

Chapter 8

- Global silver jewelry demand rose by a strong 21% in 2021 as economies and sentiment began to recover from COVID (although offtake was 9% down on 2019).
- India drove much of the 2021 increase with its 18.2Moz (567t) y/y recovery.
- Global demand is forecast to grow by a further 11% in 2022.
- Silverware demand rose by 32% in 2021 and is forecast to grow by 23% this year, with India largely behind these gains.

Jewelry & Silverware

Jewelry

Introduction

Global silver jewelry fabrication rebounded by 21% in 2021 to 181.4Moz (5,641t) as economies re-opened and consumer sentiment began to improve. On top of surging consumption, fabricators also benefited from the rebuilding of stocks that had fallen notably during 2020. Just over half of all gains were due to the world's largest fabricator, India, where offtake benefited from the easing of lockdowns as this led to a jump in the number of weddings and other social events. The next largest increase took place in Italy as its exports boomed, especially to the world's second largest consuming market, the US. Offtake in 2021 however remained 9% down on 2019, reflecting lingering COVID damage (for example in Indonesia) and high silver prices. A further recovery from COVID, plus a second half price retreat, lead us to forecast a 11% rise in demand this year to levels 1% up on 2019.

Europe

Silver jewelry **fabrication** in Europe in 2021 rebounded by 23% to 30.3Moz (943t), taking demand 1% ahead of 2019 levels and achieving an 11-year high. This recovery was largely based on a jump in exports plus restocking by regional retailers and a recovery in local consumption. Output for the branded segment was also reported to have grown notably.

The growth in exports was mainly driven by Italy, whose official shipments in fine weight terms we calculate to have risen by 42% y/y (up 15% on 2019), with re-exports excluded. This in turn was primarily due to the 80% leap in shipments to the US as that market's consumption boomed and its retailers rebuilt inventory levels in the wake of 2020's heavy de-stocking. Italy also enjoyed market share gain as logistical challenges and sometimes duty changes hampered East Asian suppliers. There was also a rise of around 20% y/y in exports to the rest of Europe, taking volumes a fraction higher than in 2019, again on the back of consumption recovering and restocking. The only key markets to see disappointing results were the export hubs of the United Arab Emirates (UAE) and Hong Kong; shipments to the UAE and Hong Kong only rose by around 10% and were well down on 2019. This reflects travel restrictions stopping regional wholesalers from visiting these hubs. The heavy monitoring of borders generally under COVID is said to have led to a greater fall in unofficial shipments, potentially boosting official export figures.

Fabrication in 2022 is forecast to hold steady as the potential for higher local consumption and the re-opening of export hubs are offset by an end to restocking and lower shipments to the US. At present, the Ukraine crisis and volatile silver prices are seen as only minor negatives.

Global Jewelry Fabrication Forecast

Million ounces	2021	2022F	Y/Y
Europe	30.3	30.4	0%
North America	19.1	18.9	-1%
Middle East	9.7	9.2	-6%
South Asia	59.9	78.0	30%
East Asia	54.7	59.2	8%
CIS	3.9	1.9	-51%
Others	3.7	4.1	12%
Global Total	181.4	201.8	11%

