

Aug 8, 2021, 05:00am EDT

De Beers' First-Half Financials Show Strong Recovery In Diamond Jewelry Market, But Questions Remain

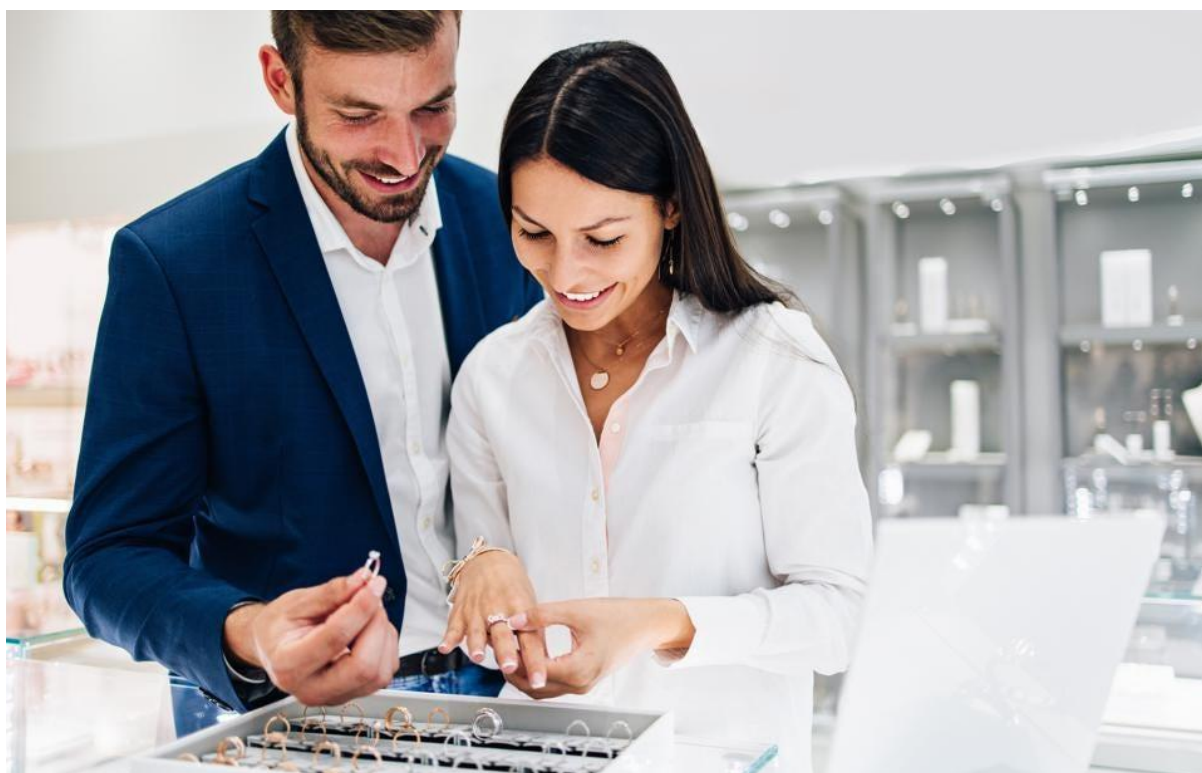


Pamela N. Danziger

Senior Contributor

Retail

I study the world's most powerful consumers -- The American Affluent



Beautiful couple enjoying in shopping at modern jewelry store. Young woman try it out gorgeous ... [+] GETTY

Despite the disruptions from the pandemic, declining marriage rates and the growing availability of lab-grown diamonds as a less expensive but structurally and chemically identical substitute for the natural alternative, the market for natural, mined diamond jewelry has barely skipped a beat.

Independent research firm, Edahn Golan Diamond Research & Data reports that [overall U.S. jewelry sales advanced a stunning 41% from January through May 2021](#) to total \$32 billion, up from \$22 .7 billion in the same period 2019. In particular, jewelry sales in May broke a record for the month, reaching \$8.6 billion, an increase of 52% over May 2019.

Diamond jewelry is going along for the ride. “American consumers are exhibiting a voracious appetite for diamond jewelry,” Edahn Golan said with the Natural Diamond Council affirming diamond jewelry sales increased 30% from March through May 2021 over same period in pre-pandemic 2019.

“Consumer [diamond jewelry] purchases this year are at record levels. These purchases are also a far more significant share of consumer expenditure. This is testimony of our ingrained need to celebrate life,” Golan added.

De Beers Group strong first-half 2021 financials back up this claim. As the world’s leading supplier of diamonds to the jewelry industry, a diamond jewelry retailer under De Beers Jewellers and the Forevermark brand, [De Beers reported total revenue of \\$2.9 billion](#), including sales of rough diamonds at \$2.6 billion.

