



GIT TRADE REVIEW 2015

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

Thailand's Gem and Jewelry Import-Export Performance in 2015

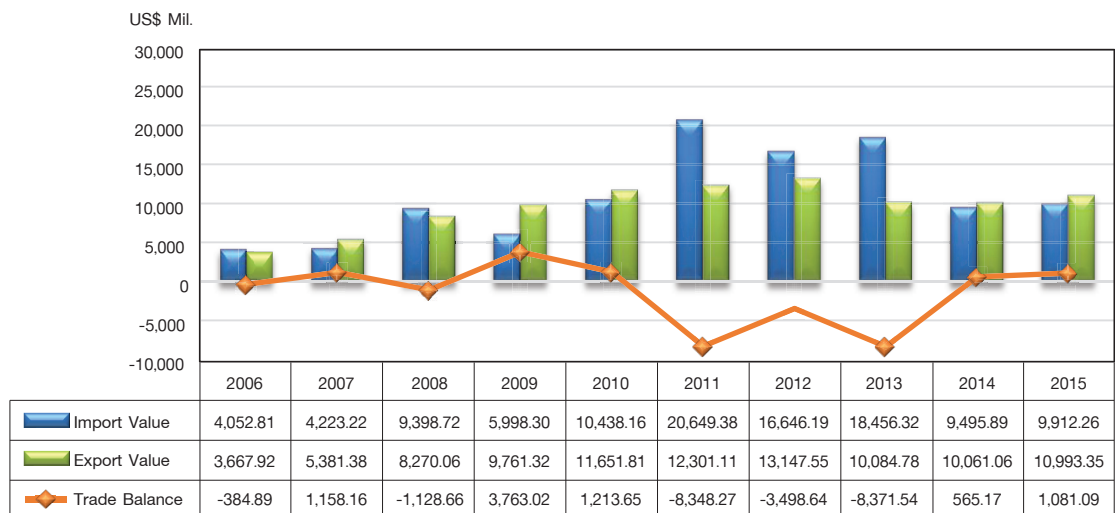
A 9.27 percent increase was seen in Thailand's overall export value of gem and jewelry products. A rise of 4.38 percent was also noted in the overall import value of the products. Unwrought or semi-manufactured gold was the major product for export and import. However, a 1.31 percent fall from the previous year was observed in Thailand's export value of gem and jewelry excluding unwrought or semi-manufactured gold. Although the weakened baht is considered a positive factor for Thailand's export growth, export value of 2016 is expected to grow close to that of 2015 due to negative factors from global economy and slow recovery of major trade partners.

In 2015, Thailand's export value of gem and jewelry products under Chapter 71* of Harmonized Tariff Schedule increased 9.27 percent from USD 10,061.06 million in 2014 to USD 10,993.35 million. It was the third most important export product, accounting for 5.13 percent of the country's gross exports. However, with an exclusion of unwrought gold export value, which was mainly exported for speculation purposes and accounting for 34.63 percent, the export value of gem and jewelry totaled at USD 7,186.11 million, a 1.31 percent decline from the previous year.

Import value of the products increased 4.38 percent from USD 9,495.89 million to USD 9,912.26 million.

Thailand's gem and jewelry product acquired a trade surplus of USD 1,081.09 million as shown in Figure 1. The surplus increased twofold from 2014 as the country's export value of major products, which include jewelry and intermediate goods such as polished diamonds and colored stones, surpassed the import value of the products more than twofold.

Figure 1: Thailand's Gem and Jewelry Import and Export Value 2006-2015



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

Export Performance

The category gained the highest export value in 2015 was **unwrought or semi-manufactured gold** with a 34.63 percent share of the gem and jewelry gross export value. It gained a 36.97 percent growth as during the second, third and fourth quarter of 2015, gold export value increased 5.07 percent, 4.23 times and 54.49 percent respectively compared to the same periods of the preceding year. Consequently, export value of gold grew whereas average prices of gold have decreased below USD 1,200 per ounce since March 2015. The average annual price of gold in 2015 was at USD 1,160.06 per ounce (<http://www.kitco.com>), resulting from stronger US dollar. The currency strength was influenced by apparent recovery signs of the US economy as well as the Federal Reserve Bank (Fed)'s interest rates hike forecast. Last December the Fed had increased interest rates from 0.25 percent to 0.50 percent. It is likely to raise interest rates 4 times in 2016. Switzerland was Thailand's largest importer of unwrought or semi-manufactured gold, followed by Cambodia and Singapore respectively. These countries accounted for more than 77 percent share.