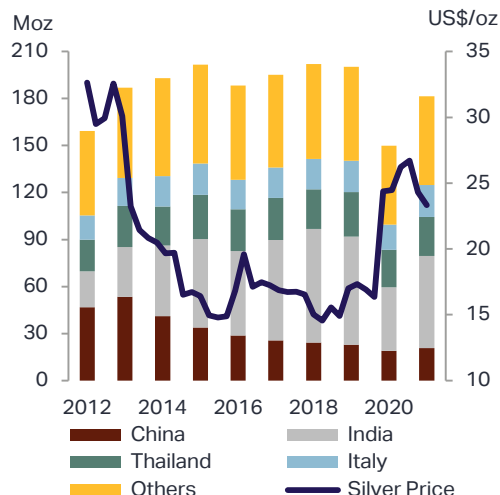
Source: Metals Focus

Jewelry Fabrication

Million ounces	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Y/Y
Europe											
Italy	15.4	17.9	19.5	20.0	18.8	19.5	19.3	19.9	16.2	20.4	26%
Germany	3.4	3.5	3.4	3.5	3.4	3.4	3.5	3.5	3.1	3.6	18%
France	2.0	2.0	1.9	2.0	2.0	1.9	1.9	1.8	1.6	1.7	8%
Others	4.2	4.6	4.7	4.7	4.6	4.7	4.6	4.7	3.8	4.5	18%
Sub-total	24.9	27.9	29.6	30.2	28.7	29.5	29.3	29.9	24.7	30.3	23%
North America											
United States	11.7	12.3	13.0	13.6	12.9	13.2	13.0	12.9	11.5	13.2	15%
Canada	3.5	3.7	3.9	3.5	3.6	3.4	3.2	3.2	2.7	3.7	39%
Mexico	5.0	4.5	5.4	5.7	5.8	4.9	5.0	4.5	3.1	2.2	-30%
Sub-total	20.2	20.6	22.3	22.9	22.3	21.5	21.2	20.6	17.3	19.1	10%
Middle East											
Turkey	4.0	4.9	6.3	6.7	4.9	4.9	5.9	6.0	4.4	6.9	56%
Others	2.4	2.5	2.6	3.1	3.0	2.8	3.4	3.0	2.3	2.8	21%
Sub-total	6.4	7.4	8.9	9.8	7.8	7.7	9.3	9.0	6.8	9.7	44%
South Asia											
India	22.8	31.8	45.1	56.6	53.9	64.2	72.5	69.0	40.5	58.7	45%
Others	0.9	1.0	1.1	1.2	1.2	1.4	1.5	1.5	0.9	1.1	29%
Sub-total	23.7	32.8	46.2	57.8	55.1	65.5	74.1	70.5	41.4	59.9	45%
East Asia											
Thailand	20.3	26.1	24.7	28.2	26.6	26.9	25.2	28.5	23.9	24.8	4%
China	46.9	53.4	41.1	33.8	28.7	25.5	24.3	22.8	18.9	20.8	10%
Indonesia	3.0	4.1	6.1	4.9	5.2	5.1	5.3	5.6	4.8	3.8	-20%
South Korea	2.7	3.3	2.9	3.1	2.7	2.7	2.5	2.5	2.0	2.3	11%
Japan	1.2	1.2	1.3	1.4	1.4	1.5	1.6	1.7	1.5	1.4	-5%
Others	1.7	1.7	1.6	1.5	1.5	1.6	1.7	1.8	1.5	1.6	7%
Sub-total	75.7	89.9	77.8	72.9	66.2	63.3	60.5	62.8	52.7	54.7	4%
Other Regions											
CIS	4.5	4.4	4.0	4.5	4.3	4.1	3.7	3.5	3.7	3.9	5%
C&S America	2.0	2.1	2.2	2.0	2.0	1.9	2.0	2.1	1.8	2.1	15%
Africa	1.1	1.2	1.2	1.1	1.0	1.0	1.1	1.1	0.9	1.0	10%
Oceania	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.5	0.6	15%
Sub-total	8.2	8.3	8.1	8.1	8.1	7.8	7.5	7.5	7.0	7.6	9%
Global Total	159.2	186.9	192.9	201.7	188.4	195.2	201.9	200.3	149.8	181.4	21%

Source: Metals Focus

Global Jewelry Fabrication



Source: Metals Focus, Bloomberg

Jewelry **consumption** also recovered in 2021, mainly as COVID restrictions eased in Europe during the year. One example of this intra-year improvement lies in the UK hallmarking statistics; Q1.21 was down 42% on Q1.19, but Q4.21 was up 40% on Q4.19. The diversion of consumer expenditure from services (in particular travel) to goods was also important. As for rivals within jewelry, there was strong ongoing competition from costume jewelry (such as plated brass), while gold jewelry typically outperformed silver. Performances varied notably between countries, with the UK and Italy doing better than France and Germany. For example, Pandora’s sales in Italy were up 21%, whereas those in France were down 3% in 2021. Further growth in consumption is forecast for 2022 due to a probable full year of almost unrestricted retailing and economic growth, while sizable inbound tourism blunts the impact of a shift to expenditure on travel in many European markets.

