

DE BEERS GROUP

The Diamond Insight Report 2023

CHINA

The outlook and opportunities for diamonds



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FOREWORD



AL COOK
CEO, DE BEERS GROUP

‘Too early to say!’ Chinese Premier Zhou Enlai’s famous reply to a question on the effects of the French Revolution is often interpreted as epitomising China’s long-term approach to history.

We seek to cut through the noise and volatility of short term events and to understand the underlying jewellery trends in the second largest economy in the world.

Over the years, De Beer’s Diamond Insight Reports have examined topics as varied as the rise of digital, the importance of sustainability considerations in shaping customer behaviour, and the development of the metaverse. We have drawn on all these topics to compile this State of the Nation – the nation in question being China.

The Chinese consumer market for diamonds is a fascinating one. From being a relatively small player on the world diamond stage at the end of the last century, China now represents the largest market for diamond jewellery outside the United States. This remarkable growth is worthy of study in its own right, but our motivation in this report is to learn from the past and the present to unlock opportunity for the future.

The diamond industry in China is undoubtedly experiencing a challenging period right now. Last year, the impact of the Covid-19 pandemic saw a decline in consumer demand for diamond jewellery, and the post-pandemic recovery has been sluggish. A difficult economic landscape and softer consumer confidence have limited sales growth.

However, as lockdowns begin to move into history, it’s an opportune time to explore the market in-depth. We need to understand the Chinese end-client, their attitudes and preferences towards diamond jewellery, and where the industry should focus its efforts to further grow desire in the years ahead.

There are many big questions to consider. What does China’s historical growth trajectory tell us about the direction of travel going forward? How have the economic and social transformations in China shaped demand for diamonds and how will new developments affect it? Is the traditional allure of diamonds felt as strongly by the younger generations as by their elders? What role is a change in marriage patterns likely to have on demand for bridal jewellery?

As you read this report, I urge you to keep in mind that the insights contained within it are not mere statistical observations. They represent a blueprint for driving demand growth and should serve as a call to action for all of us in the industry, helping us to recognise the opportunities on the horizon and how we can capture them.

I encourage you to embrace its findings and join us in shaping the future of natural diamonds. A future that brings with it the potential for renewed growth, further evolution and endless possibilities.

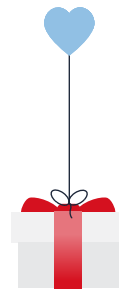
AL COOK
CEO, De Beers Group

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The Chinese consumer market for diamond jewellery is a fascinating one. From being a relatively small player on the world diamond stage at the end of the last century, China now represents the second largest market for diamond jewellery demand.

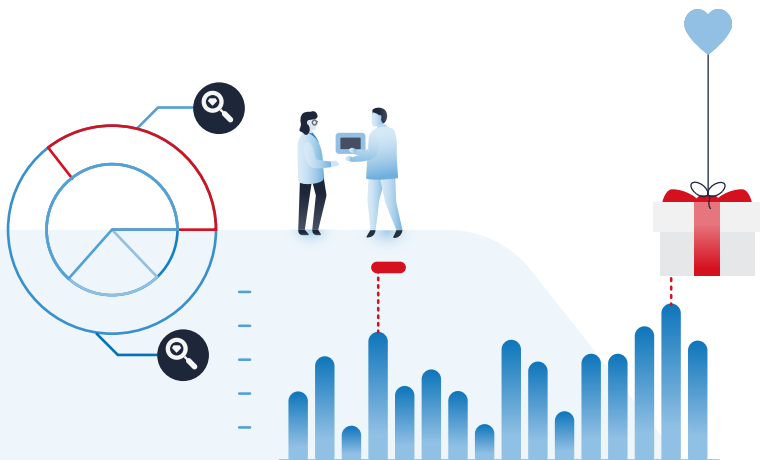
DIAMOND VALUE CHAIN DASHBOARD

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DOWNSTREAM

Following very high growth in global consumer demand for natural diamond jewellery in 2021, demand in 2022 remained unchanged from 2021 levels in US dollar terms. However, performance varied among regions, with the US seeing a slight increase, China experiencing a steep decline due to COVID-19 related lockdowns throughout the year, and India witnessing healthy growth.



2022 NATURAL DIAMOND JEWELLERY AND POLISHED DIAMOND DEMAND¹ (IN US DOLLARS, NOMINAL)

Global demand for natural diamond jewellery in 2022 remained unchanged compared with 2021 and was 10 per cent higher vs. 2019 at USD 87bn.

REGION		POLISHED DIAMOND – (USDbn)	CHANGE	DIAMOND JEWELLERY – (USDbn)	CHANGE
GLOBAL (USDBN)	Global consumer demand for natural diamond jewellery in 2022 remained stable at USD 87bn. Demand in the US registered only marginal growth year-on-year, while positive value growth in India was outweighed by the decline in China due to COVID-19 related lockdowns.	2021: 27.7 2022: 27.8	+0.3%	2021: 86.7 2022: 86.5	-0.3%
US (USDBN)	Natural diamond jewellery sales to end clients in the US rose marginally by around two per cent to USD 47 billion, meaning the US was responsible for 55 per cent of the world's diamond jewellery demand in 2022. Demand in the US performed strongly in the first half of 2022, registering a year-on-year growth of 12 per cent. However, the momentum was not sustained in the second half. Demand began to decelerate in the third quarter as deteriorating economic conditions – including surging inflation, higher interest rates and softer wage growth – hit consumer confidence, leading to US consumers cutting back on discretionary spending.	2021: 14.5 2022: 14.6	+1.0%	2021: 46.9 2022: 47.7	+1.7%
CHINA ² (USDBN)	Demand for natural diamond jewellery by Mainland Chinese consumers declined in 2022 by seven per cent in local currency and by 11 per cent in US dollar terms. COVID-19 related lockdowns during the first half of 2022 had a negative impact on consumer demand and sentiment. Several other factors (including limited domestic and international travel, a challenging labour market, subdued income growth, and negative wealth effects associated with a property sector slump) also contributed to the decline of sales of diamond jewellery to Chinese consumers in 2022.	2021: 3.4 2022: 3.1	-8.9%	2021: 9.9 2022: 8.8	-11.2%
INDIA (USDBN)	Consumer demand increased by an estimated 15 per cent in 2022 in local currency and by eight per cent in US dollar terms. Demand for diamonds in the India market was supported by buoyant consumer and retailer sentiment starting in the second quarter and continuing into the second half of the year. Healthy consumer demand driven by a vibrant festive season in the last quarter of 2022 helped boost full year diamond jewellery demand, building on a high base in 2021.	2021: 2.4 2022: 2.7	+14.8%	2021: 4.6 2022: 5.0	+8.0%
JAPAN (USDBN)	Demand from Japanese consumers grew by eight per cent in local currency but decreased by 10 per cent in US dollar terms as the Japanese yen weakened to a record low against the US dollar. A recovery of mobility and consumer expenditure due to easing COVID-19 restrictions supported demand for diamonds.	2021: 0.8 2022: 0.8	-8.2%	2021: 5.2 2022: 4.7	-9.8%
GULF ³ (USDBN)	Demand from consumers in the Gulf grew by around two per cent in US dollar terms, building on the high base of 2021 when pent-up demand was released, leading to a big increase in spending.	2021: 1.5 2022: 1.5	+2.1%	2021: 3.0 2022: 3.1	+2.1%
REST OF WORLD (USDBN)	Demand for diamond jewellery in other consumer countries was varied. Italy and France witnessed growth driven by a rebound in consumer spending; however, this was offset by a decline in Turkey, driven largely by the weakening of the Turkish lira against the US dollar, and also by declines in Hong Kong and Taiwan.	2021: 5.2 2022: 5.2	-1.4%	2021: 17.1 2022: 17.2	+0.7%

¹ Natural diamond jewellery demand has been defined for the purposes of this report as demand for jewellery containing both new and pre-owned diamonds, while demand for polished diamonds excludes any pre-owned diamonds sold as new.

This has an impact mainly in the US and Japan where there is more significant pre-owned diamond resale activity among consumers.

² In this report, China refers to the Mainland China unless otherwise indicated.

³ The Gulf includes: UAE, Saudi Arabia, Oman, Qatar, Bahrain and Kuwait

GLOBAL NEW POLISHED DIAMOND DEMAND SHARE BY GEOGRAPHY

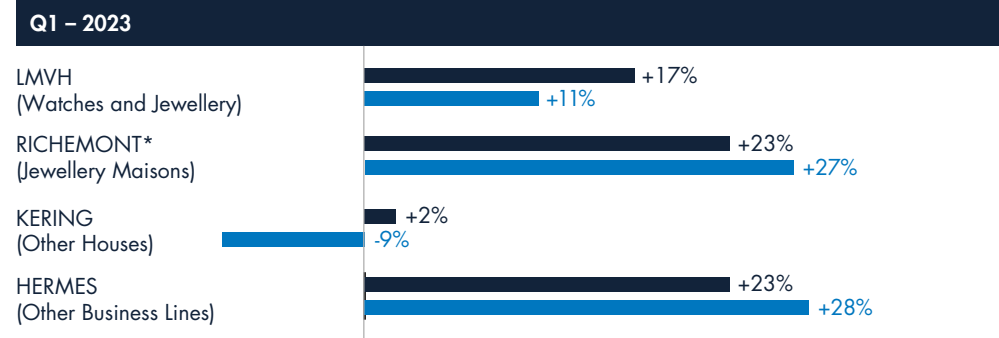
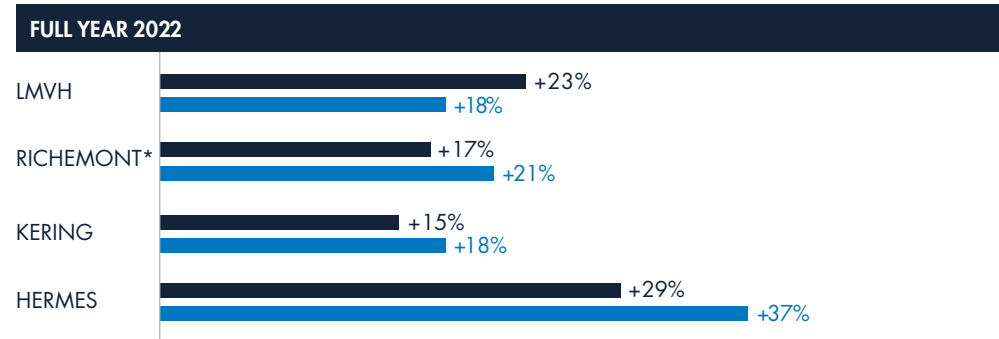
(% of global demand value in USD)

	2019	2020	2021	2022
US	46%	49%	52%	53%
China*	16%	13%	14%	12%
India	11%	9%	8%	10%
Japan	4%	4%	3%	3%
Gulf	6%	5%	5%	5%
Rest of World	19%	20%	17%	17%

* Includes Mainland China, Hong Kong and Macau

LUXURY JEWELLERY VS. LUXURY HOUSES' OVERALL PERFORMANCE 2022 AND Q1 2023

■ TOTAL ■ JEWELLERY



* Richemont prior year comparatives have been re-presented

GLOBAL POLISHED DIAMOND SHARE BY GEOGRAPHY

Polished diamond demand in the US increased by one per cent on the high base in 2021, seeing the US's share of global demand increase marginally to 53 per cent. Greater China's share of polished diamond demand declined year-on-year and remained below the 2019 level. India gained the largest share of demand due to significantly higher than average growth, while the Gulf also saw a marginal gain in share.

2023 DEMAND OUTLOOK

Global demand for natural diamond jewellery⁴ in the first half of 2023 has been negatively affected by the weaker macroeconomic environment especially in some of the main diamond consuming countries. Growth was estimated to be positive year-on-year for China and India, while demand in the US and Japan was weaker than in the first half of 2022.

Consumer demand for natural diamonds in the first half of 2023 in the US was disrupted by economic headwinds including surging inflation, elevated interest rates, and rising cost of living. However, the US economy remained resilient. The labour market remained tight, as evidenced by the downward trend for the unemployment rate which indicated the economy remained close to full employment. US retailers' expectations for diamond jewellery demand in the second half of 2023 remain positive⁵.

In China, declining growth in diamond jewellery demand was reversed in the first quarter of the year after the country reopened in late December 2022 following COVID-19 related lockdowns. Alongside the impact of the low base effect, demand growth in the first quarter was mainly driven by strong domestic sales from international luxury brands, along with acquisitions in Hong Kong as Chinese consumers gradually resumed international travel. The post-pandemic reopening-related consumption boost started to peter out in the second quarter and a more sustained consumption momentum beyond the second quarter requires higher consumer confidence, stronger wage growth or rising house prices⁶, as consumers saved less and spent more as compared with the first quarter of the year.

In the near term, elevated inflation and higher interest rates continue to affect consumer confidence and discretionary spending in some of the major diamond consuming countries, including the US and Europe, while consumer confidence also remains a challenge in China. However, despite the difficult economic landscape, global demand in 2023 will still remain higher than pre-pandemic levels.