Jewelry was the second most important export product with a share of 33.63 percent of the country's gem and jewelry export value. However, its export value declined 4.02 percent from the same period of the previous year. Details of each key product in this category are as follows:

Gold Jewelry decreased 2.66 percent from the preceding year as the export value to UK and Switzerland (the fourth and fifth most important markets) decreased 13.87 and 28.71 percent respectively. Since European economy was still feebly recovering, consumers in the markets were still cautious about their spending and put off

purchasing high value products like gold jewelry. The exports to Hong Kong, the US and the UAE (the top three key markets) went up 8.25, 1.89 and 0.94 percent respectively. The US economy's constant recovering coupled with relatively low prices of gold, which affected prices of gold jewelry, boosted demands among American consumers who have been fond of gold jewelry. Hence, the export value of gold jewelry to Hong Kong, an exporter of gold jewelry to the US and other countries increased. Gold jewelry prices, which did not hike, also attracted consumers in the United Arab Emirates (UAE), the world's fifth largest consumer of gold jewelry, to raise their purchasing demand. Apart from domestic consumption, the UAE also exported gold jewelry to other countries in the Middle East as well.

Silver Jewelry fell 6.38 percent. It was the first decline in more than a decade. This was a result of the decline rates in the export value to the US, accounting for the highest share of around 36 percent, and UK, the fifth most important market, which dipped 10.59 and 9.27 percent respectively, despite a 3.09, 0.36 and 13.97 percent increase in the export value to Germany, Australia and Hong Kong, which are the second, third and fourth most important markets. The export value of silver jewelry to the US decreased as exports from a foreign company with manufacturing bases in Thailand, accounting for more than half of the total exports of the category, decreased. Its products' price points became relatively similar to that of gold and platinum jewelry since raw material prices of gold and platinum jewelry remained low in 2015. Moreover, silver jewelry has not been considered a store of value so American consumers would choose gold or platinum jewelry, which has been perceived as the real store of value, over silver jewelry.

☞ **Platinum Jewelry** grew 5.83 percent from the export value to Hong Kong, the US and Singapore. The export value to the countries, which were Thailand's second, third and fourth most important markets, increased 10.80, 96.93 percent and 1.85 times respectively. The export value to China, the sixth most important market increased 9.74 times. The export value to Japan and UK, the first and fifth most important markets, decreased 15.30 and 36.98 percent respectively. The rise in popularity of platinum jewelry was due to prices of platinum raw materials in the previous year, which dipped 23.97 percent. Hence, more couples planning to wed and consumers with high purchasing power preferred platinum jewelry

Diamond was the third most prominent product with a share of 16.17 percent. Its export value decreased 3.21 percent. The export value of polished diamonds, the key export product, dropped 1.53 percent compared to the preceding year. Thailand's key market for diamond was Hong Kong with the highest share of around 42 percent, an 11.13 percent rise. The export value to Belgium, India, Israel and the US, the second, third, fourth and fifth places, decreased 6.52, 37.94, 23.94 and 5.65 percent respectively.

Colored Stone was the fourth most important product with a share of 9.48 percent, a 13.64 percent growth from the previous year. Details on the export value of each product are as follows:

☞ **Polished Precious Stone (Ruby, Sapphire and Emerald)** increased 10.98 percent. Polished precious stones exported included sapphire, accounting for 45 percent with an 8.55 percent growth. The export value of ruby, with a share of 38 percent, grew 15.96 percent from the preceding year. The

satisfying growth in polished precious stone exports was influenced by the growth rates in the export value to Hong Kong, the US and China (the top three most important markets), which went up 14.72, 18.15 and 12.86 percent respectively. On the contrary, exports to Switzerland and India, the fourth and fifth most important markets, decreased 4.41 and 1.35 percent respectively.

☞ **Polished Semi-Precious Stone** grew 24.36 percent from the exports to the most important market, Hong Kong, with a 35.72 percent rise. The export value to the US and China, the second and third most important markets, grew 8.48 and 25.68 percent respectively. Thailand's exports to the markets with good potential: the UAE, Sri Lanka and Poland (the seventh, eighth and thirteenth most important markets) also earned 1.46, 10.45 and 2.99 times growth respectively. Such growth reflected popularity in polished semi-precious stones, which have been available in wider varieties and more affordable price ranges. On the other hand, exports to India and Switzerland (the fourth and fifth largest importers) dropped in value by 21.82 and 7.82 percent respectively.