North America

US silver jewelry fabrication rose by 15% last year, surpassing pre-pandemic levels. The chief driver was a rebound for jewelry consumption but fabrication was also supported by restocking of a depleted pipeline as retailers, having been unable or unwilling to replace items sold during 2020, rebuilt inventories last year. In addition, previous concerns that the new world of omni-channel sales might mean that the overall market could operate with reduced inventories proved unfounded. Instead, the lower level of stocks that some retailers now carry is felt to have been matched by higher inventory at their suppliers. This has come about as the latter are ever more likely to ship direct to a consumer, even if the order were placed with a retailer. Some sources also feel that some retailers may have raised stocks above normal to avoid the previous pain in not having enough of the right pieces to meet orders.

Italian Jewelry Fabrication

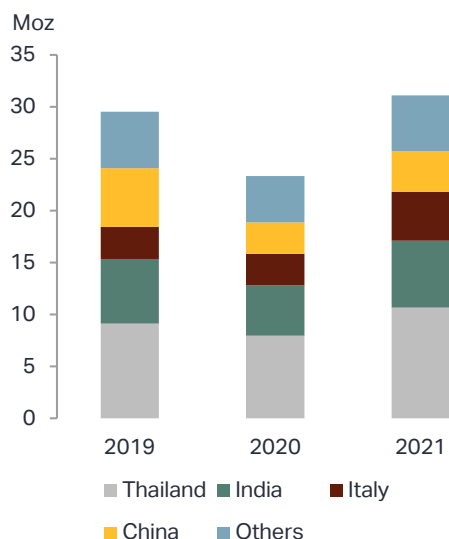


Source: Metals Focus, Bloomberg

Logistics problems did not disappear in 2021, but this often worked to the advantage of local fabricators as more marked challenges with imports (especially from East Asia) meant some US manufacturers could enjoy market share gains. Imports were still up a marked 33% y/y (+5% versus 2019), but it was Italy that saw the greatest gains of the major suppliers; compared to 2019, inflows from there were up 54%, whereas those direct from China were down 31%. The other origins in the top four, Thailand and India, saw US inflows rise respectively by 17% and 3% in comparison to 2019.

As noted above, US jewelry consumption grew strongly in 2021, up by around 15% to a three-year high. This was mainly due to the economy coming back to life as COVID damage faded and as consumers became more able and willing to visit bricks and mortar stores; online sales may have boomed and retailers may have done a great job in upgrading the e-commerce experience, but many contacts feel that the “touch experience” for jewelry matters. Silver, with its lower ticket price, can also often benefit from impulse purchases. In addition, more of the events associated with jewelry buying (such as Mothers’ Day in May) occurred in much less restricted times than in 2020.

US Jewelry Imports



Source: Metals Focus

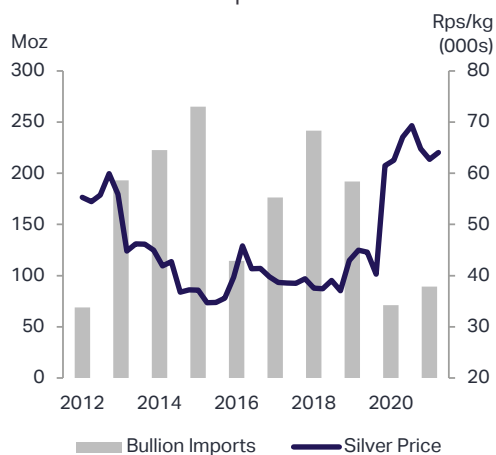
Another critical reason behind the jump in consumption was expenditure diversion from services (such as travel and restaurants) to physical goods, with jewelry a frequent winner here. However, high levels of unspent incomes and a reported desire to buy something of long lasting value for loved ones (rather than self-purchase of an item for a fashion season) meant gold and platinum are thought to have performed yet better. Their outperformance (we estimate that gold jewelry consumption in 2021 rose by 26%) was also based on a jump in the number of weddings, a change of only marginal significance for silver jewelry. The popularity of the “yellow look” was also unhelpful, although sales of gold-plated silver took some of the sting out of that fashion trend. A final factor of note was successful promotion of silver by a handful of retail brands.

