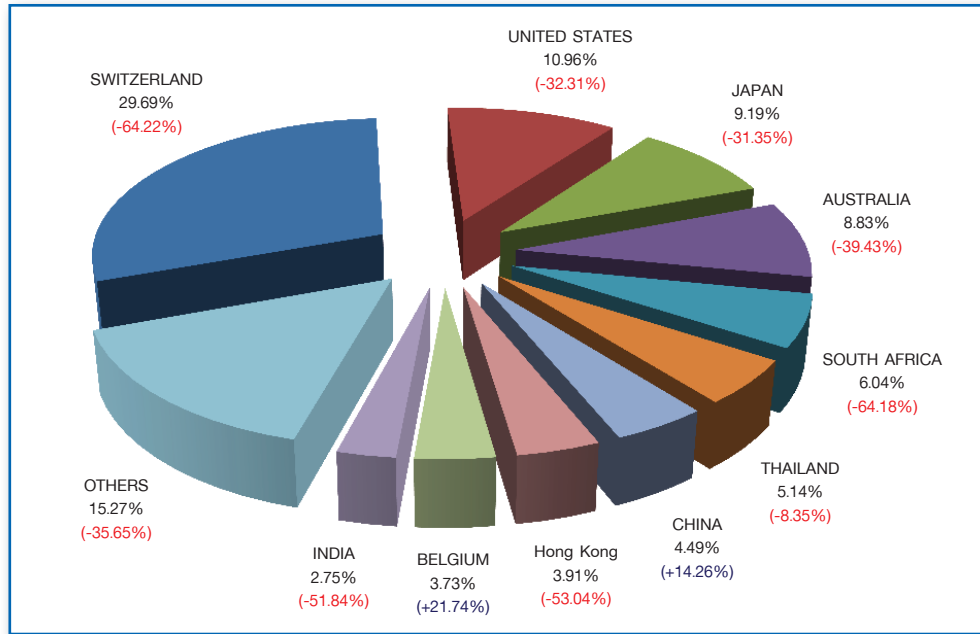
Category	Value (Million USD)		Share (Percent)		Change (Percent)
	Jan-Dec 13	Jan-Dec 14	Jan-Dec 13	Jan-Dec 14	
1. Unwrought or Semi-Manufactured Gold	15,056.55	6,612.47	81.58	69.64	-56.08
2. Diamonds	1,360.30	976.52	7.37	10.28	-28.21
2.1 Rough Diamond	279.02	388.04	1.51	4.09	39.07
2.2 Polished Diamond	1,076.43	583.25	5.83	6.14	-45.82
2.3 Others	4.86	5.24	0.03	0.06	7.85
3. Jewelry	623.05	569.20	3.38	5.99	-8.64
3.1 Silver Jewelry	82.72	82.21	0.45	0.87	-0.62
3.2 Gold Jewelry	472.52	394.14	2.56	4.15	-16.59
3.3 Platinum Jewelry	28.02	46.09	0.15	0.49	64.51
3.4 Others	39.79	46.77	0.22	0.49	17.53
4. Silver	744.14	566.78	4.03	5.97	-23.83
5. Colored Stone	338.15	368.78	1.83	3.88	9.06
5.1 Rough Stone	13.05	17.42	0.07	0.18	33.49
5.2 Polished Precious Stone	180.52	184.20	0.98	1.94	2.04
5.3 Polished Semi-Precious Stone	144.58	167.16	0.78	1.76	15.62
6. Synthetic Stone	121.12	132.98	0.66	1.40	9.78
7. Others	213.01	269.16	1.15	2.84	26.36
Total (1+2+3+4+5+6+7)	18,456.32	9,495.89	100.00	100.00	-48.55

Source: Ministry of Commerce, data calculation by The Gem and Jewelry Institute of Thailand (Public Organization)

The most important supplying country for Thailand's gem and jewelry import was **Switzerland**, which accounted for 29.69 percent of the overall import and had a 64.22 percent decrease in terms of value. At the second place was **the United States**, with a 10.96 percent share and a 32.31 percent decrease. Other important suppliers in the next

places were **Japan**, **Australia** and **South Africa**, accounting for 9.19 percent, 8.83 percent and 6.04 percent, with a decrease in import value at 31.35 percent, 39.43 percent and 64.18 percent respectively. Almost all imported products from these five countries were unwrought or semi-manufactured gold.

Figure 3: Thailand's Gem and Jewelry Import Sources in 2014



Source: Ministry of Commerce, data calculation by The Gem and Jewelry Institute of Thailand (Public Organization)

Conclusion

Thailand's gem and jewelry export value decreased by 0.24 percent in 2014. However, if unwrought or semi-manufactured gold is excluded, the export value would have 6.89 percent growth, and if both the export of unwrought or semi-manufactured gold and the import of products returned to Thailand after participating in international

trade fairs are deducted from the overall value, it is found that the net export value would grow by 8.18 percent as shown in Table 4. This reflects the real potential of strong growth in Thai gem and jewelry, with increased growth rate compared to the growth excluding unwrought gold and the net growth in 2013 at 5 percent and 7 percent respectively.