Costume Jewelry was the fifth highest earner with a share of 3.56 percent, though its export value fell 3.78 percent from the preceding year. The decrease was due to the declines in the exports to Lichtenstein, the US and France (the first, second and fifth most important markets), which dropped in value by 5.07, 8.80 and 3.99 percent respectively. The declines were partly influenced by consumers who shifted to genuine jewelry such as silver jewelry, or costume jewelry from other sourcing countries. The export value to Singapore and Germany, the third and fourth largest importers grew 7.46 and 17.50 percent respectively.

Table 1: Thailand's Gem and Jewelry Export Value from January-December 2014 and 2015

Category	Value (Million USD)		Share (Percent)		Change (Percent)
	Jan-Dec 14	Jan-Dec 15	Jan-Dec 14	Jan-Dec 15	
1. Unwrought or Semi-Manufactured Gold	2,779.54	3,807.24	27.63	34.63	36.97
2. Jewelry	3,852.35	3,697.42	38.29	33.63	-4.02
2.1 Silver Jewelry	1,693.64	1,585.62	16.83	14.42	-6.38
2.2 Gold Jewelry	1,899.16	1,848.60	18.88	16.82	-2.66
2.3 Platinum Jewelry	109.93	116.34	1.09	1.06	5.83
2.4 Others	149.62	146.86	1.49	1.33	-1.84
3. Diamonds	1,836.42	1,777.42	18.25	16.17	-3.21
3.1 Rough Diamonds	175.83	158.97	1.75	1.45	-9.59
3.2 Polished Diamonds	1,641.51	1,616.48	16.32	14.70	-1.52
3.3 Others	19.08	1.97	0.18	0.02	-89.67
4. Colored Stones	916.69	1,041.69	9.11	9.48	13.64
4.1 Rough Stones	54.76	45.52	0.54	0.41	-16.87
4.2 Polished Precious Stones	566.14	628.33	5.63	5.72	10.98
4.3 Polished Semi-Precious Stones	295.79	367.84	2.94	3.35	24.36
5. Costume Jewelry	406.27	390.91	4.04	3.56	-3.78
6. Synthetic Stones	118.39	114.30	1.18	1.04	-3.45
7. Others	151.40	164.37	1.50	1.49	8.57
Total (1+2+3+4+5+6+7)	10,061.06	10,993.35	100.00	100.00	9.27

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

Thailand's gem and jewelry export market with the highest export value in 2015 was **Hong Kong** with a share of 21.39 percent. However, the export value to the market decreased 5.79 percent as the export value of unwrought or semi-manufactured gold slumped 56.23 percent, despite the growth rates of 11.61, 8.25, 14.72 and 35.72 percent in export value of key products: polished diamonds, gold jewelry, polished precious stones and polished semi-precious stones respectively.

Switzerland was the second most important export market with a share of 16.59 percent. The market gained a 57.33 percent growth as the export value of unwrought or semi-manufactured gold, the key product with almost 88 percent share, grew 74.16 percent.

The United States was the third most important export market for gem and jewelry with a share of 11.92 percent. The market earned a 3.67 percent growth. Major export product to the market was jewelry with a share of 75 percent. Although the export value of silver jewelry, accounting for the highest share, fell 10.59 percent, the export value of gold jewelry grew 1.89 percent. Moreover, Thailand's export value of polished precious stones and polished semi-precious stones went up 18.15 and 8.48 percent respectively.

Cambodia was the fourth most important export market with an 8.12 percent share. The market gained a dramatic growth of 92.53 percent. Dominant product to the market was unwrought or semi-manufactured gold with a soaring growth rate of 93.40 percent.

Thailand's fifth most important export market for gem and jewelry was **Germany** with a share of 5.72 percent. The market earned a 2.89 percent growth as the export value of jewelry, the key export product with a share of around 87 percent, increased. The export value of silver jewelry, the dominant product, increased 3.09 percent while gold jewelry earned a 9.46 percent growth in terms of value.

Other important markets with the export value in positive growth rates were **Singapore, Japan** and **the UAE**, ranked in the sixth, eighth and ninth places. These markets earned the growth rates of 19.53, 7.42 and 8.34 percent respectively. The key export product to Singapore was unwrought or semi-manufactured gold with an approximate share of 80 percent. The export value of the product grew 30.86 percent. Thailand's export value of costume jewelry, the second most important product, also grew 7.46 percent.