There is little agreement among industry contacts over prospects for 2022. The year has begun well and some feel this buoyancy can continue as the economy continues to improve and thanks to still high savings. However, others fear damage to consumer sentiment from high inflation and the normalization of expenditure patterns over the summer as the vacation season gets underway. We still feel a slight lift in consumption is possible, although, with an end to restocking, fabrication might dip a fraction.

Middle East

Jewelry demand in the Middle East jumped by 44% in 2021 to 9.7Moz (303t). Turkey, the largest fabricator, saw a rise of 56% which was driven by a surge in exports. By contrast, local sales improved by a far more modest 10% as the economy struggled to recover from the pandemic. For this year, we forecast a 6% decline in regional offtake as export growth slows markedly. This is mainly due to pent-up demand in key consuming countries being expected to fade as they start to normalize after the pandemic.

Indian Bullion Imports



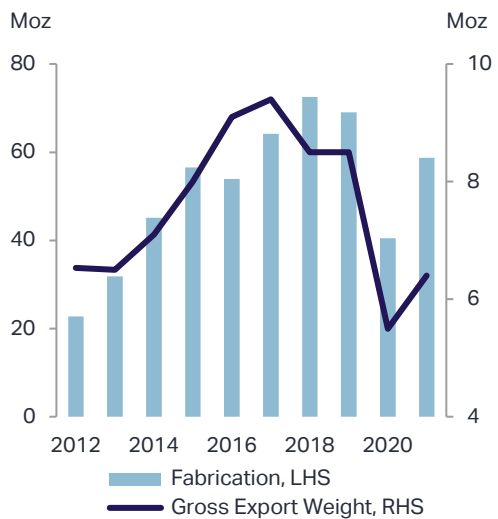
Source: Metals Focus, S&P Global, Bloomberg

South Asia

Activity in the world’s largest silver jewelry fabricator **India** jumped by 45% y/y to 58.7Moz (1,827t) last year, the highest annual growth rate since the start of our series in 2010. As the country returned to a more normal footing, the entire precious metals jewelry market (covering silver, gold and platinum) enjoyed a strong recovery. However, this growth was concentrated in the second half as India saw a massive surge in COVID infections between March-April, with cases only starting to recede sharply from June.

Several factors contributed to the overall strong performance, a rapid economic recovery, easing of COVID restrictions and strong wedding demand. Expanding on these themes, the Indian jewelry market is dominated by traditional jewelry items like payals, toe rings and nose rings. Much of this demand comes from rural India. In that regard, unlike the first wave of COVID infections, which was concentrated in urban locations, the second round also hit rural communities and this weighed on demand in the first half.

Indian Jewelry Fabrication



Source: Metals Focus, S&P Global

However, as the pace of vaccinations picked up and the number of cases fell, the government swiftly eased restrictions which in turn benefited economic activity across much of the country. This, along with a good monsoon, aided the rural economy which supported demand for traditional low-ticket items.

That apart, the last few years have also seen strong growth of 925 lightweight fashion jewelry and gold-plated silver jewelry. The former is mainly bought by the young demographic who prefer pairing silver jewelry with western clothing, whereas the latter is tied closely to wedding demand. As the economy has recovered, demand for both these segments has therefore improved, led by the gold-plated silver jewelry segment.

Looking at some of the other key trends in the market, our research has revealed a growing presence of silver fashion jewelry, the average weight of which is between 5g-20g; most is sold on fixed price basis. This is unlike gold jewelry which is often sold combining the current gold price and a making charge. Interestingly, a large part of silver fashion jewelry is sold online, where competition is becoming more intense. Despite the pandemic and the earlier economic slowdown, many stand-alone silver jewelry shops have opened in the last two years which is testament to the growing market and higher margins that silver jewelry attracts compared to gold. In addition, chain stores continue to expand their silver jewelry offerings by adding fashion jewelry and gold-plated silver jewelry.