First-half 2021 results shot way past 2020 levels of \$1.2 billion and were 12% higher than the same period in 2019 (\$2.6 billion). Price per carat rose 13% to \$135 with a unit cost of \$59, bettering that from the same period in 2020 at \$119 on a unit cost of \$62. De Beers explains that unit cost is based on “consolidated products and operating costs, excluding depreciation and operating special items, divided by carats recovered.”

The recent increase in carat price is adding tailwinds to the diamond jewelry market as Golan’s research firm found the average size of a set diamond increased from 1.06 carats to 1.22 carats in the last two months. “Clearly, consumers want more, bigger, and even pricier diamonds,” Golan reported.

Out of the gate, the diamond jewelry industry’s recovery is great news. “It is a testament of the vitality and lasting emotional, as well as aesthetic value of diamonds in the eyes of consumers,” Golan said, but cautions it is still early days.

He foresees challenges ahead in the diamond jewelry market, hinging on the escalating price of wholesale polished diamonds and early signs that consumers’ recent exuberance may be starting to wane.

“Polished diamond prices are on a near year-long rally, rising more than 18% since last July when they hit a record low,” he reported. “However, concerns are starting to creep in that this slingshot trajectory is reaching its apex and that we are facing a diamond price bubble.”

The recent increase in polished stone prices which reached a 33-month record high in May came as welcome news to diamond traders and jewelers who can charge more for their goods.

He explained, “The diamond midstream hasn’t seen extended price hikes since the first half of 2011. The past decade was a tough one for the diamond industry. In many ways, it was a lost decade.”

While there are plenty of rough diamonds to go around, supplies of polished stones are at a premium. Through the first half of 2021 De Beers reported sales of 19.2 million carats of rough diamonds, exceeding rough diamond sales from same period 2019 (15.5 million) and 2018 (17.8 million). But in its latest report, De Beers warned that India has reduced capacity in cutting and polishing operations and there is a backlog in polished diamond grading in “key markets.”

Worries about the future availability of polished stones has led jewelry brands and retailers to stock up on supplies especially as they see post-pandemic demand for diamond jewelry soaring. “In the last couple of months, retailers felt that their inventories were low. Thus, they bought with added zest,” Golan explained.

With over 20 years tracking the diamond industry’s ebb and flow, Golan has an uncanny knack to see what lays over the horizon. That’s why the diamond jewelry industry should heed his warning that consumers may be reaching a breaking point when it comes to diamond prices.

His research indicates that diamond jewelry sales at specialty retailers specifically actually fell by low double-digits in May, while sales of all jewelry items dropped a low-single point that month.

Golan explained that consumers’ recent indulgence in diamond jewelry may be explained by savings accumulated throughout 2020 when they were confined at home, as well as recent signs that credit purchases are on the rise.

“Relying on credit is a time-honored tradition in American consumerism, but it does have its drawbacks,” he noted. “For example, credit reliance leads to inflated prices. Buying at a high rate results in competition over supply and shortages, causing price hikes. The cyclicity of the economy dictates that today’s high demands will be followed by tomorrow’s declines.”

Set this against a backdrop of across-the-board inflation – [an overall CPI increase of 5.4% in the past year and 12.3% in jewelry](#) – Golan warned that a reckoning may be coming signaled by May’s downturn in diamond jewelry sales in specialty jewelers.

“If consumers are starting to ease off diamond jewelry, will a combination of high diamond prices and inventory overflow result in a drop in diamond prices? This is not an unlikely scenario,” he shared.

“Price fluctuation is unavoidable in any market. After an extended downturn, it’s nice to have a rise,” he concluded. “Now, it is in the hands of the industry to maintain the power of diamonds and continue to drive growth. Careful management at all times will hopefully avert a diamond price bubble.”

Follow me on [Twitter](#) or [LinkedIn](#). Check out my [website](#) or some of my other work [here](#).



Pamela N. Danziger

I am a market researcher, speaker and author focused on the affluent consumers’ behavior and mindset, including the HENRYs (high-earners-not-rich-yet) mass affluent. I founded Unity Marketing in 1992 as a research-led marketing consultancy, following a corporate career in research and information management. Starting with my first book, “Why People Buy Things They Don’t Need,” I’ve written eight others, including “Putting the Luxe Back in Luxury,” and my latest “Meet the HENRYs: The Millennials that Matter Most for Luxury Brands” and “Shops that POP! 7 Steps to Extraordinary Retail Success.” I am a member of The Home Trust International’s Leaders in Luxury Design and Jim Blasingame: The Small Business Advocate’s Brain Trust. In addition to Forbes.com, I contribute to “The Robin Report,” and appeared on CNBC’s “Costco Craze.” I hold a Master of Library Science degree from the University of Maryland and B.A. in English Literature from Pennsylvania State University. [Read Less](#)