Table 4: Thailand's Gem and Jewelry Net Export Value from January to December 2013 and 2014

Description	Value (Million USD)		Share (Percent)		Change (Percent)
	Jan-Dec 13	Jan-Dec 14	Jan-Dec 13	Jan-Dec 14	
Total gem and jewelry export value	10,084.78	10,060.99	100.00	100.00	-0.24
Deducting unwrought or semi-manufactured gold export value	3,272.51	2,779.54	32.45	27.63	-15.06
Export value excluding gold	6,812.27	7,281.45	67.55	72.37	6.89
Deducting the value of products sent back from international trade fairs presence	532.69	488.19	5.28	4.85	-8.35
Net export value	6,279.58	6,793.26	62.27	67.52	8.18

Source: Ministry of Commerce, data calculation by The Gem and Jewelry Institute of Thailand (Public Organization)

However, Thailand's gem and jewelry export value in 2015 may have slow growth due to several factors, especially the global economic situation since 2014. It is expected to be the important factor which will affect Thailand's export in 2015 as detailed below.

☞ Global economic slowdown In 2014, the global economic recovery was still fragile due to economic slowdown or the return into another round of recession among several major economies. The only exception was the United States, which enjoyed strong growth, resulting in the Federal Reserve's decision to end its bond purchase program in October 2014. The US economy grew by 2.4 percent in 2014, up from 2.2 percent in 2013. Decreased unemployment rate and oil price also encouraged consumers to spend more. Recently, the International Monetary Fund (IMF) forecasted that the US economy will expand by 3.6 percent in 2015. Due to these positive signs, it is expected that the Federal Reserve might increase the interest rate in the middle of 2015.

Other major economies are still struggling. The European Union, Thailand's main trading partner, has been suffering from long recession, leading to lower purchasing power among consumers. Although the overall economy of the European Union in 2014 showed signs of slight growth at around 0.8 percent due to the strength of major economies like Germany, the EU's inflation rate was still at the low level near 0 percent on the edge of deflation and the unemployment rate was high. However, recently the European Central Bank has announced its monetary easing policy to stimulate economy through a bond-buying plan at the budget of around 60,000 million euro per month for 19 months, starting from March 2015 and ending in September 2016, equaling 1.1 trillion euro in total. This should be a positive factor towards consumption and investment in the private sector in the near future.

As for Japan, although the Abenomics policy has been used to stimulate the economy, the country still suffers from its long deflation. The increase of

value added tax from 5 percent to 8 percent on April 1, 2014 has caused more negative effects than expected since the domestic consumption demand has plummeted down. The government therefore decided to dissolve the parliament and postponed its plan to further increase the value added tax to 10 percent from October 2015 to April 2017. Due to continuous economic slowdown in 2014, Japan's economy grew by only 0.1 percent compared to 1.6 percent in 2013. However, the LDP party was re-elected to form the government and still continues its quantitative easing policy, which might improve Japan's economy. Recently, the IMF predicted that Japan's economic growth will be only at 0.6 percent in 2015 and 0.8 percent in 2016.

China, the world's second largest economy, is still in the midst of economic downturn due to its economic restructuring to focus on investment instead of export. It is also facing the problem of household debt and public debt, which are now equivalent to the double of its GDP, as well as the decline in real estate sector which may lead to a market bubble. Moreover, the economy is also affected by the decreased oil price, resulting in a sharp fall in consumer price index, and oversupply in the manufacturing sector. These factors impeded the growth of Chinese economy to only 7.4 percent in 2014. However, the People's Bank of China has announced its plan to inject liquidity into its banking system and reduce deposit and lending interest rates, which might help in stabilizing its economic growth. The IMF estimates that in 2015, the Chinese economy will grow only by 6.8 percent, lower than the Chinese government's forecast at 7.0 percent.

Although the US economy is recovering, but other major trading partners, including the European Union, Japan and China are facing economic slowdown, especially China, which has been one of the world's economic drivers in the last decade. With China's economic slowdown, the fragile global economy is slowly recovering. Therefore, these risks in global economy can be negative factors which will adversely affect Thailand's gem and jewelry export in 2015.

☞ Sharp Depreciation of Russian Ruble

Russia's ruble currency has been depreciating since the middle of 2014, when the western countries imposed economic sanctions against Russia due to its political conflict with Ukraine. Russia responded by limiting its import from Europe. However, the ruble problem was getting more severe at the end of 2014 as a result of decreased oil price in the global market, after the OPEC decided to maintain its production capacity while the crude oil demand in the global market has continually been decreasing due to the global economic slowdown. Russia, which largely depends on oil export at 60 percent of its overall export, received negative effects from the situation, resulting in record-breaking depreciation of ruble at 80 rubles per US dollar in December 2014, weakening by over 60 percent compared to the beginning of 2014. If the crude oil price is still at a low level and Russia cannot find other sources of income to replace that from oil export, it is expected that the Russian economy may fall into recession in the near future. The IMF anticipates that the Russian economy in 2015 and 2016 will shrink by 3.0 percent and 1.0 percent respectively, compared to 0.6 percent growth in 2014.