⁴ This demand figure includes natural diamond jewellery containing new and pre-owned diamonds.

⁵ De Beers commissioned Retail Sentiment Study

⁶ Oxford Economics Country Economic Forecast | China

CONSUMER TRENDS DURING 2022

MILLENNIALS REMAIN THE MAIN CONSUMERS FOR DIAMONDS BUT GEN Zs HAVE A GROWING INFLUENCE

While Millennials are the main driver of global diamond demand, Gen Z are contributing a rising share of demand. In the US, Millennials represented almost half of all acquirers and about 60 per cent of market value in 2022. Gen Z's share of natural diamond jewellery acquisitions has more than doubled since 2021 (six per cent in 2021 to 17 per cent in 2022), with this generation seeing an increase in desirability for diamonds jewellery both as a gift and self-purchase in 2022. The growth in Gen Z diamond jewellery acquisitions in 2022 contributed considerably to the rise in acquisition rate seen vs. 2021 (11 per cent in 2021 to 15 per cent in 2022)⁷. Gen Zs are expected to be the main consumer group for the broad luxury sector in the coming years. According to Bain, Gen Z's share of luxury purchases will reach 25 per cent in 2026 and increase to 40 per cent in 2035⁸.

US – GEN Zs

17% of acquirers
2022

6% of acquirers
2021

US NATURAL DIAMOND JEWELLERY ACQUISITION RATE

15% Overall
2022

11% Overall
2021

24% Gen Z
2022

20% Millennials
2022

In China, Millennials also remained the most important diamond acquiring generation in 2022, accounting for two thirds of acquirers and market value. But as Gen Z's mature, they now account for a higher proportion of total demand value (nine per cent) than in 2020 (five per cent). Gen Z have higher diamond jewellery ownership and acquisition rates vs. 2020 and a greater desire for diamond jewellery, both as a gift and for self-purchase. They are also more likely to anticipate acquiring diamond jewellery in the next year vs. 2020. As digital natives, this cohort is more likely to acquire diamond jewellery online (10 per cent vs. five per cent for Millennials). They are also more likely to research the ethical credentials of diamond jewellery brands before purchasing. However, they are still constrained by their current financial status – the main barrier to diamond purchases for Gen Z is affordability (30 per cent for Gen Z vs. 14 per cent for Millennials) and their average spend per diamond jewellery piece is about 18 per cent lower than Millennials⁹. For retailers to fully benefit from the potential of this young consumer group, they should offer more affordable diamond jewellery pieces, expand digital networks and emphasize brand ethics.

CHINA – GEN Zs

9% of natural diamond jewellery acquisitions in value terms
2022

5% of natural diamond jewellery acquisitions in value terms
2020

CHINA – ACQUISITION CHANNEL – ONLINE

10% Gen Z
2022

5% Millennials
2022

CHINA – AVERAGE SPEND PER DIAMOND JEWELLERY PIECE

RMB 8,400 Gen Z
2022

RMB 10,300 Millennials
2022

CHINA – BRAND ETHICS – I LOOK INTO THE ETHICAL CREDENTIALS OF THE DIAMOND JEWELLERY BRANDS I CONSIDER BUYING FROM

65% Gen Z
2022

59% all
2022

◆ *In the US, the number of delayed marriages due to COVID-19 has resulted in a big increase in the proportion of natural diamond bridal pieces. The bridal share of volume of natural diamond jewellery increased to 46 per cent (vs 14 per cent in 2021) of all pieces acquired by women in 2022.*



7 De Beers commissioned US Consumer Study 2023
8 Bain & Co, Eight themes that are rewriting the future of luxury
9 De Beers commissioned Diamond Acquisition Study (DAS) China 2023

BRIDAL ACQUISITIONS ARE ON THE RISE

In the US, the number of delayed marriages due to COVID-19 resulted in a big increase in the proportion of natural diamond bridal pieces in 2022. The bridal share of volume of natural diamond jewellery increased to 46 per cent (vs 14 per cent in 2021) of all pieces acquired by women in 2022. Among the bridal natural diamond pieces, gifted pieces increased to 28 per cent and self-purchases rose to 18 per cent (vs 11 per cent and three per cent, respectively in 2021). Additionally, the price per piece surged by 27 per cent, from USD 5,100 in 2021 to USD 6,500 in 2022. Pieces acquired by Millennials were more likely to be bridal (53 per cent)¹⁰.

In China, the marriage rate fell for the ninth consecutive year in 2022. However, those getting married were more inclined to acquire diamond jewellery than in 2020. The proportion of brides acquiring diamond jewellery for their wedding or engagement increased significantly to 47 per cent in 2022. This higher acquisition rate together with the increased price per piece (+10 per cent vs. 2020) resulted in bridal market growth of six per cent in 2022 vs. 2020.

US – BRIDAL ACQUISITION

46%
2022

US – BRIDAL AVERAGE PRICE

USD 6,500
2022
USD 5,100
2021

US – PURCHASING CHANNEL – ONLINE

30% of acquirers
2022

36% of acquirers
2021

37% of Gen Z acquirers
2022

30% of Millennial acquirers
2022

DIGITAL CONTINUES TO GAIN IMPORTANCE IN CHINA BUT BRICK AND MORTAR OUTLETS REMAIN THE DOMINANT PURCHASE CHANNEL

In the US, 30 per cent of all diamond jewellery acquisitions in 2022 were made via online channels, decreasing from 36 per cent in 2021. Over a third (37 per cent) of Gen Z acquirers purchased online in 2022 (vs. 30 per cent for Millennials), indicating the importance of an omnichannel presence to cater to this growing segment¹⁰.

In China, the diamond jewellery purchase journey increasingly includes a digital element. In 2022, almost half of newly acquired diamond jewellery pieces were researched online (49 per cent vs. 39 per cent vs. 2020). More consumers were willing to purchase online (40 per cent vs. 33 per cent in 2020). However, the online acquisition rate in 2022 remained relatively low with approximately eight per cent of diamond jewellery sales in China coming from online channels in 2022. Amongst all cohorts, Gen Zs are the most tech-savvy and are more comfortable with online purchases – their online acquisition rate for diamond jewellery is more than double the total average¹¹.

The growing focus on digital channels highlights the importance of further developing omnichannel/‘phygital’ retailing in both the US and China. Enhanced online experiences with new technologies such as virtual try-on could also be helpful in attracting more traffic, converting into sales and building brand loyalty. This is especially important for Gen Z, who are the tech generation and will be the key customers for diamonds in near future.

CHINA – BRIDAL ACQUISITION

47%
2022

CHINA – BRIDAL AVERAGE PRICE

RMB 12,800
USD 1,800
2022
RMB 11,600
USD 1,600
2020

CHINA – RESEARCHING THE DIAMOND ACQUISITION ONLINE

49% of pieces
2022

39% of pieces
2020

CHINA – WOMEN WILLING TO PURCHASE DIAMOND JEWELLERY ONLINE

40% of women
2022

33% of women
2020



In China in 2022, almost half of newly acquired diamond jewellery pieces were researched online (49 per cent vs. 9 per cent vs. 2020). And more women were willing to purchase online (40 per cent vs. 33 per cent in 2020).

¹⁰ De Beers commissioned US Consumer Study 2023

¹¹ De Beers commissioned Diamond Acquisition Study (DAS) China 2023

DIAMOND ORIGIN HAS BECOME A MORE IMPORTANT CONSIDERATION IN MAKING PURCHASE DECISIONS

In the US, over half (58 per cent) of all natural diamond jewellery female purchasers requested assurance from the retailer about the source or origin of the diamond(s) they were looking to buy in 2022. Bridal respondents (67 per cent), Gen Z (69 per cent), Millennials (64 per cent) and Affluent consumers (63 per cent) are more likely to request assurance. 43 per cent of these consumers asked about origin before any other consideration (such as design) during the purchase. 36 per cent of them specifically requested assurance about the origin before the purchase. 21 per cent made the enquiry

when choosing between multiple pieces and reassurance on origin helped make the final decision. In 2022, the majority (79 per cent) of women who have ever purchased natural diamond jewellery have never been offered a certificate of origin. Only 11 per cent have been offered certification on origin from GIA and five per cent from Sarine. Over half (57 per cent) offered a certificate were not charged extra. Those who were charged paid on average \$113 for a certificate of origin¹². With the increasing importance of assurance on diamond origin to US consumers, retailers may benefit from providing more certificates of origin with their diamond jewellery pieces.

US WOMEN WHO HAVE EVER BEEN OFFERED A CERTIFICATE OF ORIGIN FROM EACH PROVIDER (% OF US WOMEN AGED 18-74 WHO HAVE BOUGHT DIAMOND JEWELLERY).

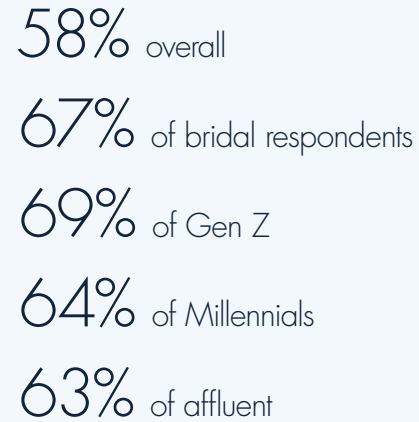


Source: De Beers commissioned US Consumer study 2023

12 De Beers commissioned US Consumer Study 2023

13 De Beers commissioned Diamond Acquisition Studies (DAS) China 2021 and 2023

US – PROPORTION OF CONSUMERS WHO REQUESTED ASSURANCE ABOUT ORIGIN OF DIAMONDS



Source: De Beers commissioned US Consumer Study 2023

In China, origin is also becoming more important in choosing diamond jewellery. An increasing number of women considered origin as the most important factor in the selection of diamond jewellery in 2022 – 23 per cent for all (vs. 20 per cent in 2020) and 28 per cent for diamond jewellery owners (vs. 22 per cent in 2020). More than half of all Chinese women (53 per cent) believe that diamonds are sourced in a socially responsible way and the same proportion are aware that diamonds contribute to the welfare of producer communities. These proportions are higher among Gen Z at

AGREEMENT WITH STATEMENTS ABOUT THE SUSTAINABILITY CREDENTIALS OF DIAMONDS

(% of Chinese women aged 18-54 in City Tiers 1-3)

	ALL WOMEN	GEN Z
Diamond are sourced in a socially responsible way	53%	56%
Diamonds contribute to the welfare of producer communities	53%	57%

AGREEMENT WITH STATEMENTS ABOUT THE IMPACT OF DIAMOND SUSTAINABILITY EVIDENCE ON PURCHASING BEHAVIOUR

(% of Chinese women aged 18-54 in Tiers 1-3)

NET AGREE %	TOTAL	GEN Z
I would still buy diamonds, even if I knew they were not ethically sourced	17%	17%
I look into the ethical credentials of the diamond jewellery brands I consider buying from	59%	65%
Knowing about the positive impact of diamonds on local mining communities would make me likely to buy more diamonds	37%	39%
Through buying diamonds, I can make a positive difference to communities in diamond mining areas	39%	40%

Source: De Beers commissioned Diamond Acquisition Study (DAS) China 2023

56 per cent and 57 per cent, respectively. While these figures are good, there is still opportunity for the diamond industry to make the story of sustainability and doing good the main narrative that consumers recognise.

The challenging economic climate and pandemic related consumer stresses caused somewhat fewer women to consider the ethical credentials of diamond jewellery brands that they were looking to buy from in 2022 – 59 per cent vs. 66 per cent in 2020. However, this proportion is still impressive, and it is even higher among Gen Z at 65 per cent.

Importantly, 39 per cent of Chinese women have an appreciation for diamonds’ ability to make a positive impact and 37 per cent claim that knowing of this positive impact would make them buy more diamonds, with these figures once again being higher among Gen Z. At the same time, the proportion of women who would still buy diamonds even if they knew they were not ethically sourced declined in 2022 to a minority of 17 per cent from 19 per cent in 2020. This shows that for retailers, it is important to promote brand ethics, including through diamond origin, especially when they are addressing the youngest consumer group – Gen Z¹³.

MIDSTREAM

In 2022, the first half of the year saw largely positive trading conditions throughout the diamond pipeline. The year started with retailers restocking following strong consumer demand for diamond jewellery sales over the 2021 holiday season. While the start of Russia's invasion of Ukraine and the imposition of related formal sanctions, as well as several brands self-sanctioning on Russian diamonds created uncertainty in the sector.

Weakening economic conditions in the US, the unwinding of accumulating savings as inflationary pressures dented US disposable incomes and continued Covid19-related restrictions in China led to lower consumer demand in the second half of 2022, lowering the need for retailer re-stocking and impacting demand for polished and rough diamonds in cutting centres.