The increase of export value to Japan was a result of the growth rates in export value of the key products: gold jewelry; unwrought or semi-manufactured

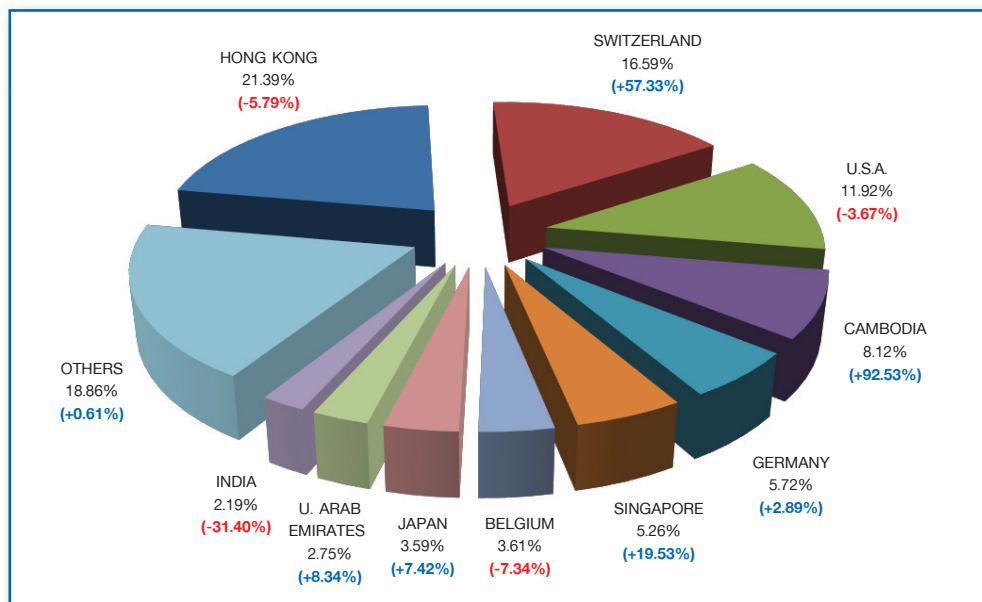
gold; and polished diamonds, which gained 27.63, 9.69 and 59.63 percent growth rates respectively.

The export value to the UAE also increased. The dominant product was gold jewelry, which grew 0.94 percent. Export value of polished diamonds, polished precious stones and polished semi-precious stones went up 24.12 percent, 30.87 percent and 1.46 times respectively.

While the export value to **Belgium**, the seventh most important market decreased 7.34 percent due to a 95 percent slump in diamond, a leading export product. The export value of polished diamonds decreased 13.49 percent.

The exports value to **India**, the tenth most important market, dropped 31.40 percent as export value of the key products: diamonds (accounting for a 58 percent share and mostly were polished diamonds); gold jewelry and rough stones, dropped 37.96, 24.89 and 19.49 percent respectively. On contrary, Thailand's export value of synthetic stones to the market grew 26.51 percent.

Figure 2: Thailand's Gem and Jewelry Export Markets in 2015



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

According to Table 2 concerning Thailand's export value of gem and jewelry (exclusive of gold) to markets/regions during 2012-2015, the export value in 2015 dropped 1.31 percent since exports to many markets decreased from global economic setback.

Markets with declined export value, which include the EU, the US, the Middle East, India, ASEAN, Pacific Island countries, Russia and Commonwealth of Independent States (CIS), decreased 2.56, 3.66, 6.05, 31.39, 13.48, 2.26 and 65.37 percent respectively. Despite the US's constant economic recovery, which influenced the Fed to increase interest rates for the first time in a decade last December 2015, export value to the US decreased. However, export value to Hong Kong, an exporter to the US and other markets, grew relatively well at 12.87 percent. This showed that Thailand's direct marketing in the US has not been completely successful. Hence, apart from improving product quality to meet American consumers' demand, Thai entrepreneurs should consider adjusting their marketing strategies and trading channels to reach wider group of consumers.

The drop in export value to the EU was brought about by the decline rates in export value to Belgium, the UK, Italy and France (the second, third, fourth and fifth most important markets.) The export value to the countries decreased 7.34, 13.79, 13.83 and 3.55 percent respectively. However, exports to Germany, the most important market, increased 6.06 percent. The key product exported to the EU was silver jewelry, which grew slightly at 0.40 percent. Gold jewelry and polished diamonds, ranked in lower places, shrank 11.67 and 12.55 percent respectively.

The export value to the Middle East Countries decreased because of the decline in export value to most markets due to political conflicts in the region and many oil producing countries earned less

revenue as oil prices dropped to relatively low levels throughout 2015. People in these countries reduced their spending on luxury products like gem and jewelry. Thailand's export value to key markets like the UAE, which is a distribution center to other Middle East countries, went up 8.34 percent. The key export products in the market, including gold jewelry, polished diamonds, polished precious stones and polished semi-precious stones, increased in terms of value.

