

A
Study on
Impact of Disruption of Supply Chain
on
India's Gem and Jewellery Exports & Ways to Mitigate the Impact

February 2020

The Gem and Jewellery Export Promotion Council

Office No. AW 1010, Tower A, 1st Floor, Bharat Diamond Bourse, Bandra-Kurla Complex,
Bandra (E), Mumbai - 400 051, Maharashtra, India. CIN :U99100MH1966GAP013486

Tel : 26544603 | Mobile: +91 9987753803 | Fax: 26524764

Email : ed@gjepcindia.com

Website : www.gjepc.org | www.iijs-signature.org | www.iijs.org | www.iijwt.org

1. Hong Kong and China are significant export partners for India's Gem & Jewellery Sector.

Hong Kong and China are India's significant export partners for various gem and jewellery products. India's exports to both the countries combined together are at US\$11.28 billion constituting for 28.38% share in India's total exports of gem and jewellery at US\$39.75 billion in FY2019.

India's Total Gem and Jewellery Exports to World & HK & China – FY2019

Particulars	Amount (US\$billion) / % share
India's Total Exports of Gem & Jewellery	39.75
India Export to Hongkong & China	11.28
Hongkong & China % share in India's Gem & Jewellery Exports	28.38%
Rank as India's export partner	1 st

Source: GJEPC Trade Bank

2. Commodity-wise India's exports to Hong Kong and China

Hong Kong and China are the topmost export destination for India's exports of cut and polished diamonds. Around 40% of the total exports of diamonds i.e. US\$9553 million are exported only to Hong Kong & China.

Similarly, India's 55.22% of the polished diamonds, 41.24% of the silver jewellery and 48.96% of the coloured gemstones are exported to these two countries. Overall, 28.38% of the total exports of gem and jewellery from India are flowing to HK and China.

India's Total Gem and Jewellery Exports to World & HK & China – FY2019

Description	India's Exports to World US\$ Million	India's Exports to Hongkong & China US\$ Million	%Share
Cut & Polished Diamonds	23817.49	9553.17	40.11
Polished LGD	224.55	123.99	55.22
Gold Jewellery	11919.76	751.48	6.30
Silver Jewellery	837.26	345.31	41.24
Coloured Gemstones	397.88	194.8	48.96
Others	2560.73	312.74	12.21
Total	39757.1	11281.49	28.38

Source: GJEPC Trade Bank

3. Impact of Corona Virus on India's Exports to Hong Kong and China

This is apparent that Hong Kong and China are significant export destination for India's Gem and Jewellery sector. Therefore, outbreak of epidemic in the countries which resulted in disruption of manufacturing and trading activities in both Hong Kong and China are adversely affecting India's exports to the countries which is estimated to upscale further in future.

A brief description of the impact is as follows:

3.1 India's exports to Hong Kong and China are declining

India's exports to HK and China (combined) has declined by around 16% (y-o-y) to US\$1428 million during the period Dec 2019-Feb 2020 as compared to US\$1693 million during the same period last year.

Table-1 India's Exports to HK and China (combined)

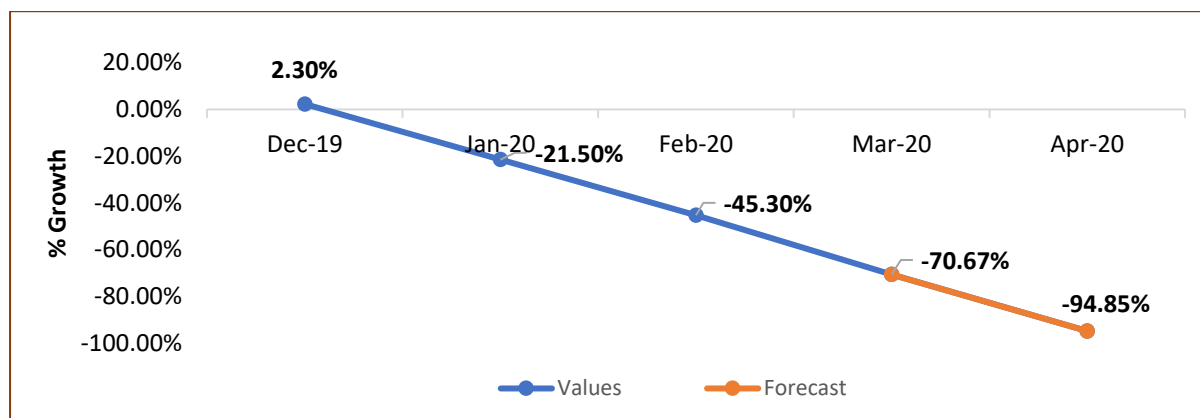
Months	Dec 2018 to Feb 2019	Dec 2019 to Feb 2020	% growth (Y-o-Y)
December	653.7	668.8	2.3
January	798.4	626.9	-21.5
Feb 1 st – 15 th	241.2	132.0	-45.3
Dec 2019 – Feb 15th 2020	1693.3	1427.7	-15.7

Source: GJEPC Data

3.2 Projected Impact on India's Exports to China & HK

The impact of epidemic is set on rise as depicted in Table2 that in the month of February 2020 India's exports of Gem and Jewellery products to both the countries combined declined by (-) 45% (y-o-y) as compared to (-)21.5% in January 2020.