For 2022, we expect demand to continue improving at a rapid if slower pace, with growth forecast at 30%, taking fabrication to a record 76.4Moz (2,375t).

Changing Landscape of Retailing in India

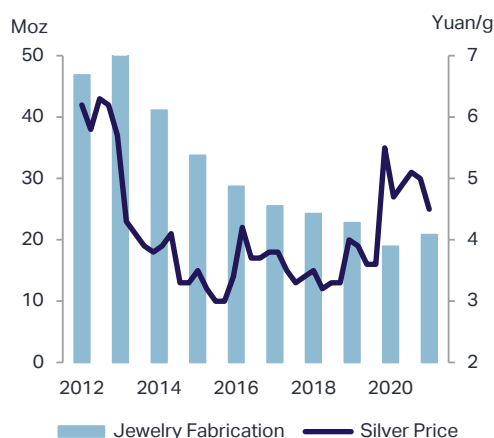
From a product standpoint, the Indian silver market is extremely traditional. Historically, silver jewelry and silverware articles were sold in small stand-alone shops and there were very few large, organized retailers selling silver. Even if they did, it was limited to a small counter selling payals (leg chains) or silver utensils.

Over the last decade (particularly during 2013-19), the massive increase in demand for silverware and jewelry prompted many to look at silver retailing from a new perspective. This, along with the attraction of high retail margins compared to gold, has seen the retail landscape evolve, with many large gold players opening showrooms dedicated to silver. In addition, all major chain stores, national and regional, now showcase prominent counters with these items. In addition, they aggressively market silver products and sell only 925 products, thus lifting awareness of sterling silver.

In terms of retail channels, silver products are no longer just sold in store. There has been a notable rise in online retailers focusing on silver jewelry over the last five years and especially with the boost to online retailing from the pandemic. Many of these (such as CaratLane, Candere and GIVA) focus on the daily wear fashion segment, and most products sold on these platforms are 925 purity. The growth of online sales is almost entirely driven by the younger generation. Another group of retailers that have emerged over the last few years focus on selling gold-plated silver jewelry or imitation jewelry with silver plating.

At this stage, the changing retail landscape has only emerged in metros and large cities. However, a growing awareness of sterling silver and the aggressive marketing of new products on social media will eventually generate growth in Tier 2 and Tier 3 cities.

Chinese Jewelry Fabrication



Source: Metals Focus, Bloomberg

Demand for silver jewelry will benefit from an improving economic backdrop and, if as forecast, silver prices ease later this year this should help demand, especially in rural areas. Further market share gains for 925 purity and silver daily wear fashion jewelry will also benefit demand in urban communities.

East Asia

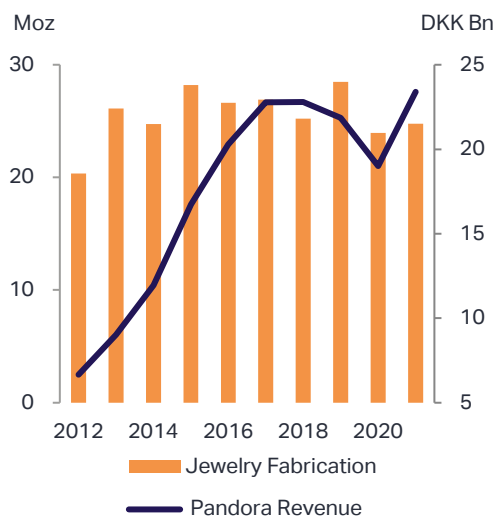
Chinese silver jewelry fabrication rose by 10% in 2021 to 20.8Moz (648t) as the market recovered from a pandemic-hit 2020, failing however to return to pre-virus levels. Early in the year, demand fared well, as consumer sentiment in general was improving. However, confidence was shaken and demand softened in the second half due to turmoil in various industries in China (notably property developers) and a series mini-outbreaks of COVID. One supporting factor was a slower structural transition away from plain heavier pieces to lighter and design-focused ones. This was due to slower urbanization among 3rd and 4th tier cities, caused by the aforementioned economic headwinds. In addition, manufacturers' ongoing product innovation efforts helped retailers expand the young consumer segment and online livestream sales enjoyed steady growth, lending support to demand. Lastly, silver jewelry exports enjoyed moderate gains.