Export value to India declined. It was partly because demand from trade partner countries decreased from the global economy situation. Hence, India's imports of mid-stream products from Thailand used for value-adding processes before exporting to other countries declined. Part of the decline was because Indian manufacturers had developed their capabilities to produce their own products to replace imported ones. Apart from manufacturing capabilities of Indian manufacturers, Indian gem and jewelry industry has also been promoted and supported by its government to empower Indian industries. Such support played an important role for India's silver jewelry in replacing Thailand as the leading silver jewelry exporter in global market.

The export value to ASEAN markets decreased 13.48 percent. The decline was the first time in many years. Many ASEAN countries' economy became stagnant due to an economic recession in China, their key trade partner. Therefore, Thailand's exports to the countries fell. The export value to Singapore, the market with the highest share of 68 percent, and Malaysia, the second most important market, decreased 10.12 and 19.73 percent respectively. The exports to Indonesia, the third most important market, grew 5.39 percent in terms of value. The export value of Thailand's key products, silver jewelry and gold jewelry, to ASEAN countries fell, whereas that of costume jewelry still increased.

Table 2: Export Value of Thailand's Gem and Jewelry (Exclusive of Gold) to Markets/Regions from 2012 to 2015

Country/Region	Value (Million USD)				Share (Percent)				Change (Percent)		
	2012	2013	2014	2015	2012	2013	2014	2015	13/12	14/13	15/14
Hong Kong	1,498.78	1,623.61	1,822.07	2,056.48	23.02	23.83	25.02	28.62	8.33	12.22	12.87
European Union	1,586.23	1,600.78	1,662.16	1,619.65	24.37	23.50	22.83	22.54	0.92	3.83	-2.56
United States	1,276.03	1,319.11	1,359.87	1,310.11	19.60	19.36	18.68	18.23	3.38	3.09	-3.66
Middle East Countries	618.79	729.51	598.85	562.63	9.51	10.71	8.22	7.83	17.89	-17.91	-6.05
Japan	307.19	285.08	255.87	272.34	4.72	4.18	3.51	3.79	-7.20	-10.25	6.44
India	350.85	314.22	350.00	240.13	5.39	4.61	4.81	3.34	-10.44	11.39	-31.39
ASEAN	119.72	158.41	205.58	177.86	1.84	2.33	2.82	2.47	32.31	29.78	-13.48
Pacific Island Countries	181.44	171.30	181.74	177.63	2.79	2.51	2.50	2.47	-5.59	6.09	-2.26
China	48.43	57.40	111.03	149.44	0.74	0.84	1.52	2.08	18.52	93.43	34.59
Russia and CIS Countries	35.12	74.57	160.25	55.49	0.54	1.09	2.20	0.77	112.33	114.90	-65.37
Others	487.35	478.28	574.10	564.35	7.48	7.04	7.89	7.86	-1.86	20.03	-1.70
Total	6,509.93	6,812.27	7,281.52	7,186.11	100.00	100.00	100.00	100.00	4.64	6.89	-1.31

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

The export value to Pacific Island countries decreased as exports to key markets like Australia fell 3.69 percent value wise. Silver jewelry, accounting for more than half of the export value, increased 0.36 percent in terms of value. The export value of gold jewelry, the less exported products, dropped 14.99 percent. Thailand's export value to New Zealand, the second most important market, increased 16.99 percent.

The export value to Russia and CIS countries dropped. The main factor to the decline was the export value to Russia, the most important market of the group, which fell 62.62 percent. The decline was influenced by the economic setback, which had started since the end of 2014 as an economic boycotted from western countries was inflicted upon Russia. Moreover, Russia's revenue from crude oil, the country's key revenue generator, dropped along with global crude oil prices, which remained low throughout 2015. Therefore, consumers' purchasing power subsided and demand for gem and jewelry products in the market reduced. The dominant products to the market were silver jewelry and gold jewelry, which slumped in terms of value. The export

value to the second most important market, Armenia, slipped 97.24 percent. The exports of gold jewelry and polished diamonds, the key products to the market, dropped. Nevertheless, export value of polished colored stones still grew.

Growth rates were noticed in other important markets with prospects like Japan and China. The export value to Japan grew 6.44 percent as value of risk weighted assets dropped from an economic slowdown. Hence, some Japanese shifted to security assets like unwrought or semi-manufactured gold and related products like gold jewelry from Thailand.

