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# Sri Lanka Gems Captivate the Chinese Consumer Market

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The Sri Lanka Embassy in Beijing together with the National Gem and Jewellery Authority and Gem and Jewellery Association organized a colorful Sri Lanka Pavilion at the International Gem and Jewellery Fair 2009 from November 5th to 9th at the China International Exhibition Center in Beijing.

With the participation of eighteen (18) companies, Sri Lanka is made its biggest presence ever in this Beijing Jewellery Fair, showcasing an eye-catching array of gems and jewellery from the land dubbed as Rathnadeepa in a fittingly appealing 'Sri Lanka Pavilion'. Sri Lanka Embassy initiated a closer co-operative partnership with the China Gem and Jewellery Trade Association having a membership of over 1800 leading gem and jewellery Companies, which had paved the way for Sri Lanka to carve out a niche in the Chinese market. During the past 30 years with reforms and opening-up, the gems and jewellery industry in China has grown from a non-existent base to emerge as a new industry with dynamism and high development prospects. As is well-known the Chinese mainland jewellery market is supposed to be yielding the greatest potentialities in the world. In 2008, the total consumption of the Chinese jewellery industry reached over US \$ 25 billion and exports exceeded US \$ 9 billion. The labor in the industry surpassed 3 million and accounted for over 50,000 registered jewellery companies. China ranks top in the consumptions of platinum, gold, diamond, jade, jadeite and rock crystal jewellery products. The Ministry of Commerce of the People's Republic of China estimates that by 2015, China's luxury consumption will have increased to account for 23 percent of the global total and China will have become the world's biggest market for luxury products. China will replace European countries and America and become the most important luxury consumer market after Japan. With these statistics the jewellery market potential in China has drawn more and more attention in the world. Since June 1st 2009, China deducted the rate of diamond import value-added tax from 17 to 4, which significantly boosted the existing consumption patterns. Besides diamond, 2008 saw a remarkable performance of ornate products like gold, platinum, palladium and silver in the consumer market. Jade, in particular, was extremely popular among the people. Costume jewellery like four-leaf clover and insect amber pendent also made a great contribution to the good harvest last year. Undeniably, jewellery has become the third most sought after consumption item after real estate and automobile. With the growth of the Chinese economy, consumption patterns and styles have taken to a greater height. People have changed vision from the daily essential items to upscale consumable, and pay more attention to high value commodity and the store of value and the collection. Jewellery figures as one of them. With this ever increasing upper middle class segment in the society by 2020, the annual total sales of China's jewellery industry are expected to reach RMB 300 billion, with exports exceeding US \$12 billion. By then, China will become one of the most competitive jewelry manufacturing and trading centers in the world and the largest global jewelry consumption market. In the midst of well-known products and gems and jewellery businesses all over the world having turned towards the Chinese market, looking for more opportunities to promote their brands and sell their products, Sri Lanka's export of precious or semi-precious stones, precious metals, metal clad with precious stones to China in the recent years has seen a remarkable growth. With the guidance of Ambassador Karunathilaka Amunugama, the Commercial Section of the Embassy of Sri Lanka partnered with the Gem and Jewellery Authority and the Gem and Jewellery Association of Sri Lanka to launch a series of novel activities to promote Sri Lanka gem and jewellery sector in a more dynamic manner. Through this collaboration, Sri Lanka can optimistically cater to the rapid demand for gems and jewellery in gaining advantage of the rising income of the Chinese population and also capitalizing on Sri Lanka being able to receive the margin of preference under the Asia Pacific Trade Agreement (APTA) for this sector. The Embassy's efforts to reach out to the Chinese consumers on gem and jewellery products of Sri Lanka through media events, trade fairs and through chain stores, is gradually paying off as Chinese consumers, especially the ones in large cities have come to know and even have fallen totally for the coloured stones (Gems) for its delicate style and quality and the consumption is now undergoing a healthy development in China. In China, consumers prefer to buy specially designed amethyst jewellery ranging from RMB 1000 - 5000, among them necklaces, pendants and rings are sold best. Red Tourmaline has become consumers' new pet in recent years and the Chinese Caishikou Jewellery Centre made a sales record of over RMB 2 million in 2009, in selling Tourmaline studded jewellery. Chinese consumers have an increasing awareness about Ruby & its range of Jewellery. This stone can find a potential market in China with the Citrine becoming a symbol of luxury. In naming a few reasons factoring in for Chinese gems and jewellery industry to maintain its growth: firstly, jewellery is traditionally a luxury item of consumption and demand for jewellery is highly elastic to income. As China's per capita disposable income rises, jewellery has emerged as a highly sought after item of consumption. Secondly, the appeal for jewellery is the highest among younger consumer sections. China's young working age population is quite high. There is also a large demand from the matrimonial market. Every year, about 18 - 22 million people in China get married. Total annual wedding expenses in China are estimated at RMB 300 billion. Even if one-tenth of that is used for jewellery consumption, the figure is an enormous RMB 30 billion (about US \$ 3.1 billion). The younger consumer section is also fashion-conscious, and the rate of design obsolescence is fast, thereby helping innovation and sales. The high growth of diamond and platinum jewellery witnessed in the Chinese market after the initial rush for gold in the 1980s can be attributed to the desire for new and trendy ornaments among the younger consumers. According to consumer research of Diamond Trading Company (DTC), three out of four brides in Beijing and Shanghai expect their husbands to buy them diamond wedding rings. Wedding rings account for one-third of all diamond sales in China. Then the foreign tourist arrivals in China are also one of the major categories adding to the ever increasing jewellery demand. Every year over 30 million travellers from all around the world visit China, and it has been estimated that their annual spending on Chinese jewellery is over RMB 15 billion. The Shanghai Expo, is also fast approaching and will be running for six months commencing from 1st May 2010. Organizers expect 70 million visitors from both domestic and overseas to flock to Shanghai thus bringing in more opportunities for this sector. Due to a combination of all these