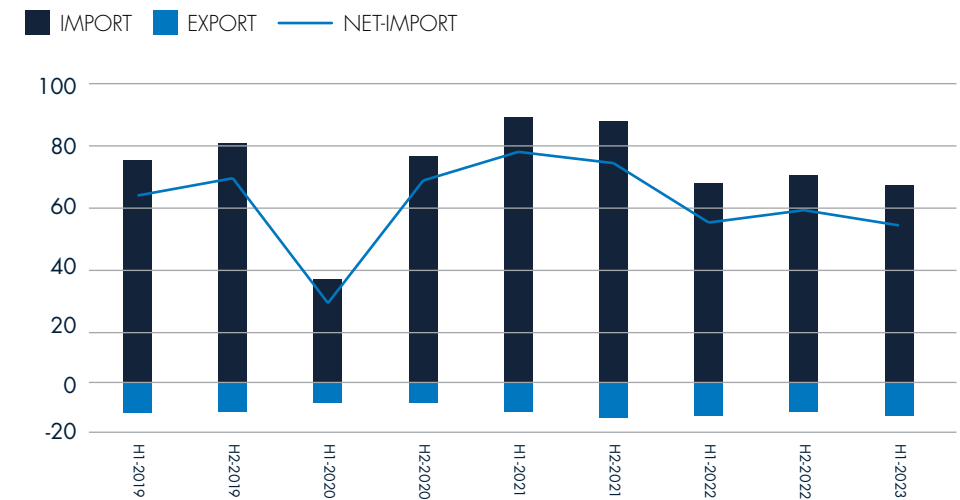
ROUGH DIAMOND DEMAND

Demand for De Beers' rough diamonds remained robust throughout the first half of 2022, supported by strong US consumer demand for diamond jewellery, tightness in global rough diamond supply and De Beers' focus on enhanced provenance assurance for its rough diamonds, but weakened in the second half as retail demand decreased, impacting midstream sales of polished, and requiring less rough diamonds as a result. Net rough diamond imports into India decreased respectively by 31 per cent year-on-year in the first half of 2022, and by 21 per cent in the second half. Net rough diamond imports were 14 per cent lower than the first half of 2019. For the full year 2022, net rough diamond imports into India declined by 26 per cent year-on-year and by 15 per cent when compared to 2019. During the first half of 2023, the net rough diamond imports into India declined only by less than two per cent year-on-year.

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Hopes that a rebound in Chinese demand for diamond jewellery, following their removal of Covid-19 restrictions at the end of last year, would help to pull through the polished stocks did not materialize fully

INDIA ROUGH DIAMOND TRADE (MCTS)



Source: Gem and Jewellery Export Promotion Council (GJEPC)

Net rough diamond imports into India decreased by 31 per cent year-on-year in the first half of 2022, and were 14 per cent lower than the first half of 2019.

For the full year 2022 the growth in net rough diamond imports into India was negative at -26 per cent year-on-year and -15 per cent when compared to 2019



POLISHED DEMAND

Going into 2023, the industry faced continued macroeconomic headwinds, coupled with high polished inventories in the midstream. In China, the heightened COVID-19 restrictions from the second quarter of 2022 onwards affected diamond jewellery retail sales, resulting in negative demand growth for the year. For the midstream, with polished diamond inventories continuing to increase throughout the first half of 2023 amidst a slow polished market, rising financing costs and softening polished prices put profitability under strain.

Midstream polished diamond inventories continued to build up in the second half as retailers restocked more cautiously amidst the growing economic uncertainty. This in turn led to downward pressure on wholesale polished prices and softening demand for rough diamonds.

While sanctions on Russian diamonds following the start of the war in Ukraine caused various disruptions around payments and logistics for such diamonds in 2022, Russian diamond supply largely continued to reach cutting centres.

LOOKING AHEAD – H2 2023 AND 2024

The evolving global macroeconomic environment will influence demand conditions in the main diamond consuming countries in the near term. While there have been some positive signals in some countries with US inflation continuing to fall and the economy proving more resilient than anticipated, 2023 consumer demand for natural diamonds is expected to be below the record levels seen in 2021 and 2022. While high polished diamond inventories in the midstream are likely to remain elevated in the near term, they are expected to fall back to normal levels in the medium term as trading conditions recover.

LONG-TERM OUTLOOK:

Diamond provenance continues to grow in importance for stakeholders throughout the diamond value chain in key markets, with the potential to reinforce continued demand for rough diamonds in the medium and longer term. There will be greater need for traceability given the introduction of the new sanctions in 2024 by the US and other G7 markets on diamonds of Russian origin. Sanctions are expected to target larger stones initially, before gradually covering smaller stones.

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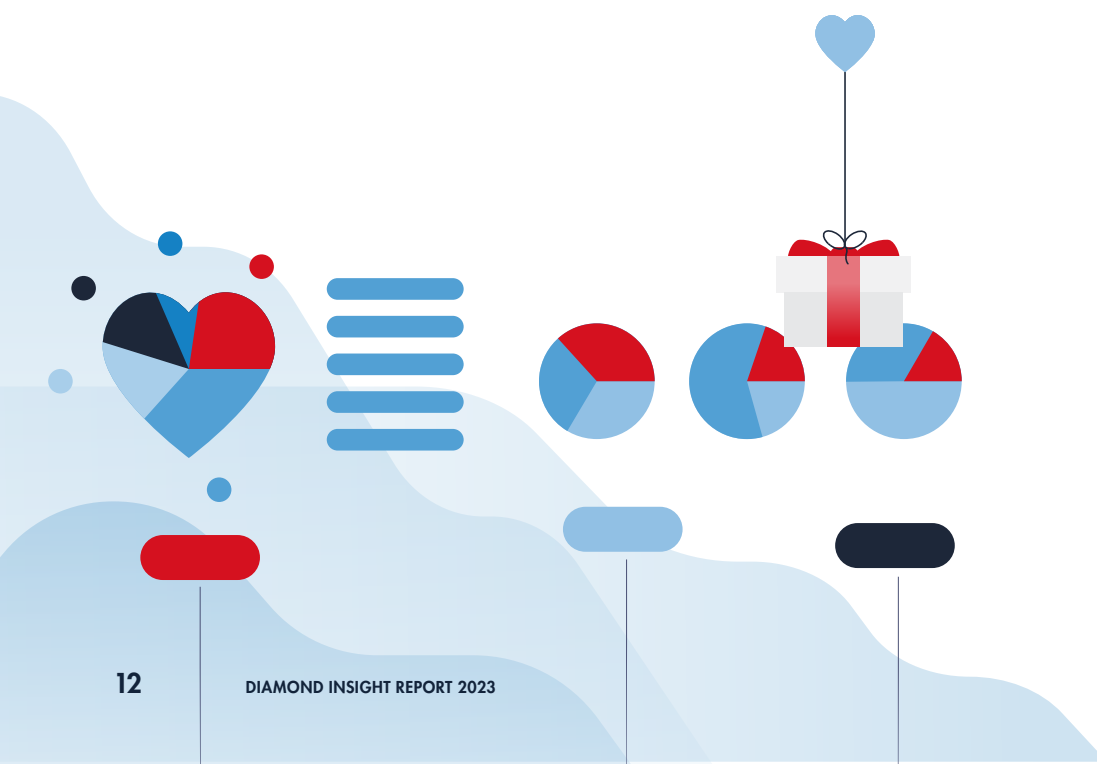
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Looking at polished diamond through loupe at Almod Diamonds' cutting and polishing factory, Yellowknife, Canada.

UPSTREAM

In 2022, De Beers estimates global rough diamond production to have decreased by around two per cent year on year in volume terms, while rough diamond sales to cutting centres are estimated to have increased by around eight per cent year on year in US dollar terms, as diamond prices continued to recover following strong post-pandemic demand growth.



GLOBAL PRODUCTION

In 2022, rough diamond production volume decreased by around two per cent to an estimated 121 million carats (Mct)¹⁴, as production levels stabilised after the significant post-pandemic recovery in production capacity across 2021.

De Beers Group and ALROSA reported production growth in 2022 with the total output of rough diamonds from these two producers growing by an estimated five million carats year on year.¹⁵ Arctic Canadian Diamond's Ekati mine increased production by around one million carats year on year in 2022.¹⁶ Rio Tinto's Diavik mine decreased full-year production by around one million carats compared with their output in 2021.¹⁷ Petra Diamonds' production fell nine per cent year on year in volume terms¹⁸.

Russia continued to be the largest producing country in volume terms for 2022, contributing an estimated 32 per cent to global carat output. Botswana was the second largest producing country, responsible for approximately 20 per cent of volumes.

PRODUCTION BY COUNTRY IN MCTS

PRODUCTION (MCTS)	2021 (MCTS)	2022 (MCTS)
1. Russia	37	39
2. Botswana	23	24
3. Canada	17	16
4. DRC	15	11
5. Australia	0	0
6. Angola	9	9
7. South Africa	9	9
8. All Others	12	12
Total	123	121

PRODUCTION BY COUNTRY IN MCTS

PRODUCTION (MCTS)	2021 (MCTS)	2022 (MCTS)
1. De Beers Group	32	35
2. ALROSA	32	36
3. Rio Tinto	4	5
4. Arctic Canadian Diamonds	6	4
5. Catoca	6	7
6. Informal Sector	21	15
7. Juniors/ROW	14	12
Total	123	121

De Beers Group estimates for rough diamond production volumes for 2022 (121 Mct¹⁴) were one per cent higher than the estimates in the Kimberley Process (KP) report for 2022 (120 Mct¹⁹). The variance is likely due to differences in timings of data sourcing and reporting methodology.

ROUGH DIAMOND SALES TO CUTTING CENTRES

Rough diamond sales to cutting centres in value terms increased in 2022 despite the introduction of trade sanctions on Russian diamonds by the US and other countries²⁰. The reduction in Russian supply, coupled with the fact that diamond producers had depleted their inventories to supply the extraordinary demand in 2021, led to rough diamond supply shortages during 2022. These shortages subsequently pushed diamond prices higher and drove up the value of diamond sales for the year.

Overall, global rough diamond sales increased by an estimated eight per cent in 2022 in US dollar terms²¹. De Beers Group's share of global rough diamond sales grew to an estimated 38 per cent by value (34 per cent in 2021). Following a particularly strong 2021, ALROSA's estimated share of global supply decreased to 20 per cent from 25 per cent in 2021 – marginally lower than their pre-COVID market share in 2019²². Angola's SODIAM provided an estimated 11 per cent (10 per cent in 2021) of global rough diamond sales to cutting centres in 2022.

14 Figures for informal production remain at a lower level of confidence than other production figures due to data availability but could be updated if new information becomes available.

15 Alrosa could exceed 2022 production plan slightly – CEO (Oct 2022)

16 Arctic Canadian boosts gem income as it tests novel submarine miner (Jan 2023)

17 Rio Tinto releases fourth quarter production results (Jan 2023)

18 Petra Diamonds H1 FY 2023 Operating Update (Jan 2023)

19 Kimberley Process: 2022 Global Summary (Jun 2023)

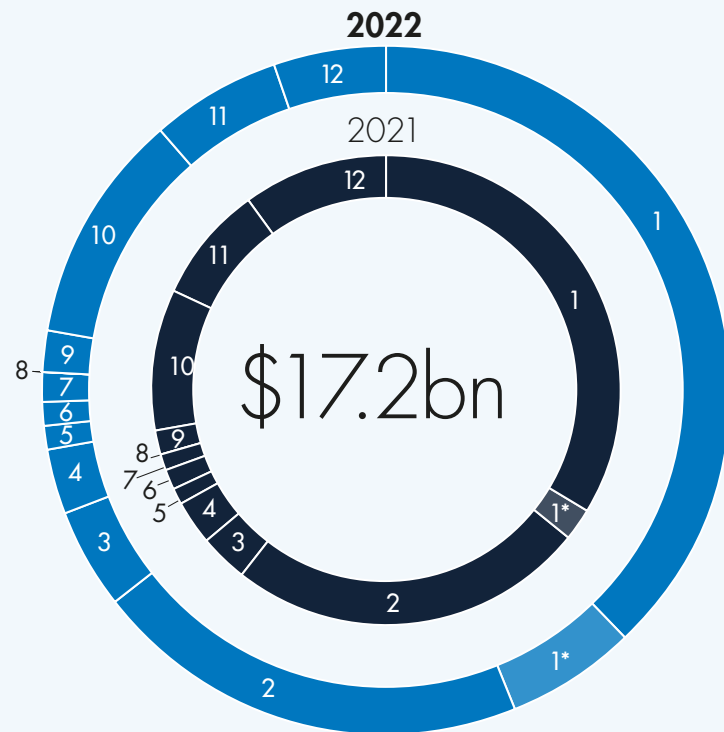
20 The United States Sanctions Major Russian State-Owned Enterprises (Apr 2022)

21 Okavango Diamond Company sales, by value, are included in the De Beers Group share of sales estimate as sales from Diamond Trading Company Botswana

22 Sales values are based on De Beers Group estimates where company reports are unavailable.

ROUGH DIAMOND SALES TO CUTTING CENTRES (USD M)

■ 2021 ■ 2022



- 1. De Beers Group
- 1* of which DTCB to ODC
- 2. ALROSA
- 3. Rio Tinto
- 4. Petra Diamond
- 5. Gem Diamond
- 6. Lucara
- 7. Stornoway
- 8. Firestone Diamonds
- 9. Mountain Province
- 10. SODIAM
- 11. Informal sector
- 12. Other

Source: De Beers estimates, Kimberley Process statistics and company reports

2023 AND BEYOND

In the first half of 2023, De Beers Group produced 17 million carats – unchanged on production volumes in the first half of 2022. De Beers Group’s current full year production guidance for 2023 stands at 30-33 million carats.