Amidst an economic slowdown in China, Thailand's export value to the market still grew 34.59 percent due to confidence in Thailand's colored stones. Demand for polished colored stones from Thailand constantly increased. The colored stones were imported for jewelry manufacturing to supply domestic and global markets. Silver jewelry was another product with growth. As Pandora Jewelry opened 25 retail shops in major cities such as Shanghai and Beijing, this might boost exports from its factories in Thailand to supply its shops in China.

Import Performance

Gem and jewelry import value in 2015 was at 9,912.26 million USD with a 4.38 percent growth from the preceding year. **Unwrought or semi-manufactured gold** was the highest earner with a 72.95 percent share and a 9.35 percent growth. Import value of unwrought or semi-manufactured gold during the first and fourth quarters increased more than 1 times and 44.76 percent respectively compared to the same periods of the previous year, regardless of the decline rates of 41.71 and 28.62 percent in import value during the second and third quarters. The rise in imports of unwrought or semi-manufactured gold might partly be due to a rush to buy gold when its price declined close to the all-in sustaining costs (AISC) in order to benefit from price variations when gold prices increased as well as a short-term speculation when Thai currency weakened. Gold was also bought for saving and as a store of value. In addition, it was used in gold jewelry and gem-set jewelry production to supply domestic and international markets.

Diamond, the second most important imported product, decreased 13.39 percent value wise. The import value of polished diamonds, the dominant product, fell 9.62 percent. **Silver** was the third most important product with a slight decline of 0.88 percent in terms of value. The fourth most important product was **jewelry**, which dropped 4.73 percent in terms of value. Gold jewelry, the dominant product, fell 1.37 percent in value. Silver jewelry's export value also decreased 22.81 percent. **Colored stones**, the fifth most important product, increased 1.89 percent in value. Import value of polished precious and polished semi-precious stones increased. Some imported stones were roughly cut or polished to be re-polished by Thai craftsmen before being exported or used in jewelry production for domestic and international markets. It was also noted that more than 93 percent of the products were imported as raw materials.

Table 3: Thailand's Gem and Jewelry Import Value from January to December 2014 and 2015

Category	Value (Million USD)		Share (Percent)		Change (Percent)
	Jan-Dec 14	Jan-Dec 15	Jan-Dec 14	Jan-Dec 15	
1. Unwrought or Semi-Manufactured Gold	6,612.47	7,230.98	69.64	72.95	9.35
2. Diamonds	976.52	845.78	10.28	8.53	-13.39
2.1 Rough Diamonds	388.04	313.63	4.09	3.16	-19.18
2.2 Polished Diamonds	583.25	527.12	6.14	5.32	-9.62
2.3 Others	5.23	5.03	0.05	0.05	-3.82
3. Silver	566.78	561.82	5.97	5.67	-0.88
4. Jewelry	569.20	542.28	5.99	5.47	-4.73
4.1 Silver Jewelry	82.21	63.46	0.87	0.64	-22.81
4.2 Gold Jewelry	394.14	388.75	4.15	3.92	-1.37
4.3 Platinum Jewelry	46.09	52.76	0.49	0.53	14.47
4.4 Others	46.76	37.31	0.48	0.38	-20.21
5. Colored Stones	368.78	375.75	3.88	3.79	1.89
5.1 Rough Stones	17.42	18.61	0.18	0.19	6.83
5.2 Polished Precious Stones	184.20	184.64	1.94	1.86	0.24
5.3 Polished Semi-Precious Stones	167.16	172.50	1.76	1.74	3.19

Table 3: Thailand's Gem and Jewelry Import Value from January to December 2014 and 2015 (cont.)