Regarding product development, manufacturers focused on better integration of different materials (such as enamel and synthetic stones) within contemporary designs. Efforts to improve packaging were also seen to help lift the perceived image and ultimately added value of silver jewelry collections. Online livestream channels continued to be successful and this attracted some major local brands to participate in this new sales vehicle, ultimately further drawing consumers' attention towards silver jewelry and helping sales. Some silver jewelry wholesalers withdrew from the market though, as fierce competition put pressure on profit margins. In the medium-term, this is probably a healthy development for the overall silver jewelry market in China, as it will help ease the price competition of recent years, creating a more sustainable environment for those producers that survive.

During the 2022 Chinese New Year holidays, silver jewelry demand remained flat y/y as consumer attention was often drawn towards gold. A widespread COVID outbreak emerged across the country after the holidays and the government imposed tight controls and lockdowns in various cities and provinces. This will certainly hinder economic growth and hurt silver jewelry demand in the coming months. As such, we have kept a conservative forecast for silver jewelry demand in 2022 and expect a moderate y/y rise of 6%. This should return offtake to near 2019 pre-virus levels and will be supported by the supply chain's ongoing effort in product innovation, the expansion in the young consumer segment and rising export demand.

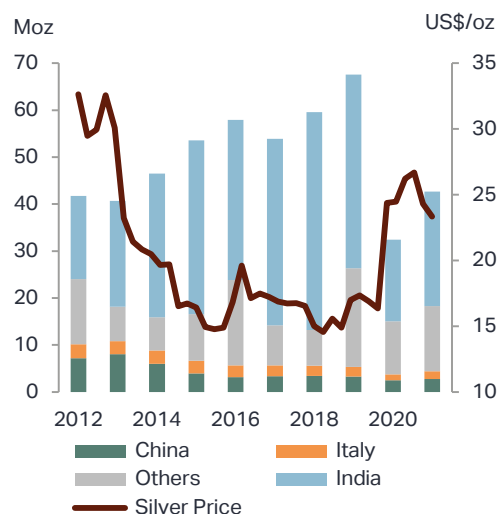
Thai jewelry fabrication rose by 4% in 2021 to 24.8Moz (771t) as the negative impact from COVID the year before waned, with most factories resuming

Thai Jewelry Fabrication



Source: Metals Focus, Pandora A/S

Global Silverware Fabrication



Source: Metals Focus, Bloomberg

normal operations and export orders picking up. This is reflected in Pandora's sales as much of their production is based in Thailand. In contrast to 2020, the Thai government allowed manufacturing units to operate normally, albeit with social distancing and health precautions. Discussions with the trade revealed strong export orders from the US and UK as buyers looked to de-risk themselves from being so dependent on China. Contacts also noted that some importers had relocated from India to Thailand as many Indian companies could not fulfill orders due to the restrictions imposed there during COVID's Delta wave. However, the domestic market continued to underperform as Thai consumers remained cautious towards discretionary purchases. This year, we expect fabrication to increase once more, primarily due to further gains in export orders. That said, the local market is still expected to underperform as consumer sentiment remains uncertain.

Indonesian jewelry demand fell for the second consecutive year, by 20% to 3.8Moz (119t), a nine-year low. While exports improved due to strong orders from the US and Singapore, the domestic market continued to struggle as Indonesia faced a large wave of infections, especially during May to July.

Silverware

Global silverware offtake rose by a seemingly robust 32% y/y in 2021, but output remained 31% below levels in 2019. Much of these swings were due to India and were COVID-related, with the price trend secondary. The rebound in the rest of the world was +22% y/y, which left its offtake 12% down on 2019. Global demand is forecast to see another year of Indian-led recovery in 2022, although the 23% rise still leaves levels 15% down on 2019.