Amid the backdrop of sanctions imposed on Russian diamonds and ALROSA, the company ceased all reporting activities in the second quarter of 2022²³. However, in October 2022, ALROSA stated it was expecting to produce around 34-35 million carats in 2022 and 2023.¹⁵ Based on previous seasonality of production, ALROSA production in the first half of 2023 can be estimated between 15-17 million carats (vs 15 million carats in 2021).²⁴

In terms of changes in production expected in 2023, the Ekati mine, which was acquired by Burgundy Diamond Mines in the third quarter of 2023²⁵, is reportedly aiming to produce around five million carats in 2023, increasing year-on-year production by approximately 1 million carats.²⁶ Rio Tinto reported a lower production guidance for Diavik mine at 3-3.8 million carats for 2023 versus 4.7 million carats produced in 2022.²⁷ Firestone Diamonds’ Lihobong mine reopened towards the end of 2022 and reported a production guidance of 0.6-0.7 million carats for 2023.²⁸ Petra Diamonds’ Koffiefontein mine was placed under care and maintenance in the first quarter of 2023 in preparation for closure.²⁹

As stated in previous reports, global rough diamond production is not expected to fully return to pre-COVID levels in carat volume terms in the foreseeable future. The closure of the Argyle mine owned by Rio Tinto at the end of 2020 signalled a permanent loss of more than 10 million carats of production a year for the industry; the mine alone accounted for approximately 10 per cent of global production volumes in 2020. While there are several notable diamond projects on the horizon that may be able to fill the gap to some extent, these projects will take some time to reach full production.

NOTABLE NEW DIAMOND PROJECTS & EXPECTED DATE OF FULL PRODUCTION

- Luaxe (ALROSA/Endiama), currently ramping up to full production in 2027 – approx. 8 Mct p.a.³⁰
- Mir (ALROSA), 2032 – approx. 3 Mct p.a.³¹
- Maiskaya (ALROSA), 2025 – approx. 2 Mct p.a.³²
- Chidliak (De Beers Group), Unspecified – 1-2 Mct p.a.³³
- Vodorzdelnye Galechniki (ALROSA), 2026 – < 1 Mct p.a.³²
- Karowe Underground (Lucara Diamond), 2028 – < 1 Mct p.a.³⁴

MINES APPROACHING END OF LIFE BY 2026

- Diavik (Rio Tinto), 2026 – approx. 5 Mct produced in 2022⁴

Looking beyond 2026, several notable mines from major producers (e.g., Diavik, Ekati, Nyurbinskaya and Almazy-Anabara) are expected to cease production by 2030. The closure of these operations would signal a loss of 17-20 million carats of annual production, which equates to approximately 15 per cent of the global volumes produced in 2022.³⁵

23 ALROSA Financial Results (2023)
 24 Q4&12M 2021 ALROSA Trading update (Jan 2022)
 25 Burgundy Diamond Mines completes transformational acquisition of Ekati (Jul 2023)
 26 Ekati Prospectus for Burgundy Diamond Mines (Jun 2023)
 27 Rio Tinto Lowers Production Forecast for Diavik Mine (Jan 2023)
 28 Firestone Diamonds Quarterly Update – Q1 FY2023 (Nov 2022)
 29 Petra Prepares to Close Loss-Making Koffiefontein Mine (Jan 2023)
 30 Luele mine starts operating this year (Apr 2023)
 31 Alrosa starts construction of giant new diamond mine (Sep 2023)
 32 ALROSA Capital Markets Day 2021 (Mar 2021)
 33 Preliminary Economic Assessment – Chidliak Project (Aug 2017)
 34 Lucara Provides Karowe Underground Expansion Project Update (Jul 2023)
 35 Paul Zimnisky State of the Diamond Market (Aug 2023)

EXECUTIVE SUMMARY

Following a period of very strong growth at the start of the century, diamond jewellery demand in China is currently going through a challenging period following the impact of the pandemic on consumer purchases and a slower than expected recovery since COVID-related restrictions on movement ended. However, this report seeks to look beyond the near-term challenges, as real as they are, to examine the long-term potential for diamonds in China and how the industry can most effectively engage with different Chinese consumer groups.

THE ECONOMIC LANDSCAPE IN CHINA

Demand for diamonds in China has been closely linked to the country's economic progress. Alongside remarkable economic growth, China grew from representing just two per cent of global sales of diamond jewellery in 2000 to peak at 14 per cent in 2015. Following the Covid-19 pandemic and associated impact on consumer confidence, it currently stands at 10 per cent of global demand – meaning China remains the second largest source of consumer demand for diamond jewellery after the US despite the recent challenges

UNDERLYING DESIRABILITY

Diamonds, historically seen as eternal symbols of love, continue to be highly desirable for Chinese consumers in spite of the impact on affordability resulting from economic pressures. Millennials (aged 26-41) and more affluent consumers are the groups most likely to express desire for diamond jewellery as a gift. Meanwhile, interest in self-purchase is also growing. About one-third of Chinese women say they expect to acquire diamond jewellery in the next year – and this proportion is higher among the younger generations.

MARKET OPPORTUNITY

Demand for natural diamonds is a function of desirability and affordability. Many Chinese women express an intention to acquire diamond jewellery in the near future, but a much smaller share end up making the acquisition. The gap between desire and acquisition, while in part a result of how diamonds are marketed, is also related to affordability. With the enduring desirability we see amongst Chinese customers along with a positive outlook for China's GDP and a growing middle class, consumer purchasing power is on the rise, leading to encouraging prospects for diamond jewellery sales. There are clear signs of a greater propensity to buy among more affluent consumers, particularly the ultra-affluent. Tier 2 cities are also seeing a growing share of demand.

“

Demand for diamonds in China has been closely linked to the country's economic progress. Alongside remarkable economic growth, China grew from representing just two per cent of global sales of diamond jewellery in 2000 to peak at 14 per cent in 2015.

LIFESTAGE INSIGHTS

Millennials represent only about half of the key 18-54 female target market, but they purchase a significantly higher share of total diamond jewellery in China – about two-thirds by value.

Despite a fall in Chinese marriage rates, bridal jewellery continues to represent about one-quarter of the market. Gifting accounts for the lion's share of the non-bridal segment, and diamond jewellery pieces received as gifts tend to be of higher value than those self-purchased.

Most consumers who acquire non-bridal diamond jewellery as gifts view them as a symbol of love. Millennials are much more likely to receive diamond jewellery as a gift to celebrate a life stage occasion, such as an anniversary, engagement or wedding, than a personal milestone. However, Gen Z (aged 18-25) are most motivated to receive diamond jewellery for a birthday.

PRODUCT CHOICE

Diamond-only rings remain more popular than any other type of diamond jewellery, although sales of diamond earrings and other products are increasing their share of total demand. Similarly, round cuts still constitute the largest share of diamond shapes acquired, but heart cuts are gaining in popularity.

There has been a notable surge in demand for brands (for both bridal and non-bridal segments). Nine out of ten pieces acquired in 2022 were branded – and nearly eight out of ten were Chinese brands.

CONSUMER PREFERENCES

Millennials regard diamonds as an expression of love and a marker of significant life events. They particularly look for quality, design and size when selecting a diamond, and diamond-only rings are their favourite.

For Gen Z, ethics and social responsibility are high priority considerations. While Gen Z is growing in size within the diamond jewellery market, affordability remains a challenge for them. Retailers may attract them through offering flexible payment options or lower-priced entry-level pieces.

DIGITAL AND PHYSICAL

Around half of consumers conduct online research or turn to social media to gather information before making a diamond purchase. While Gen Z and Tier 1 consumers are more likely than others to complete their purchases online, the purchase phase nevertheless remains anchored in brick-and-mortar stores. This accentuates the importance of creating a memorable in-store experience.

NEW FRONTIERS

Younger generations and consumers in Tier 1-3 cities will continue to be the main source of diamond jewellery demand in China. However, looking ahead, additional untapped potential lies with the 55-65 age demographic and Tier 4 cities. The former, with its pronounced self-purchasing behaviour, and the latter, buoyed by a growing middle class, offer interesting growth avenues.

NAVIGATING THE FUTURE

The diamond industry has been facing several challenges in China in recent years. However, seeking how best to navigate these challenges is a worthwhile endeavour as China continues to hold significant long-term potential for diamonds. With an improving economic outlook, a rapidly growing middle class and an ability to cater to the specific needs and interests of different consumer groups, the diamond industry has an opportunity to support renewed growth for consumer sales of diamond jewellery in China over the long term.

IN FOCUS

- 16 Introduction
- 17 The evolution of Chinese diamond demand
- 22 Structure and drivers of the Chinese diamond demand
- 25 Opportunities for growth in China diamond market
- 38 Conclusion



INTRODUCTION

China³⁶ is the world's second largest market for diamonds after the US, representing 10 per cent of global diamond jewellery demand. China's emergence as a major diamond market over the last 20 years is the result of rising affluence and economic growth – in 2000, China accounted for just two per cent of global diamond jewellery sales.

However, diamond jewellery sales have slowed more recently due to a range of factors including reduced economic growth, the impact of the pandemic and competition from gold and other luxury spending categories.

While economic factors may have inhibited recent growth in acquisition of diamonds in China, the desire of Chinese consumers for diamonds³⁷ remains strong. This gap, between desire and acquisition, is a growth opportunity which this report aims to uncover so that the industry can take advantage of the full value potential of this category.

³⁶ In this report, China refers to Mainland China unless otherwise indicated.

³⁷ For the purpose of this report, diamond (s) refers to natural diamonds unless otherwise indicated

³⁸ Defined as demand for diamonds among men and women in over 120 cities in Tiers 1, 2 and 3



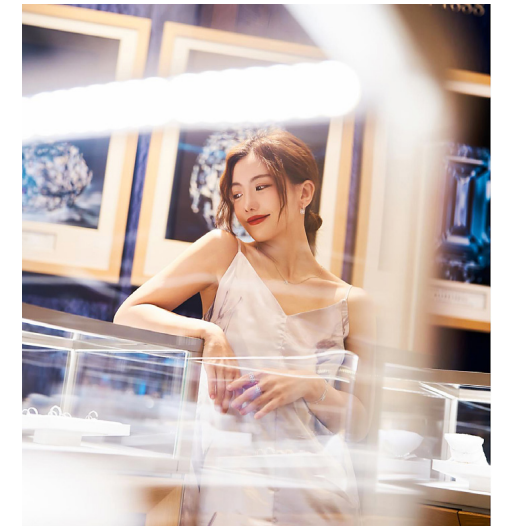
THE EVOLUTION OF CHINESE DIAMOND DEMAND

The diamond jewellery market in China enjoyed a vibrant period in the first two decades of the 21st century. De Beers estimates that the Mainland China market³⁸ grew from just under RMB 7 billion (USD 840 million) in 2000 to RMB 62 billion (USD 10 billion) in 2014, representing a compound annual growth rate (CAGR) of 17 per cent in local currency (19 per cent in USD terms). This rapid growth in demand for diamonds aligns with the period of buoyant economic growth and expansion of the middle class in China.



STRUCTURE AND DRIVERS OF THE CHINESE DIAMOND DEMAND

The vast majority of the value of Chinese diamond demand comes from women's diamond jewellery – 97 per cent. Over a quarter (27 per cent) of the value of the women's diamond jewellery demand in 2022 was accounted for by bridal jewellery. This proportion was somewhat lower than in 2020 (29 per cent), but higher than in 2018 (25 per cent). This reflects the greater resilience of the bridal market during economic downturns, although during the COVID-19 period weddings were affected negatively by lockdowns. Further in this report we discuss in greater detail the specifics, drivers and opportunities of the bridal segment.



OPPORTUNITIES FOR GROWTH IN THE CHINA DIAMOND MARKET

Desirability for natural diamonds remains strong among Chinese end clients, but there is a gap between intent to acquire and actual acquisition rates. This gap represents an opportunity which can be captured by responding to consumer insights.

The report highlights how industry players can best cater to the interests of the more affluent, Millennials and Gen Z – who are prime audiences for the sector – as well as the value of seamless 'phygital' retail approaches and recognising the untapped potential of the 55-65 age demographic and Tier 4 cities

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Post-2014, the Chinese economy and the diamond market entered a phase of lower growth rates, with consumer demand CAGR between 2014-2019 at two per cent in RMB (just below flat in USD terms due to the strengthening of the US dollar exchange rate).

The most recent phase, from 2019-2022, reflects the impact of the COVID-19 pandemic, when demand for diamonds in China fell by five per cent CAGR in RMB terms (four per cent in US dollars). A strong double-digit market rebound in 2021 was not sustained in 2022 due to continuing partial and localised lockdowns brought on by the 'Zero COVID' policy adopted in the country, as well as uneven recovery.