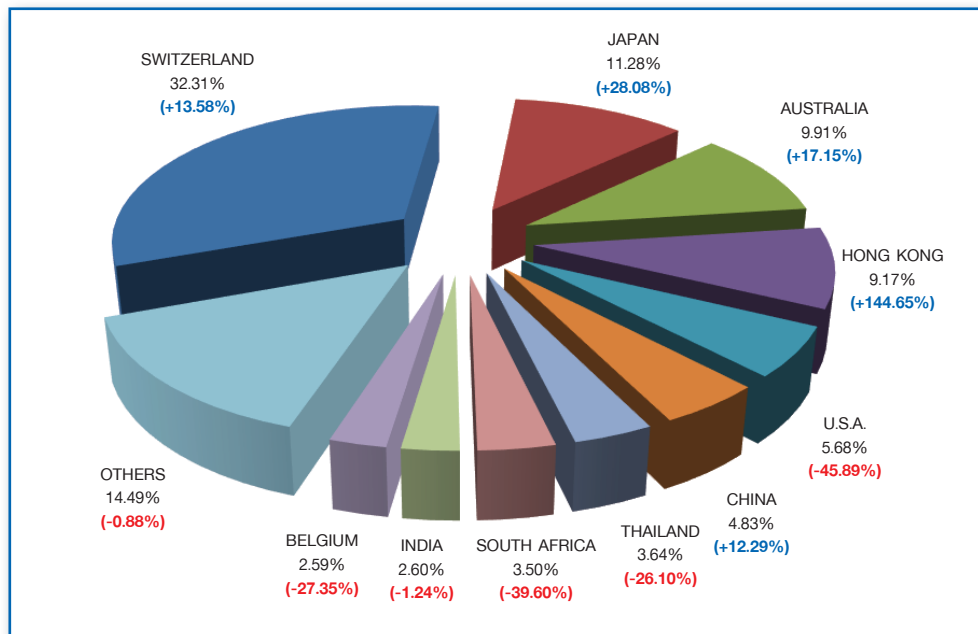
Category	Value (Million USD)		Share (Percent)		Change (Percent)
	Jan-Dec 14	Jan-Dec 15	Jan-Dec 14	Jan-Dec 15	
6. Synthetic Stones	132.98	130.12	1.40	1.31	-2.15
7. Others	269.16	225.53	2.84	2.28	-16.21
Total (1+2+3+4+5+6+7)	9,495.89	9,912.26	100.00	100.00	4.38

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

The most important source of gem and jewelry for Thailand was **Switzerland**, with a 32.31 percent share and a 13.58 percent growth in terms of value. The second important source was **Japan**, with an 11.28 percent share, a 28.08 percent growth. **Australia** and **Hong Kong** were the third and fourth most important sources with a 9.91 and 9.17 percent share respectively. The import value from the countries increased 17.15 and 1.45 percent respectively. **The US**,

the fifth most important source, gained a 5.68 percent share. The import value from the country sank 45.89 percent. Unwrought or semi-manufactured gold dominated the imports from Switzerland, Japan, Australia and the US. More than half of the products imported from Hong Kong were of unwrought or semi-manufactured gold, followed by polished diamonds.

Figure 3: Thailand's Gem and Jewelry Import Sources in 2015



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

Conclusion

Thailand's gem and jewelry export value in 2015 grew 9.27 percent. However, export value exclusive of unwrought or semi-manufactured gold suggested a 1.31 percent drop. Moreover, export value deducted by export value of unwrought or semi-manufactured gold and import value of products re-imported from international trade fairs presence suggested that gem and jewelry net export value increased 0.47 percent as shown in Table 4. The net export value

reflected the real export potential of Thai gem and jewelry, which expanded. However, comparing the growth rates of Thailand's gem and jewelry export value in 2015 to the growth rates of export value exclusive of unwrought or semi-manufactured gold and net export value of 2014, which earned 6.89 and 8.18 percent growth rates respectively, it was clear that the country's growth rates of 2015 export value significantly declined

Table 4: Thailand's Gem and Jewelry Net Export Value from January to December 2014 and 2015

Category	Value (Million USD)		Share (Percent)		Change (Percent)
	Jan-Dec 14	Jan-Dec 15	Jan-Dec 14	Jan-Dec 15	
Total gem and jewelry export value	10,061.06	10,993.35	100.00	100.00	9.27
Deducted by unwrought or semi-manufactured gold export value	2,779.54	3,807.24	27.63	34.63	36.97
Export value excluding gold	7,281.52	7,186.11	72.37	65.37	-1.31
Deducted by the value of products sent back from international trade fairs presence	488.19	360.77	4.85	3.28	-26.10
Net export value	6,793.33	6,825.34	67.52	62.09	0.47

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

Thailand's real export value of gem and jewelry was able to grow in 2015, although in a lower rate due to global economic slowdown. Thailand's gem and jewelry exports (exclusive of unwrought or semi-manufactured gold) in 2016 may grow in similar rate to 2015 as economic situations in Thailand's trade partner countries have been vulnerably recovering and remained sluggish in some countries. In addition, Thailand's exports may shrink from many risk factors as follows:

✂ Vulnerable and Stagnant Recovery of Global Economy and Weakened Consumers' Purchasing Power: During the past year, global economy was mainly driven by the US. Many economic indexes had signaled positive outlooks that the Fed decided to increase policy interest

rates for the first time in a decade and is likely to gradually increase interest rates in 2016. However, the interest rate raise strengthened the US's dollar and weakened exports of many large companies. Furthermore, the interest rates raise drove capitals out of emerging markets back to the US. Some of these emerging markets, which are oil producers, for instance, Brazil, Azerbaijan and Venezuela, were affected by oil price slump. While exporters of commodities were greatly affected by China's consumption decline. Consequently, these countries faced economic stagnancy, which may create a domino effect to other countries in the regions and eventually affect global economic recovery.