After falling to the lowest level in our series in 2020, **Indian** silverware fabrication rose by 40% to 24.4Moz (758t) last year. The jump in demand reflected three main factors: an improving economic recovery as the pandemic eased; pent-up wedding/festive demand, and the return of corporate orders as business activity normalized. It is important to note that the bulk of the recovery last year was mainly a story of the second half of the year as the first half saw a severe second wave of COVID infections.

Looking at each theme, as the number of COVID cases fell and the pace of vaccinations quickened, the government eased restrictions which precipitated a strong economic recovery. This also meant social events, especially weddings, resumed without restrictions, resulting in strong demand for wedding-related items. That said, our research revealed that impulse purchases remained subdued despite the fall in silver prices. Consumers were also still cautious about making high-value purchases, especially in the first half of 2021. Lastly, corporate buying returned, albeit at a much slower pace, as business activity slowly recovered.

Global Silverware Fabrication Forecast

Million ounces	2021	2022F	Y/Y
Europe	3.5	3.6	5%
North America	1.6	1.7	3%
Middle East	2.8	2.7	-2%
South Asia	29.3	39.3	34%
East Asia	4.1	4.4	6%
CIS	1.0	0.5	-51%
Others	0.4	0.5	8%
Global Total	42.7	52.7	23%

Source: Metals Focus

Examples of Indian Silverware



Photograph courtesy of Silver Emporium

Sterling silverware continued to take market share, driven by large chain stores and growing consumer awareness of the 925 purity. In addition, a new segment of 999s silverware gained some traction, particularly for home utensils. The high end silverware segment also saw strong demand due to such factors as more architects using large-scale silverware as items of furniture. This year, we forecast silverware demand to rise by 35% to over 30Moz (1,000t). Despite this, offtake is still expected to remain below pre-pandemic levels. Along with the negative impact of silver price volatility, the ongoing weakness in India's rural economy is likely to weigh on demand.

Silverware demand in **Nepal** rebounded by 45% in 2021 to 4.8Moz (148t). Much of this was driven by wedding demand, where silverware is used for gifting and during the ceremony as per tradition. We expect to see a further recovery in 2022, with growth of 30% to above pre-pandemic levels.

Chinese demand saw growth of 10% in 2021 to 2.7Moz (85t), mainly driven by improving consumer sentiment and the recovery from the pandemic. As with jewelry, online livestream sales also lent support. Daily use products accounted for most of the demand by weight, but gifting and limited edition items remained important financially for the industry. For 2022, we expect a 7% rise in demand through steady GDP growth and improving sentiment.

In the **Middle East**, silverware fabrication rose by 36% in 2021 to 2.8Moz (86t) due to recovering local sales (especially in Israel), plus a significant rise in Turkish exports to the US and Israel. The recovery in **European** demand may seem strong at +26% y/y in 2021 but that just reflects the depth of 2020's slump and last year was 13% down on 2019. The chief reason for this was a reluctance by retailers to restock items sold in the last two years due to ongoing structural losses. Exports were also weak, with Italian shipments for instance down over a third on 2019. **US** demand however fared better, achieving another year of stability as a result of income diversion to goods from services and the greater resilience of sales for religious purposes.

Silverware Fabrication

Million ounces	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Y/Y
India	17.7	22.6	30.6	37.0	34.1	39.7	46.4	41.2	17.4	24.4	40%
Nepal	2.6	3.0	3.7	3.9	4.4	4.8	5.9	5.6	3.3	4.8	45%
China	7.2	8.0	6.0	3.9	3.1	3.4	3.5	3.3	2.5	2.7	10%
Italy	3.0	2.8	2.8	2.7	2.5	2.3	2.2	2.0	1.3	1.7	35%
United States	1.3	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	3%
Others	9.0	8.9	9.2	9.0	8.5	8.2	8.4	8.7	6.7	7.8	16%
Global Total	40.7	46.5	53.6	57.9	53.9	59.6	67.6	62.1	32.4	42.7	32%

Source: Metals Focus