In terms of its role on the global stage, Mainland China rose from a minor diamond market with about two per cent share of global demand in 2000 to the second largest market by 2011, when it reached a market share of 11 per cent, surpassing Japan, the leading European markets and the Gulf. Chinese share of world demand peaked at 14 per cent in 2015. The lower growth rates that China has experienced since then have led to its share of global polished diamond demand declining to an estimated 10 per cent in 2022³⁹.

ENDURING DESIRE FOR DIAMONDS

Until about 2017, natural diamonds were the luxury item most desired by female consumers and they remain in the top three today, alongside gold jewellery and holidays abroad. However, since 2019 and the COVID-19 pandemic, gold, the traditional safe harbour choice for Chinese citizens in risky times, has been propelled to first place and, as trips abroad became more unattainable in the same

CHINA DIAMOND JEWELLERY DEMAND 2000-2022

	2000	2014	2019	2022
Diamond Jewellery demand in USD mn	841	10,067	9,959	8,797
Mainland China share of global diamond jewellery demand	1.5%	13.4%	12.6%	10.2%

CHINA DIAMOND JEWELLERY DEMAND GROWTH 2000-2022

	2000-2014	2014-2019	2019-2022
CAGR in USD per period	+19%	+0%	-4%

Source: De Beers Group Analysis

period, foreign holidays moved to the number two spot. Nonetheless, despite the impact of the pandemic and the challenging economic backdrop, natural diamond jewellery retained strong allure for Chinese women and remained among their most desired gifts, ranking third among all options in 2023. Other types of fine and costume jewellery came further down the list of desirability, with lab-grown diamonds at the bottom, with less than one per cent of women declaring a preference for them⁴⁰.

Further, in 2023 De Beers research saw the allure of natural diamonds strengthening with an increasing proportion of women putting them in first place as the luxury item they most wanted to receive as a gift in 2023. The segments more likely than others to express a desire for diamond jewellery as a gift are the Millennial generation of women (aged 26-41) and the affluent consumer segment with monthly household income of RMB 30k+.



Customer trying on diamond ring, De Beers Jewellers, NYC

39 De Beers Group Analysis

40 De Beers commissioned Diamond Acquisition Study (DAS) China 2023


Desire for self-purchase of diamonds also increased in 2023 compared with 2021, driven once again by the younger generations⁴¹.

As many as 70 per cent of affluent female consumers (with monthly household income of RMB 30k+), placed diamond jewellery right at the top of the list of luxury items costing more than RMB 10,000 (approx. USD 1,400) that they most desired⁴².

Another powerful indicator of the strong desire Chinese women hold for diamonds is their expectation to acquire diamonds in the next year. The most recent De Beers Group survey reveals that 33 per cent of women aged 18-54 years and living in City Tiers 1-3 say that they are likely to acquire diamond jewellery in the next year, either as a gift or self-purchase. This proportion has increased from 30 per cent in 2021 but the proportion of women who actually acquire in a year is around four per cent.

The high desirability for natural diamonds and high expectation of acquiring but low actual acquisition rate points to an unfulfilled opportunity for diamond jewellery in China. This report seeks to help retailers, jewellery manufacturers and the entire diamond industry to support the stronger conversion of desire to actual purchase of natural diamond jewellery in China. In this regard, several segments stand out as particularly promising. Younger Millennials express the highest likelihood to acquire diamond jewellery at 38 per cent, followed closely by Gen Z at 36 per cent, and older Millennials at 35 per cent.

**MOST DESIRED GIFT AMONG CHINESE WOMEN, 2023
(RANK ORDER AMONG WOMEN AGED 18-54 IN TIER 1-3 CITIES)**



A piece of gold jewellery	1st
A holiday abroad	2nd
A piece of jewellery containing natural diamonds	3rd
A smartphone	4th
A weekend getaway	5th
A piece of platinum jewellery	6th
A piece of designer costume jewellery	7th
A genuine designer handbag	8th
A luxury watch	9th
A piece of fashion jewellery	10th
A digital camera	11th
A desktop PC, laptop, netbook, tablet PC	12th
A spa day	13th
A piece of art	14th
A piece of jewellery containing precious stones other than diamonds	15th
High-end designer clothing or shoes	16th
Home furnishings or accessories	17th
A high-end television/other audio-visual equipment	18th
A cosmetic procedure	19th
A piece of jewellery containing lab-grown diamonds	20th

Furthermore, specific groups with higher spending power and affinity to diamonds exhibit an even stronger likelihood than the average. The ultra-affluent (households with monthly income of RMB100k+), even though a small proportion of the consumer audience, demonstrate a significantly higher (56 per cent) likelihood to acquire diamond jewellery in the next year, while only just under six per cent

actually reported acquiring in 2022. In addition, heavy diamond jewellery owners exhibit the most pronounced desirability, with a substantial 63 per cent claiming they are likely to acquire. This suggests a strong interest within this segment to expand their existing collections through repeat and multiple purchasing. However, the actual conversion in 2022 was only 14 per cent.⁴²

**CHINESE WOMEN'S LIKELIHOOD TO ACQUIRE DIAMOND JEWELLERY (DJ)
AS GIFT OR SELF-PURCHASE IN THE NEXT YEAR BY CONSUMER SEGMENTS,
2021 AND 2023**

(% of women in respective group)

	LIKELY TO ACQUIRE		ACTUALLY ACQUIRED
	2021	2023	2022
Overall	30%	33%	4%
Gen Z	31%	36%	3%
Younger Millennials	35%	38%	7%
Older Millennials	34%	35%	5%
Gen-X	24%	26%	3%

GROUPS MOST LIKELY TO ANTICIPATE GETTING DJ:	LIKELY TO ACQUIRE		ACTUALLY ACQUIRED
	2021	2023	2022
RMB100k+ Monthly Household Income	46%	56%	6%
Luxury acquirers*	n/a	48%	11%
Females who own four or more diamond jewellery pieces	43%	63%	14%

* Females with a household income of RMB 30K+ who acquired at least one luxury item (handbag, shoes, ready-to-wear, watches, diamond jewellery, non-diamond jewellery) worth >RMB 10K in 2022

Source: De Beers commissioned Diamond Acquisition Studies (DAS) China 2021 and 2023

41 China Diamond Acquisition Studies 2021 and 2023
42 De Beers commissioned Diamond Acquisition Study (DAS) China 2023

THE ECONOMY AND THE CHINA DIAMOND MARKET

De Beers analysis shows that demand for diamond jewellery is dependent on two main factors: desire for diamonds and affordability. We saw in the previous section that desire for diamond jewellery in China has endured through the most recent macro-economic challenges. However, sales are strongly correlated with real GDP growth.

When the country's GDP growth was strong (CAGR of almost 10 per cent for 2000-2014), so too was growth of diamond jewellery sales, whereas in the subsequent periods it reversed. The forecast to the end of the current decade is for China's GDP growth to stabilise at a level between four per cent and five per cent, which is considerably higher than the global average of about two per cent to three per cent.

The mechanism through which GDP growth filters through to diamond demand is the growth in the disposable income of individuals and households. Between 2010 and 2022, average household disposable income in China more than doubled to reach RMB 116,200 (USD 18,500), which in the context of low inflation and declining interest rates⁴³ means Chinese consumers have more spending power. Looking forward to 2030, this metric is expected to increase by a further 38 per cent in local currency, which means that Chinese consumers' purchasing power is likely to be sustained into the future.

⁴³ Oxford Economics data show that short-term interest rates declined from 5.2 per cent in 2012 to 3.7 per cent in 2015, and further down to 2.4 per cent in 2023. Consumer Price Index (CPI), remained relatively stable during this period, oscillating around the 3 per cent mark.

OXFORD ECONOMICS MACRO-INDICATORS HISTORICAL AND FORECASTS

HISTORICAL REAL GDP GROWTH, CHINA AND GLOBAL, 2000-2022

	2000	2014	2019	2022
China Real GDP RMB bn	19,241	71,694	99,160	113,205
World Real GDP USD billion	48,264	72,787	84,270	89,237

RESPECTIVE CAGR PERCENTAGE

	2000-2014	2014-2019	2019-2022
China	+9.9%	+6.7%	+4.5%
World	+3.0%	+3.0%	+1.9%

FORECAST REAL GDP GROWTH YEAR-ON-YEAR, CHINA AND GLOBAL, 2023-2030

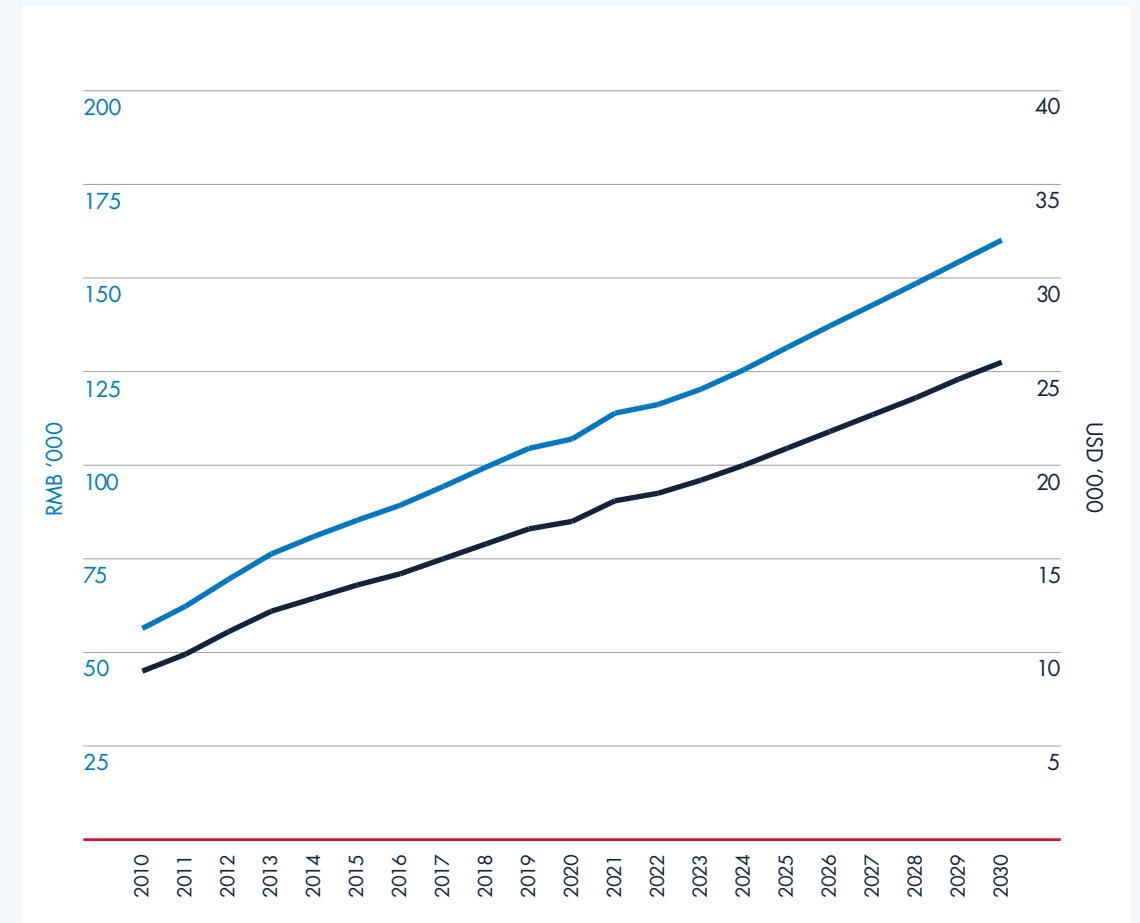
	2023	2024	2025	2026	2027	2028	2029	2030
China Real GDP in RMB	5.1%	4.6%	4.5%	4.5%	4.5%	4.5%	4.4%	4.0%
Global Real GDP in USD	2.3%	2.0%	3.0%	3.1%	2.9%	2.7%	2.6%	2.4%

Source: Oxford Economics, 7 August 2023

CHINA AVERAGE HOUSEHOLD DISPOSABLE INCOME PER ANNUM

(RMB and USD '000), 2010-2030

— CHINA RMB — CHINA USD



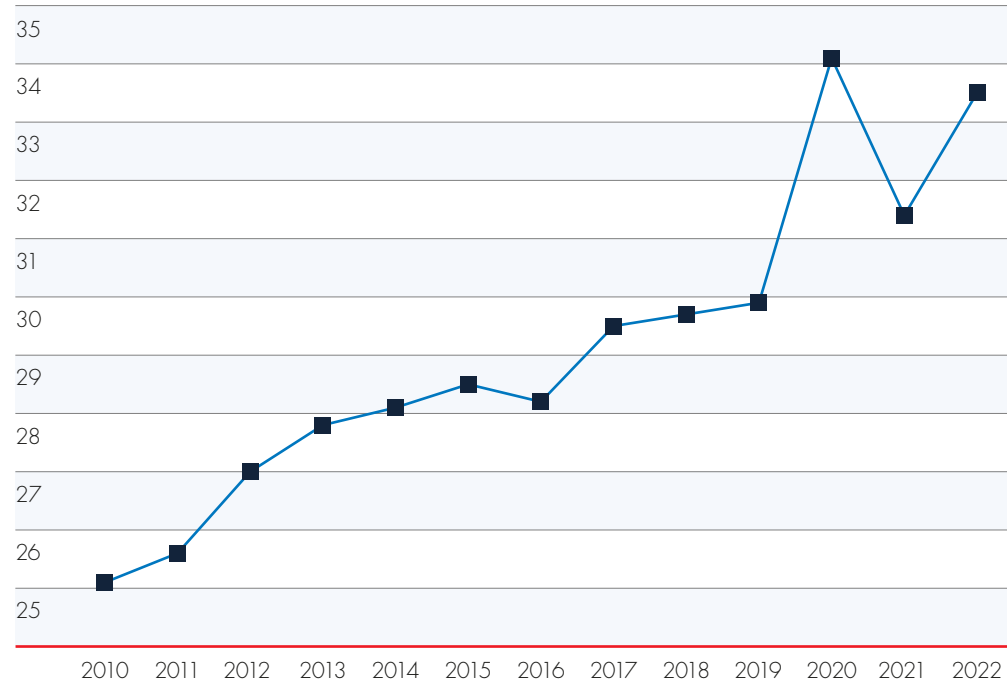
Source: Oxford Economics as of August 2, 2023

In China, growing personal disposable income fuels not only spending but also saving. Data from 2010 to 2022 reveals a steady rise in personal savings. This trend has been particularly pronounced since 2020, a likely consequence of the global pandemic's impact on spending habits. Increased savings serve not only as a buffer in times of economic uncertainty but also as potential for increased consumer spending in the future when stability is restored and consumer confidence rises.