Although, an overall economy of the EU seemed to gradually grow from quantitative easing (QE),

which will be in effect until March 2017, the EU's economy is still at risk to be crippled by some countries' economic problems: Greece's public debt; the EU's burden of a massive number of migrants from Syria and Iraq; impacts on Finland from its key trade partner's, Russia, economic recession; Switzerland's serious economic downturn after removing its currency from the euro cap, which affected exports and its revenue from European tourists.

China's economy remained constantly sluggish from the great economic structure reform, which focuses on domestic consumption instead of export. The reform aims to create an economically independent society and reduce social gap. In 2015, China's economy grew 6.9 percent, the lowest rate in the past 25 years. Its growth is likely to slow down in 2016 because of shrinkage in export sector, oversupply problems in real estate sector and local government's debt of more than twofold of its GDP. China is the world's second largest economic power and the key trade partner of the US, the EU and ASEAN. Its economic recession will undoubtedly affect the countries mentioned as well as other countries and ultimately hold back global economic growth.

Japan, the world's third largest economy, has entered recession since the country's VAT raise in April 2014. Moreover, the economic stimulus program of the Government under Prime Minister Shinzo Abe was not as successful as planned. However, in 2016, the government has been trying to boost its economy and investments by adopting negative interest rate, minus 0.1 percent, and insisting on increasing its monetary base at 80 trillion JPY per year. The policies should prop Japan's economy to grow better.

☞ Terrorism Threats and International Political Conflicts: Nowadays, the problems seem to escalate. Terrorist attacks, which in the past only happened in the Middle East, have spread into many countries. IS claimed responsibility for Paris attacks

at the end of 2015 and pledged to attack major cities in the US and the EU. The terrorist group has also started to expand its presence in Southeast Asia. Such growing terrorism threats have distressed people around the world. Furthermore, many other conflicts have also occurred: the conflict between Saudi Arabia and Iran, Syrian migrant crisis, South China Sea conflict between China and Japan and tension between Russia and NATO resulting from the Ukraine crisis. These factors threaten security and safety of life and property, afflict consumers' confidence, impair trading and investment atmosphere and finally drag global economy to plunge

☞ High Fluctuation in Currency Exchange

Rates: Differences in monetary policies of key economic countries: the US, China, Japan and the EU, influence capital movement fluctuation and caused Thai baht to waver. Since Chinese yuan had been devaluated in August 2015, Asian's currencies including Thai baht were depreciated along with it. The Fed's interest rate raise at the end of the preceding year drove capital outflow from Thailand and put a further downward pressure on Thai baht. However, at the beginning of 2016, Thai currency appreciated as a result of Bank of Japan (BOJ)'s decision to adopt negative interest rates. More capital inflow from Japanese investors poured back into Thailand's bond and stock markets. Meanwhile, China devaluated its yuan, which sank to a five-year low. Thai baht appreciated against Chinese yuan. The anticipation that the Fed may delay its funds rate increase in March 2016 will strengthen Thai currency against US dollar. However, the tendency that China may devalue its currency again if its export sector remains stagnant will push other countries to depreciate their currencies to maintain their export competitiveness. If Thai baht depreciates less than other currencies, Thai export sector will lose its competitiveness. Consequently, exchange rates are still likely to remain in high volatility.

In order to reduce impacts from the mentioned risk factors, Thai entrepreneurs should: keep track on economic situation of key trade partner

countries; evaluate risks in different situations to prepare for unexpected circumstances; keep up with consumption behaviors in current markets and new markets to provide products, which meet demand of target groups; apply more technology to improve manufacturing efficiency; focus more on creating added-value to products; develop product quality and signature designs to their products; focus on building their own brands to build up

consumers' recognition and brand loyalty for a sustainable success; prevent credit risks from trade partners by using a letter of credit (L/C) and prevent exchange rate risk by using risk management instruments, for instance, a foreign exchange future contract (FX futures) or a foreign exchange option (FX option). These recommendations may be beneficial for substantial growth of Thailand's gem and jewelry export value.

* Customs Tariff Schedule Chapter 71 on "Natural of cultured pearls, precious or semi-precious stones, precious metals, metal clad with precious metal and articles thereof; imitation jewelry; coins"

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