Since, manufacturing activities in China and trading activities in Hong Kong are highly disrupted and almost closed, therefore, it is estimated that exports to both the countries may decline by (-) 70% in the month of March 2020 and (-) 95% in April 2020.



Source : GJEPC Analysis

3.3 Overall impact on India's Gem and Jewellery exports to HK and China

This is projected that India's exports to Hong Kong and China combined together will further produce a loss of US\$1073 million in the coming months till April 2020 in lieu of reduced exports to the said countries.

This would be in addition to the loss of US\$171.5 million already accounted after the outbreak of COVID in the month of December 2019.

Total Projected Effect =
US\$1073.45 million (Forecasted) + US\$171.5 million (Actual) = US\$1214.95 million

Table – 2 Projected decline of India's G&J exports to HK and China

Months	Total (US\$mn)	Months	% Growth	Exports US\$mn
Feb-19	1471.54	Feb-20 (p)	-45.3	804.93 (p)
Mar-19	787.91	Mar-20 (f)	-70.67	231.09 (f)
Apr-19	726.59	Apr-20 (f)	-94.85	37.42 (f)
Total	2986.04	Total		1073.45

Source : GJEPC analysis ; p – provisional f – forecasted

India's total gem and jewellery exports are expected to have posted an additional decline of around US\$ 1 billion due to this emergence situation in its major export destinations.

4. Ways to Prevent India's exports and economic activities from decline

Amid such an emergence situation, IMF and WTO both has revised economic and trade growth projections downwards indicating towards sluggish economic activities in almost all countries.

This is in order to encounter with such challenging situations the GJEPC has made an attempt to explore the ways so that declining exports from the country which is a string basis of our domestic economic activities can be prevented from aggravated decline.

❖ **In this regard, GJEPC strongly suggests focussing on creating/strengthening direct linkages with the countries which are importing various gem and jewellery products from China's and HK majorly procured from India.**

Please note, HK is a major trading hub for gem and jewellery products to the world as both the countries combined together exporting the various products i.e polished diamonds, gold jewellery, silver jewellery, coloured gem stones and imitation jewellery amounting to US\$46 billion (excluding intra trade between HK and China). Of the major exporting products, India is a one of its sourcing partners.

Identified key export markets of HK and China for G&J Markets

Based on the analysis in Matrix Table -3, GJEPC has Identified key export markets of HK and China for G&J products that can be directly approached by Indian exporters for supplying various gem and jewellery products :

- ✓ USA
- ✓ Thailand
- ✓ Singapore
- ✓ Switzerland

Selected Countries

Of the above identified countries, the GJEPC has selected Switzerland and USA which can be explored for contacting directly.

Matrix Table -3 Key countries importing from Hong Kong & China (In US \$ million)

Countries	CPD	Gold Jewellery	Silver Jewellery	CGS	Total
USA imports from HK	265	316	17	187	784
USA imports from China	237	921	329	36	1523
Thailand imports from HK	483	70	7	124	684
Singapore imports from HK	120	315	2	101	538
Switzerland imports from HK	350	637	0.70	170	1157.7
Total	1455	2259.5	355.7	618	4687

Source : GJEPC Analysis based on UN comtrade 2018 data

Inference from above table 3

Key G&J Imports of these countries from HK and China : US\$4687 million

Country* Commodity * Value can be gained by creating direct linkages : US\$2560 million

Expecting 30% to 40% of realisation, if take measures : Approx. US\$1 billion

Suggested Ways by GJEPC to mitigate the impact on economic activities

The Hong Kong and China have been traditionally playing the role of intermediaries (B2B) of various gem and jewellery products sourcing from India. USA and European market are observed as the major buying countries from these countries especially from HK.

Amid, disruption of supplies from HK & China, the Council suggests to make efforts for approaching HK buyers mainly in USA and Switzerland and offer itself as an alternative to these countries for procuring various gem and jewellery products. This would eventually shift the businesses/customers from HK and China to India.

Pertaining to the same, the GJEPC has already done the market analysis and started activating its trade members to explore the companies/buyers in identified countries i.e. USA and Switzerland for the jewellery as well as coloured gemstones especially.

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