The China government's policy of sustained wage growth has also resulted in the growth of the middle class. Demand for diamonds in China has been and will continue to be supported by the growth of the upper-middle and affluent classes. The proportion of households in these classes increased from one-fifth (21 per cent) in 2010 to one-half (51 per cent) in 2022. The forecast is for this proportion to grow further to two-thirds (66 per cent) by 2030, with most of the growth coming from the affluent group⁴⁴.

CHINA PERSONAL SAVINGS RATE

(% of Personal Disposable Income)

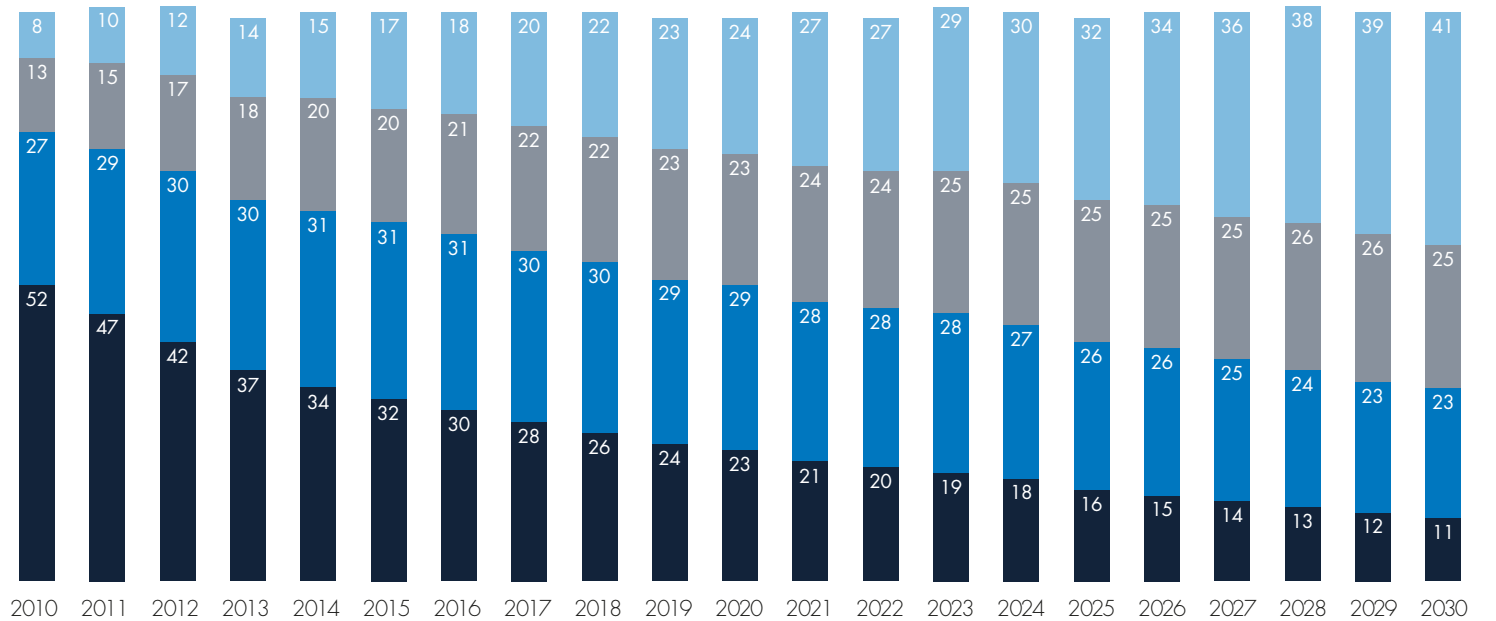


Source: China National Bureau of Statistics

DISTRIBUTION OF CHINESE HOUSEHOLDS BY INCOME BAND 2010-2030

(USD at PPP 2015 constant prices)

- POOR & ASPIRANT (<\$10K)
- EMERGING MIDDLE CLASS & MIDDLE CLASS (\$10-20K)
- UPPER-MIDDLE CLASS (\$20-35K)
- AFFLUENT (HHI>\$35K P.A.)



Note: figures from 2020 to 2035 are forecast
Source: Oxford Economics as of July 6, 2023

This household trend translates into growth of the number of people in the upper-middle and affluent classes from an estimated 734 million in 2022 to about 942 million in 2030. This is a CAGR of just over three per cent per year.

This trend has supported Chinese diamond demand growth in the past and is expected to continue to do so in the future, as the upper-middle and affluent income groups have higher

than average diamond acquisition rates and higher than average spend on diamond jewellery⁴⁵.

⁴⁴ Oxford Economics as of July 6, 2023; Annual household income in PPP constant 2015 prices in USD terms
⁴⁵ De Beers commissioned Diamond Acquisition Study (DAS) China 2023



“
The growth in the upper middle and affluent households has supported Chinese diamond demand growth in the past and is expected to continue to do so in the future, as the upper-middle and affluent income groups have higher than average diamond acquisition rates and higher than average spend on diamond jewellery.

The upper middle and affluent consumers (defined as people with monthly household incomes of RMB 15,000 and above) currently account for around 60 per cent of total diamond jewellery demand value, or RMB 35.5 billion. Considering that the population in these classes is expected to grow at a CAGR of just over three per cent per year to 2030, the demand for diamonds in China is likely to increase by a cumulative RMB 44 billion by the beginning of the next decade as a result of the increase in these population segments alone. This is in addition to the forecast of about RMB 95 billion growth that comes from expected growth in the economy, and does not take into account any potential growth in the diamond acquisition rate, the number of pieces acquired or the average price paid by the top classes, all of which could further boost this China market growth potential.

The macro-economic forecasts of GDP and household disposable income growth discussed here could drive a recovery of Chinese diamond jewellery demand to a positive year-on-year growth rate in 2023 and then further improvements in the growth rate in 2024-2025 and beyond.

Given the expectation of higher growth in 2024-2025, the priority for retailers should be to prepare for the recovery and make the most of it, in order to secure a stronger competitive position for the longer term. The rest of this report is dedicated to exploring the opportunities that exist for retailers to strengthen their position in the existing Tier 1-3 market. We will also consider the possibility for market expansion in the Tier 4 cities and among the older consumer groups.

CHINESE AFFLUENT WOMEN'S CONTRIBUTION TO THE DIAMOND MARKET, 2022

	Total 2022 (138 cities)	Affluent consumers (30K+ monthly income)	Affluent consumers as a proportion of total consumers
Universe Size	87,105,000	2,887,000	3.3%
Acquisition Incidence	4.3%	9.3%	n/a
Number of acquirers	3,726,000	269,000	7%
Number of pieces	4,287,000	330,000	8%
Average price per piece (RMB)	10,102	13,563	n/a

Source: De Beers commissioned Diamond Acquisition Study (DAS) China 2023

◆
 A natural diamond ring from the De Beers Jewellers Enchanted Lotus Collection.

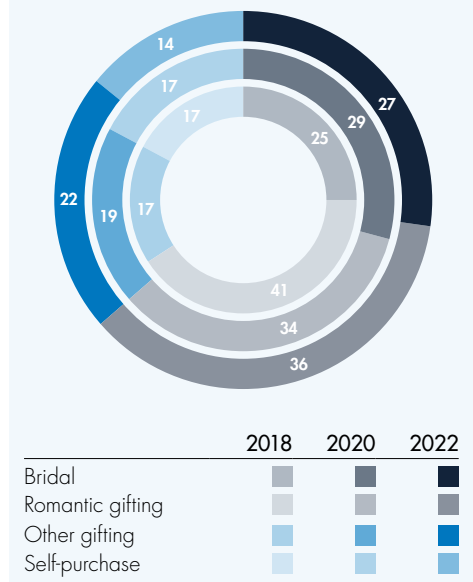
STRUCTURE AND DRIVERS OF CHINESE DIAMOND DEMAND

The vast majority of the value of Chinese diamond demand comes from women’s diamond jewellery – 97 per cent⁴⁶. Over a quarter (27 per cent) of the value of the women’s diamond jewellery demand in 2022 was accounted for by bridal jewellery (vs. 29 per cent in 2020). More than half (58 per cent in 2022 vs. 53 per cent in 2020) of the value comes from non-bridal gifting and 14 per cent (17 percent in 2020) is from non-bridal self-purchasing. Further in this report we discuss in greater detail the specifics, drivers and opportunities for bridal diamonds as well as the other segments.



HISTORICAL REVIEW OF THE MAIN SEGMENTS IN THE CHINESE DIAMOND JEWELLERY MARKET 2018-2022

(% share of market value in RMB at retail prices)



Source: De Beers commissioned Diamond Acquisition Studies (DAS) 2019, 2021 and 2023

46 De Beers estimate based on historical market research.



A celebrity visiting the De Beers Jewellers Nanjing store attracts hundreds of fans during Qixi (Chinese Valentine's Day) campaign period.



A love-themed retail activation in a Shanghai shopping mall riding on the 520 (I love you) day, one of the gifting occasions in China.

AGE AND GENERATION

Age and generation have an important influence on diamond jewellery sales. Although Millennials (aged 26-41 in 2022) account for only about half of the 18-54 female target market, they actually purchase about two-thirds of diamond jewellery by value in China.

One key factor affecting behaviour is being in the demographic with lots of weddings taking place. Younger Millennials (aged 26-30 in 2022) form the core of the bridal segment and pay on average RMB 10,700 for a piece of diamond jewellery, compared with RMB 9,900 for older Millennials (aged 31-41).

Another factor is financial maturity – including the effect on income of being longer in a job and in a more senior position. This effect can be seen for older Millennials, who maintained their share of diamond jewellery sales between 2018 and 2022, despite the macro-economic headwinds.

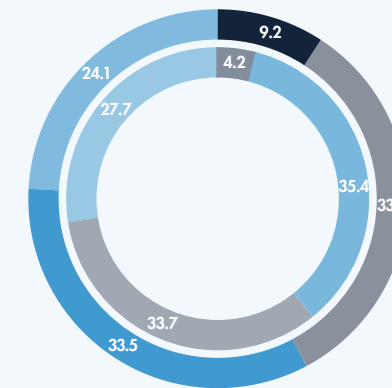
The effect of time passing alters the composition of each generation in our sample, which is restricted to women aged 18-54. In 2022, the group representing Gen Z (born after 1998 and aged at least 18) grew by four years compared with 2018 and the group representing Gen X (born before 1980 but no older than 54) shrunk by four years. This itself partly accounts for the higher share of Gen Z and lower share of Gen X in diamond jewellery sales between the two dates – despite the fact that the youngest age group was negatively impacted by macro-economic developments in recent years, particularly by high unemployment.

INCOME

Another important change brought on by the pandemic and its economic repercussions has been the shift towards higher income groups accounting for a greater proportion of diamond jewellery sales. Prior to the pandemic, a greater democratisation of the diamond market in China had made it possible for lower income groups to participate in greater numbers. However, in the face of economic challenges, this capacity reduced. Whereas in 2018 households with a monthly income of RMB10k or more accounted for under half of sales (46 per cent), this grew to nearly three-quarters of sales (74 per cent) by 2022. The higher income groups have demonstrated a higher propensity to acquire diamonds and have also driven up the average price of acquisitions.