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factors, it is predicted by industry sources that by 2010, China's jewellery consumption at the existing rate of growth, will exceed US \$ 35 billion, making China the second largest consumer nation in the world. Considering all these factors the Embassy embarked on a prolific and rewarding expedition by bringing in the Gem and Jewellery Trade Authorities of China to have a closer cooperation with the Sri Lanka Embassy, and the counterpart Sri Lankan Associations. During the visit to Sri Lanka, in 2008 the Gem and Jewellery Association of Sri Lanka signed a MoU with the Gem and Jewellery Trade Association of China (GAC), the national association for the industry, approved by the Ministry of Civil Affairs of the People's Republic of China for increased cooperation towards mutual growth and for the promotion of gem and jewellery trade between the two countries. The Embassy was able to make use of its good relations with GAC to obtain concessions to a greater extent for Sri Lanka participation firstly at the Shanghai Jewellery Fair 2009 and now at the China International Jewellery Fair that will be held from 5-9 in Beijing thus providing greater opportunities for the industry to join under one Sri Lanka Pavilion. During the Shanghai Jewellery show in May 2009, where Sri Lanka was represented by twelve (12) exhibitors, the gemstones Ruby and Sapphire showcased by Sri Lanka became a main attraction and this trend was well noticeable also during Sri Lanka's participation at the Second South Asian Commodity Fair, where more than eight (08) jewellery exporting companies participated bringing in results beyond expectations. It had thus created a positive outlook about the Chinese market among the Sri Lankan Gem and Jewellery Entrepreneurs. Since then Sri Lanka participated in gem and jewellery fairs held in Dalian, Beijing, Shenzhen, Chongqing and Hangzhou. During the Beijing show, the Embassy arranged a series of discussions with the organizers for the officials of National Gem and Jewellery Authority and Gem and Jewellery Association who visited China along with the exhibitors and they met officials of National Gems and Jewellery Technology Administrative Center and Gem and Jewellery Trade Association in order to create new avenues to exchange market expertise in jewellery design, training, and educational initiatives. A press briefing was also arranged by the Embassy, inviting the luxury products magazines and media to gain further exposure towards Sri Lanka Gems Sector during the exhibition. The Embassy of Sri Lanka Beijing 10th November 2009