

Strength in global diamond demand, which started as a rebound of sorts in the second half of 2020, has continued and even accelerated into mid-2021

# Diamond prices

## Charging towards an all-time high

**By Paul Zimnisky, independent diamond industry analyst and consultant**

The commencement of production of three new large-scale diamond mines pushed global diamond output to a multi-year high of almost 152 million carats in 2017. However, due to a lack of new projects in the pipeline and a continued depletion of legacy mines – compounded by the impact of the COVID-19 pandemic – diamond production dropped to a multi-decade low of under 120 million carats in 2020. A similar level of output forecasted for the foreseeable future.

While an oversupplied diamond market was arguably the biggest culprit for apathetic diamond prices most of last decade, relatively weak prices have also limited appetite for diamond exploration and new mine development in recent years. Given the traditionally long-lead-time to bring new diamond mines online (it can take decades), supply lost from the closure of world-class mines, like the Argyle mine in Australia which closed in late-2020, is not being replaced.

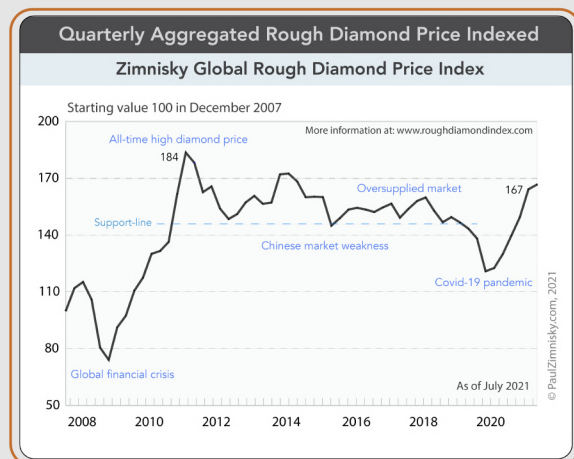
Strength in global diamond demand, which started as a rebound of sorts in the second half of 2020, has continued and even accelerated into mid-2021. Pandemic-related global economic stimulus, especially in the US (the diamond industry's largest consumer market), plus a halt in experiential luxury, like travel and dining out, bodes extremely well for diamond sales in recent quarters.

For context, Signet Jewelers, the largest jeweller in North America, has raised sales guidance twice for the fiscal year ending January 2022, due in part to "tailwinds from (US government) stimulus and a slower than anticipated return to travel and experience spending." The company is currently forecasting a 7% sales gain over the fiscal year ended January 2020, the pre-pandemic proxy.

The recent uptick in diamond demand combined with a multi-year trend of declining supply has weighed on

diamond miner inventory levels, which have historically provided a supply cushion to the industry. Major miners De Beers and ALROSA, which account for around two-thirds of global diamond supply, have seen their excess inventory levels fall to an estimated 3 million carats and nil, respectively, as of end-Q2 2021 according to Paul Zimnisky data. For comparison, De Beers held an estimated 11 million carats a year ago and ALROSA held an estimated 16 million.

In a press release in July, ALROSA management said "the [diamond] market has been plagued by acute shortages of rough diamonds needed by cutters to complete their current polished diamonds orders", further commenting that the "rough market [is entering] a long period of supply deficit".



↑ According to the Zimnisky Global Rough Diamond Price Index, consolidated rough diamond prices are up 18% year to date 2021

The above favourable supply/demand dynamic for diamonds has led to upward price pressure for rough (and polished diamonds) in recent months. According to the Zimnisky Global Rough Diamond Price Index, consolidated rough diamond prices are up 18% year to date 2021, which puts prices above the pre-pandemic level and about 10% off the all-time high reached in H1 2011. **MRA**

### ABOUT THE AUTHOR

Paul Zimnisky is an independent diamond industry analyst and consultant based in the New York metro area. He is a graduate of the University of Maryland's Robert H. Smith School of Business with a B.S. in finance, and he is a CFA charterholder.

For regular in-depth analysis of the diamond industry please consider subscribing to his monthly State of the Diamond Market industry report. Also, listen to the Paul Zimnisky Diamond Analytics Podcast on iTunes or Spotify for wide-ranging and interesting discussions with prominent guests from around the industry.