COMPOSITION OF THE CHINESE DIAMOND JEWELLERY MARKET BY GENERATION PRE AND POST-COVID-19, 2018 AND 2022

(% of market value in RMB)

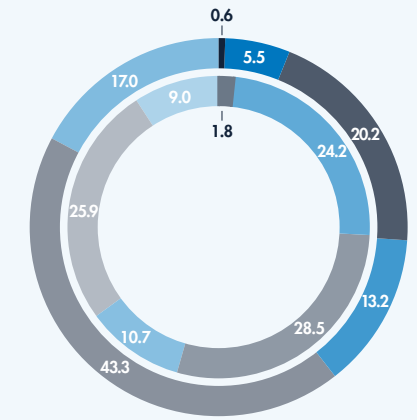


	2018	2022
Gen Z ⁴⁷		
Younger Millennials		
Older Millennials		
Gen X		

Source: China Diamond Acquisition Studies (DAS) 2019 and 2023

COMPOSITION OF THE CHINESE DIAMOND JEWELLERY MARKET BY INCOME BAND PRE AND POST-COVID-19, 2018 AND 2022

(% of market value in RMB)



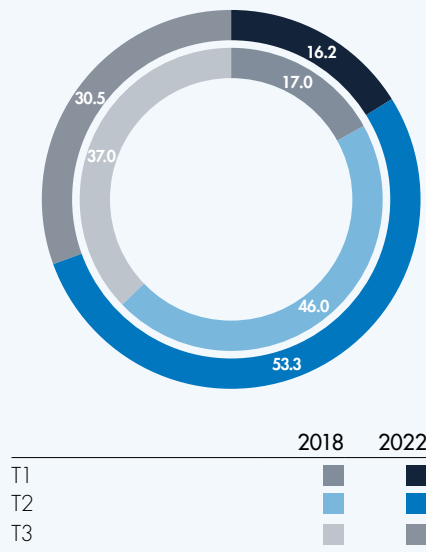
	2018	2022
<RMB 3k		
RMB 3k-6.9k		
RMB 7k-9.9k		
RMB 10k-14.9k		
RMB 15k-24.9k		
RMB 25k+		

Source: China Diamond Acquisition Studies (DAS) 2019 and 2023

⁴⁷ The generations definitions are as follows in 2018: Gen Z 18-21, Millennials 22-37, Gen X 38-54; in 2022: Gen Z 18-25, Millennials 26-41, Gen X 42-54;

COMPOSITION OF THE CHINESE DIAMOND JEWELLERY MARKET IN TIER 1-3 CITIES BY CITY TIERS PRE AND POST-COVID-19, 2018 AND 2022

(% of market value in RMB)



Source: China Diamond Acquisition Studies (DAS) 2019 and 2023

CITY TIER

The distribution of market value by City Tier has also shifted over the past few years, with Tier 1 retaining a more stable share, while Tier 2 has gained share from Tier 3 to represent more than half (53 per cent) of the market in 2022. Later in this report, for the first time we consider the merits of adding Tier 4 cities to the target market for diamonds in China and discuss the opportunity they present to the diamond retail trade.

PRODUCT PROFILE

Chinese consumers continue to purchase diamond-only rings more than any other type of diamond jewellery, but the share of this product has fallen from 51 per cent to 43 per cent across all acquired pieces. Consumers are increasingly venturing into other forms of diamond jewellery, such as earrings, which now make up nearly a quarter of non-bridal acquisitions.

DESIGN AND BRANDING

There has also been a shift towards more unique and symbolic cuts. Round cuts still constitute the largest share of diamond shapes acquired (56 per cent) but this share has decreased across both bridal and non-bridal pieces (by 10 percentage points each) in 2022. Heart cuts have gained popularity (by five percentage points) across all piece types, signalling a preference for designs that are more sentimental and personal.

At the same time, the proportion of branded pieces has risen across all types of acquisitions in 2022 – spanning bridal, non-bridal gifted, and self-purchased pieces. For non-bridal gifts, branded pieces made up 82 per cent of acquisitions in 2020 and 92 per cent in 2022.

Further details of the significance of these recent changes are discussed in the following section of the report highlighting the opportunities for diamond retailers.

▶ *Consumers are increasingly venturing into other forms of diamond jewellery, such as earrings, which now make up nearly a quarter of non-bridal acquisitions.*



OPPORTUNITIES FOR GROWTH

Desirability for natural diamonds remains strong among Chinese end clients, but there is a gap between intent to acquire and actual acquisition rates. This gap represents an opportunity which can be captured by responding to consumer insights. The report highlights how industry players can best cater to the interests of the more affluent Millennials and Gen Z – who are prime audiences for the sector – as well as the value of seamless ‘phygital’ retail approaches and recognising the untapped potential of the 55-65 age demographic and Tier 4 cities

MILLENNIALS: SIGNIFICANT MARKET PLAYERS

As we have seen, Millennials are the generation that spends disproportionately more than others on diamond jewellery. They see diamond jewellery as suitable for all genders and they appreciate its allure and versatility.

Younger Millennials prize quality/purity as the most important feature they seek from diamond jewellery, followed by the size and cost of the piece. Design and colour also play a significant role in their decision-making.

For older Millennials, design and size take priority, closely followed by purity and price. For both groups, the uniqueness of a piece and the ethical responsibility of the brand are also factors⁴⁸.

This suggests that successful retailers need to concentrate on crafting aesthetically pleasing jewellery with top-quality diamonds and competitive pricing, while not overlooking the need to communicate their commitment to ethical practices.

MOST IMPORTANT CONSIDERATIONS WHEN SELECTING DIAMOND JEWELLERY (RANKED BY PROPORTION OF DIAMOND JEWELLERY OWNERS GIVING TOP IMPORTANCE RATING*)

Rank	Younger Millennials	Older Millennials
1	Purity (42%): The quality and authenticity of the diamonds are a top consideration, showing a preference for purity.	Design (42%): Aesthetic appeal and style are of the highest importance for older millennials.
2	Size (35%): They also value larger or more prominent pieces, making size the second most important factor.	Size (40%): Similar to younger millennials, size is a significant consideration for older millennials as well.
3	Price (34%): Younger millennials are cost-conscious and consider the price of the diamond jewellery when making decisions.	Purity (39%) and Price (39%): For older millennials, both diamond quality (purity) and price hold equal importance.
4	Design (33%): Aesthetic aspects, including design, significantly influence their purchase decisions.	Color (38%): The colour of the diamond or jewellery piece is a notable consideration for older millennials.
5	Colour (33%): Aesthetic aspects, including colour, significantly influence their purchase decisions.	
6	Uniqueness (31%): Preference for distinctive and rare pieces that stand out from common designs.	

Source: De Beers commissioned Diamond Acquisition Study (DAS) China 2023

* Ratings of 9/10 on a scale of 1-10, where 10 is Extremely important

For Millennials, diamond jewellery isn't just about aesthetic appeal or financial investment. It's a tangible expression of love and a marker of significant life events.

Millennials are most likely to purchase diamond jewellery for wedding anniversaries (27 per cent of occasions⁴⁸). Over half of Millennials (55 per cent) purchase diamond jewellery to commemorate a *relationship milestone* of some sort, such as engagements, weddings, and anniversaries⁴⁸. This figure overshadows the 17 per cent who buy jewellery for *personal milestones* like birthdays or achievements.

When it comes to the type of diamond jewellery purchased, rings with diamonds only are the clear favourite, chosen by nearly half (47 per cent)⁴⁸.

This presents a big opportunity for retailers and the diamond industry. By creating marketing campaigns that resonate with emotional narratives, and by crafting designs that cater to these occasions, the industry can expect to engage the Millennial market successfully.

48 De Beers commissioned Diamond Acquisition Study (DAS) China 2023

GEN Z: PROGRESSIVE OUTLOOK AND ETHICAL CONSCIOUSNESS

Although Gen Z spend proportionately less than Millennials on diamond jewellery, the share of market value they represent almost doubled between the highly atypical 2020 and 2022 – from five per cent to nine per cent of sales. This surge is due to the higher number of consumers in this cohort as they enter adulthood and a slightly higher acquisition rate in 2022⁴⁹.

For Gen Z, ethics and social responsibility are high priority considerations when it comes to diamond jewellery purchase. Nearly two-thirds (65 per cent) actively contemplate the ethical credentials of brands, and 39 per cent of them acknowledge the positive effect of diamonds on local mining communities⁴⁹. They perceive diamonds as fitting for all genders and place considerable importance on the ethical credentials of diamond jewellery brands.

Retailers can harness this insight by showing their alignment to Gen Z values: highlighting their ethical sourcing practices, commitment to gender inclusivity, and contribution to local mining communities.

GENERATIONAL SHARES IN 2020 AND 2022

(% of total)

2022

Generation	Population (18-54)	DJ Acquirers	Market Value
Gen Z (18-25)	14%	11%	9%
Younger Millennials (26-30)	18%	31%	33%
Older Millennials (31-41)	31%	36%	33%
Gen-X (42-54)	38%	23%	24%

2020

Generation	Population (18-54)	DJ Acquirers	Market Value
Gen Z (18-23)	10%	5%	5%
Younger Millennials (24-30)	24%	37%	38%
Older Millennials (31-39)	29%	35%	34%
Gen-X (40-54)	37%	23%	23%

Source: De Beers commissioned Diamond Acquisition Studies (DAS) China 2021 and 2023

“

Millennials contribute more to the diamond market value than their share in the population, while Gen Z have yet to reach that turning point

CASE STUDY

SPOTLIGHT ON GEN Z



Gen Z use online platforms significantly within the purchase process. They are twice as likely as other groups to make acquisitions from jewellers' websites and retail portals, and 21 per cent use social media for research⁴⁹. This points to the need for retailers to have strong digital touchpoints to communicate effectively with their youngest customers.

Affordability is a primary obstacle for Gen Z diamond acquisition (30 per cent). As many are at the early stages of their careers or still in education, their disposable income may be limited. To circumvent this barrier, diamond retailers might consider launching flexible payment options or offering lower-priced entry-level pieces.

Gen Z tend to acquire more diamond jewellery pieces containing diamonds only than pieces with diamonds and other stones.

They most often acquire rings with diamonds only (33 per cent), followed by earrings with diamonds only (24 per cent) and necklaces with diamonds only (21 per cent). Single-stone solitaires are the type of ring preferred (25 per cent⁴⁹).

Gen Z are most likely to acquire diamond jewellery for birthdays: one in three acquisitions are for a birthday, compared with less than one in five for Millennials⁴⁹. Retailers could seize this opportunity by offering special birthday promotions or personalised pieces that make for unique birthday gifts. Additionally, implementing a birthday club or a similar programme where customers receive special discounts or offers during their birthday month could be a way of enticing Gen Z to acquire more diamonds.

21%

of GEN Z's use social media for research

1/3

1 in 3 purchases by Gen Z are for birthdays, in comparison to less than 1 in 5 for Millennials

⁴⁹ De Beers commissioned Diamond Acquisition Study (DAS) China 2023

TOP MOTIVATIONS FOR ACQUIRING DIAMOND JEWELLERY

(% of pieces acquired in 2022)

	Gen Z	Millennials
Relationship milestone (e.g. engagement, wedding, anniversary)	38	55
Personal milestone (e.g.: birthday, achievement)	32	17
Expression of love/commitment	5	10

TOP OCCASIONS OF ACQUIRING DIAMOND JEWELLERY PIECE

(% of pieces acquired in 2022)

	Gen Z	Millennials
Birthday	34	17
Decision to get married/engaged	20	13
Valentine's Day	9	10
Marriage celebration/party	8	12
First/new job	7	1
Wedding anniversary	2	27

MAIN TYPES OF DIAMOND JEWELLERY ACQUIRED

(% of pieces acquired in 2022)

	Gen Z	Millennials
Ring with diamonds only	33%	47%
Solitaire ring – NET	30%	45%
Solitaire ring – A ring with one diamond only	25%	38%
Solitaire ring – A ring dominated by one centre diamond, also containing smaller diamonds	5%	7%
Ring with diamonds + other stones	7%	8%
Necklace with diamonds only	21%	20%
Necklace with diamonds + other stones	3%	4%
Earring with diamonds only	24%	12%
Earring with diamonds + other stones	4%	2%
Bracelet	6%	4%
Other	3%	2%

Source: De Beers commissioned Diamond Acquisition Study (DAS) China 2023

THE AFFLUENT CONSUMER OPPORTUNITY

Although affluent consumers with a monthly household income of RMB 30k+ comprise only three per cent of the 18-54 female population in City Tiers 1-3, they contribute as much as 10 per cent to the total market value of diamond jewellery acquisitions. This figure has risen from six per cent in 2020.

These affluent consumers not only purchase more diamond jewellery but also exhibit higher spending per piece. Their average spend on diamond jewellery amounts to RMB 13,600, which is 33 per cent higher than the overall average and represents a higher average caratage per piece of 0.48 (compared to 0.32 for the total market)⁵⁰.

Affluent consumers are more likely to buy diamond jewellery to celebrate significant relationship milestones, particularly wedding anniversaries. Two out of every five acquisitions among this group are associated with such occasions, a figure significantly higher than the total average of 27 per cent⁵⁰.