Russia is one of Thailand's important emerging markets. Its economic problem at the moment will affect Thai entrepreneurs who export gem and jewelry to Russia, especially silver jewelry, resulting in possible disruption after years of steady growth. According to latest feedbacks from Thai exporters, Russian clients has postponed their plans for product delivery and new orders in 2015, leading to over 50 percent decline in product orders during the start of 2015.

☞ Fluctuation in Global Major Currencies

Being pressured by adjustment or implementation of economic policies in major countries including the United States, Japan and the European Union, as well as decreased crude oil price around the world, global major currencies are facing fluctuation. The central banks in many countries returned to monetary easing by reducing their policy interest rates, for example, Denmark, Canada and India;

while some countries implement currency devaluation. For example, the Monetary Authority of Singapore adjusted its currency trading band to a less flexible level while the Swiss National Bank removed its cap on Swiss franc's value against the euro, and decided to cut its policy interest rates to reduce pressure from capital inflow and slow down Swiss franc appreciation. This measure led to almost 20 percent appreciation of Swiss franc while the euro value dramatically dropped, resulting in a rise in US dollar value. After the European Central Bank announced its QE measure, the euro further depreciated to its lowest value in 11 years. Moreover, if the US Federal Reserve increases the interest rate in the middle of 2015, the US dollar might have more value appreciation.

The euro also received pressure from Greece's election result when the Syriza opposition party won. Its party leader has a policy to cancel Greek austerity measure which has been continued for five years. This caused some concerns among investors whether Syriza's victory will lead to Greece's default on its debt and possible withdrawal from the Eurozone. However, the government leader showed signs of compromise and declared his attempt to negotiate with all parties. The new government's policy will play a significant role in the direction of the euro in 2015; therefore, Thai exporters should closely watch the situation and the stance of the Greek leader.

As for other major currencies, the yen depreciated to its eight years' lowest after it raised the budget for quantitative easing measure to 700 billion US dollars per year in 2014. Meanwhile, Chinese yuan renminbi was at the lowest value in seven months after the People's Bank of China decreased its interest rate for the first time in over two years at the end of 2014. Currencies of other ASEAN countries like Malaysia, Indonesia and Singapore have also weakened while Thai baht as of February 6, 2015 strengthened by 1.22 percent compared to the end of December 2014, to 32.56 baht per US dollar.

Although the appreciation of Thai baht in the opposite direction of other currencies in the region has a positive effect on lower cost in raw material import, it can adversely affect the price competitiveness of Thailand's export of gem and jewelry. With more difficulty in selling Thai products, the prices may have to be reduced. Thai baht has also strengthened compared to the euro and the yen, resulting in the increased prices of Thai export products in Europe and Japan, which are Thailand's major markets. This may affect product pricing, since importers or buyers may bargain the price, or postpone or cancel their orders.

☞ Effects of China's Anti-Corruption Policy on Luxury Products Consumption

Since China introduced its anti-corruption measure in 2013, sales of luxury products including gem and jewelry have slowed down. Chinese people tend to offer gifts to their business partners and government officials, especially before Chinese New Year. However, this measure, which has been strictly imposed to the present day, not only affects authority officials, but also involves monitoring extravagant spending of businessmen and other involved parties. Therefore, Chinese consumers stop buying expensive gifts for business partners or government officials. At the same time, Chinese high-level civil servants, wealthy consumers and businessmen have become more careful in their luxury products spending, fearing of being inspected by government agency for charges of money laundering or bribery of government officials. As a result, sales of various luxury products including gem and jewelry can be in continuous decline in 2015. This may have negative effects on Thailand's export to China or export to Hong Kong

to be transferred to China, especially in major products like colored stones.

Therefore, Thai exporters should follow updates on major trading partners' economic and political situation, which may influence conversion rates, raw material cost, as well as the performance of Thailand's export directly and indirectly, in order to assess the situation and promptly develop plans to deal with unexpected events. Meanwhile, they should also implement proactive marketing strategies by developing a large variety of outstanding and unique designs, which are different from those of competitors and effectively respond to consumers' tastes and preferences. Moreover, they should focus on creating their own brands to increase customers' awareness and loyalty, leading to long-term sustainability of the business. Opportunities should be sought in new trading channels which serve consumers' demand in a timely and accurate manner, and exporters should also give attention to digital marketing, which is gaining more importance in Thai businesses in the last few years due to increasingly higher popularity of social media (such as Facebook, Twitter and YouTube) for the purpose of communication, entertainment and commerce. Apart from maintaining good relationships with existing trading partners, they should also seek opportunities to increase export value in potential emerging markets to replace some existing ones with lower purchasing power or more competitors. The risk from conversion rates should not be overlooked and can be avoided by the use of forward contracts. These approaches can contribute to strong growth of Thailand's gem and jewelry export in 2015.

* Customs Tariff Schedule Chapter 71 on "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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140 ITF Tower Building, 1st – 4th and 6th, Silom Road, Suriyawong, Bangrak, Bangkok 10500, THAILAND
Tel: (662) 634 4999 Ext. 444 Fax: (662) 634 4970 Website: www.git.or.th/gem E-mail: database@git.or.th

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