However, affluent consumers are quite selective in their choices, with the design of the jewellery playing a pivotal role, influencing 39 per cent of this group. One in four of those who did not purchase diamond jewellery in 2022 stated that they couldn't find a design they liked. This may help explain the gap between the strong desire for diamond jewellery among affluent consumers as evidenced by their high level of expectation for acquisition in the next 12 months (at 46 per cent of the cohort) and their actual acquisition in the previous 12 month period (at nine per cent).

▶ *Affluent consumers are more likely to buy diamond jewellery to celebrate significant relationship milestones, particularly wedding anniversaries.*



THE INCREASING POPULARITY OF BRANDS

There has been a notable surge in demand for branded diamond jewellery. In 2022, a striking 92 per cent of all acquisitions were from recognised brands, compared with 44 per cent in 2016. Chinese brands⁵¹ took the lead, accounting for nearly 80 per cent of all purchases.

Preference for brands applies to both bridal and non-bridal pieces. However, there are some variations by consumer segments. For instance, Gen Z women tended to lean towards international brands⁵² (seven per cent). Conversely, Gen X women showed slightly less demand for branded pieces (87 per cent).



Consumers look for values and emotional alignment with a brand's image, narrative, and what it stands for. Brands that are viewed as ethical and responsible are more likely to be favoured.

Consumers look for values and emotional alignment with a brand's image, narrative, and what it stands for. Brands that are viewed as ethical and responsible are more likely to be favoured, as a decreasing number of Chinese consumers are prepared to buy diamonds if they are not ethically sourced – a drop from 28 per cent in 2020 to 19 per cent in 2022. This trend is particularly pronounced among Gen Z consumers, with 65 per cent of them looking into the ethical credentials of the diamond jewellery brands they are buying from, compared with 57 per cent of Gen X⁵³.

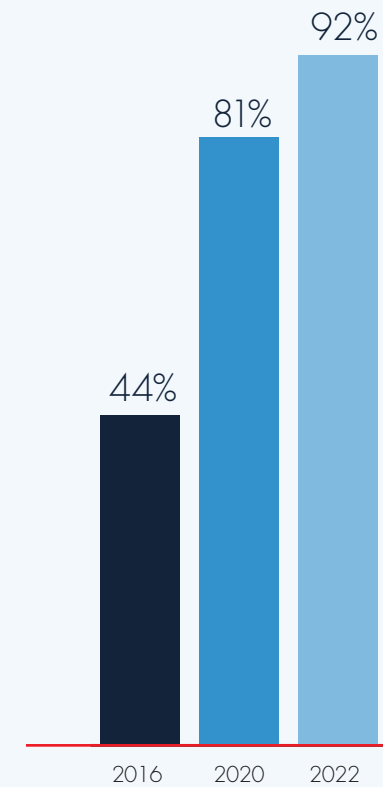
51 Chinese brands include Chow Sang Sang, Chow Tai Fook, CHJ, Chow Tai Seng, Darry Ring, I DO, Lao Feng Xiang, Luk Fook, Shining House, TSL, Z-Bird, Leysen, Zhou Liu Fu, Qeelin

52 International brands include Bvlgari, Cartier, Chaumet, Chopard, De Beers Jewellers, De Beers Forevermark, Graff, Harry Winston, Tiffany & Co., Van Cleef & Arpels, Piaget, Fred, Boucheron

53 De Beers commissioned China Diamond Acquisition Study 2023

BRANDED DIAMOND JEWELLERY ACQUISITIONS

(% of total pieces)



Source: De Beers commissioned Diamond Acquisition Studies (DAS) 2017, 2021 and 2023



INVESTING IN LOVE: BRIDAL DIAMOND JEWELLERY ENDURES DESPITE DECLINING MARRIAGE RATES

A range of factors such as declining birth rate over the past decade, changing cultural norms, economic pressures, and a greater emphasis on individualism and personal fulfilment have resulted in a sustained trend of declining marriage registrations for nine consecutive years.

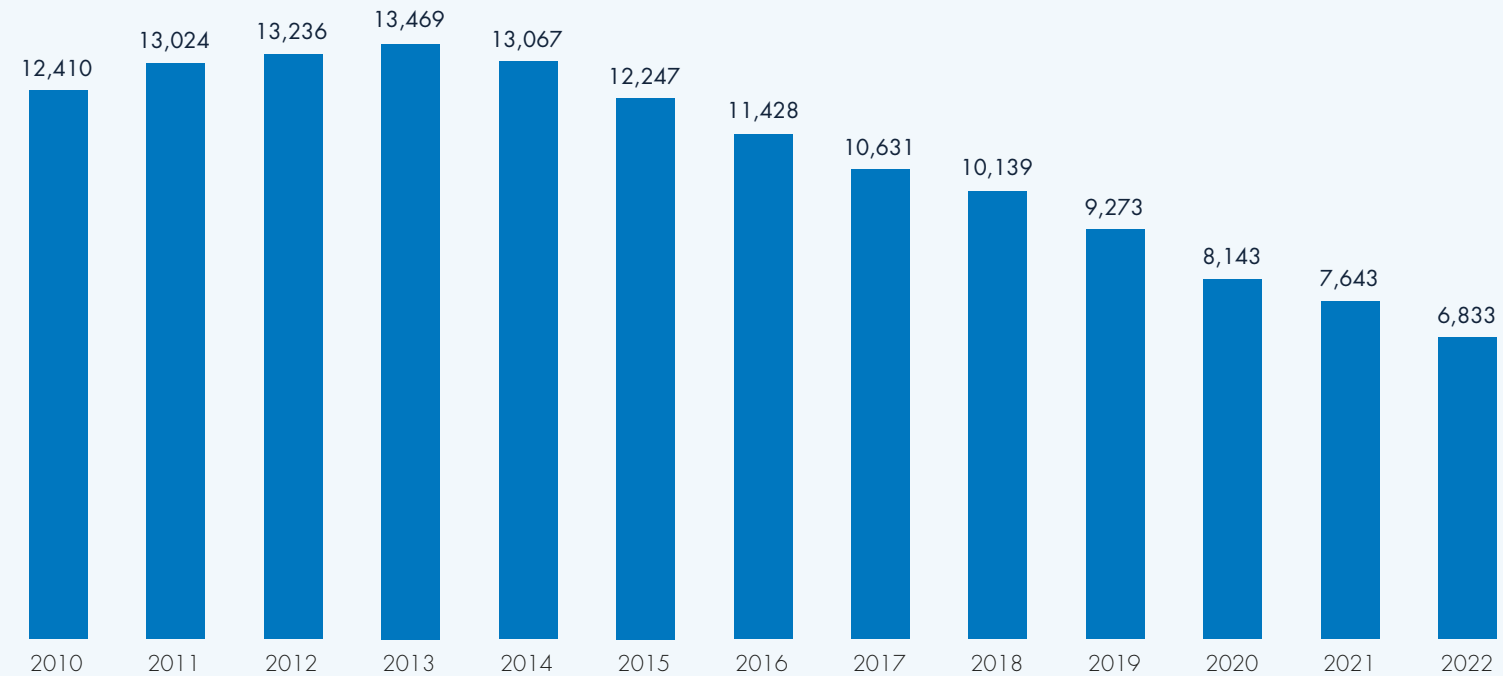
The proportion of brides acquiring diamond jewellery for their wedding stood at a little less than half (47 per cent) in 2016. During the COVID-19 crisis in 2020 this acquisition rate declined to 33 per cent of brides, but by 2022 it had recovered to the 2016 level. The recovery in acquisition rate together with the increased price per piece (+10 per cent vs. 2020) resulted in bridal market growth of six per cent in 2022 compared with 2020.

The diamond engagement ring/diamond wedding ring continues to be a prominent feature in the Chinese commitment market. Data shows that 75 per cent of bridal diamond jewellery pieces⁵⁴ acquired in 2022 were engagement rings/wedding rings, which mirrors the figures from 2020.

However, it is important to note that while marriage registrations may have been declining, attitudes towards relationships and expressions of love can still lead to the purchase of diamond jewellery, as 71 per cent of women see diamonds as a symbol of everlasting love and more than three quarters (78 per cent) of non-bridal pieces gifted by a partner are for relationship milestones or simply to express love and commitment⁵⁵.

CHINA MARRIAGE REGISTRATIONS

(000' PAIRS)



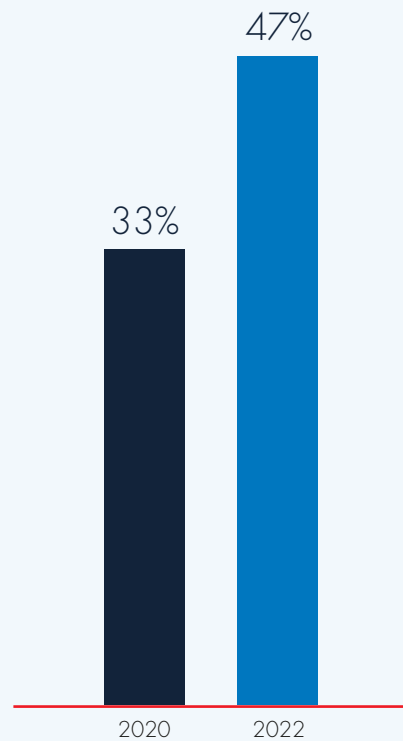
Source: China National Bureau of Statistics

⁵⁴ Bridal acquisitions are diamond rings to celebrate wedding or engagement, including diamond engagement rings, diamond wedding rings, and diamond wedding bands.

⁵⁵ De Beers commissioned China Diamond Acquisition Study 2023

DIAMOND JEWELLERY ACQUISITION RATE AMONG BRIDES (2022 VS. 2020)

(% of brides acquiring diamond jewellery)



Source: De Beers commissioned China Diamond Acquisition Studies 2021 and 2023

EVOLUTION OF BRIDAL DIAMOND JEWELLERY AVERAGE PRICES, 2020-2022

	AVERAGE PRICE PER PIECE		
	2020	2022	CHG IN %
Bridal (TOTAL)	RMB 11,600	RMB 12,800	10%
Diamond engagement/wedding ring	RMB 12,000	RMB 12,900	7%
Diamond wedding band	RMB 10,900	RMB 12,700	16%

Source: De Beers commissioned Diamond Acquisition Studies (DAS) China 2021 and 2023

DIAMONDS – BEYOND BRIDAL

Gift-giving holds a firm position in Chinese culture for birthdays, anniversaries, graduations, and even in business settings as tokens of respect.

80 per cent of non-bridal gift acquirers view gifting of natural diamonds as a testament to everlasting love, surpassing the total of 71 per cent of Chinese women who believe this is the case. 78 per cent of non-bridal gift acquirers believe it is the ideal commemoration for significant relationship milestones, 77 per cent see it as a perfect gesture of appreciation, and 76 per cent associate it with unforgettable occasions. These results underscore the emotional connection associated with diamond jewellery as a symbol of enduring love, an embodiment of milestone celebrations, and a tangible reminder of cherished memories, especially prominent in non-bridal gifting.

The most popular occasions for gifting acquisitions are wedding anniversaries, representing 41 per cent of all gifted pieces, followed by birthdays, which account for 26 per cent of all gifted pieces, and Valentine’s Day in February, accounting for 11 per cent of all gifted pieces.

Wealthier consumers are driving this non-bridal gifting trend. They are more inclined to purchase diamond jewellery to celebrate relationship milestones; two-fifths of acquisitions amongst this group were for wedding anniversaries (compared with 31 per cent for all women).

Moreover, gifted pieces tend to carry a higher average price compared with self-purchased ones. In 2022, the average price of a non-bridal gifted piece stood at RMB 9,500, in contrast to RMB 8,900 for self-purchased pieces. The diamond content of non-bridal gifts in 2022 increased compared with 2020 by six per cent to 0.30 carats⁵⁶.

56 De Beers commissioned Diamond Acquisition Studies (DAS) China 2021 and 2023



71 per cent of Chinese women view gifting of natural diamonds as a testament to everlasting love.

DIGITAL AND PHYSICAL DIAMOND ACQUISITION

De Beers Diamond Acquisition Studies in China reveal the growing influence of digital channels at the information gathering stage and the dominance of physical stores during the purchase phase of diamond jewellery. This interplay between digital and physical requires a seamless 'phygital' shopping experience to enhance customer engagement and drive sales.

Currently, around half (49 per cent) of consumers conduct online research or turn to social media to gather information before making a diamond purchase. This represents a substantial increase from 39 per cent in 2020. Insights by consultancy firm McKinsey indicate that a Chinese consumer interacts with an average of 15 touchpoints before making a purchase, half of which are digital. China is also part of a global trend where 78 per cent of luxury purchases worldwide involve at least one digital touchpoint⁵⁷.

Online research methods have experienced significant growth across various platforms. The usage of official websites of jewellery brands and retailers increased to 27 per cent of acquired pieces in 2022 from 17 per cent in 2020, while search engines and social media each saw a rise to 17 per cent of all pieces, respectively.

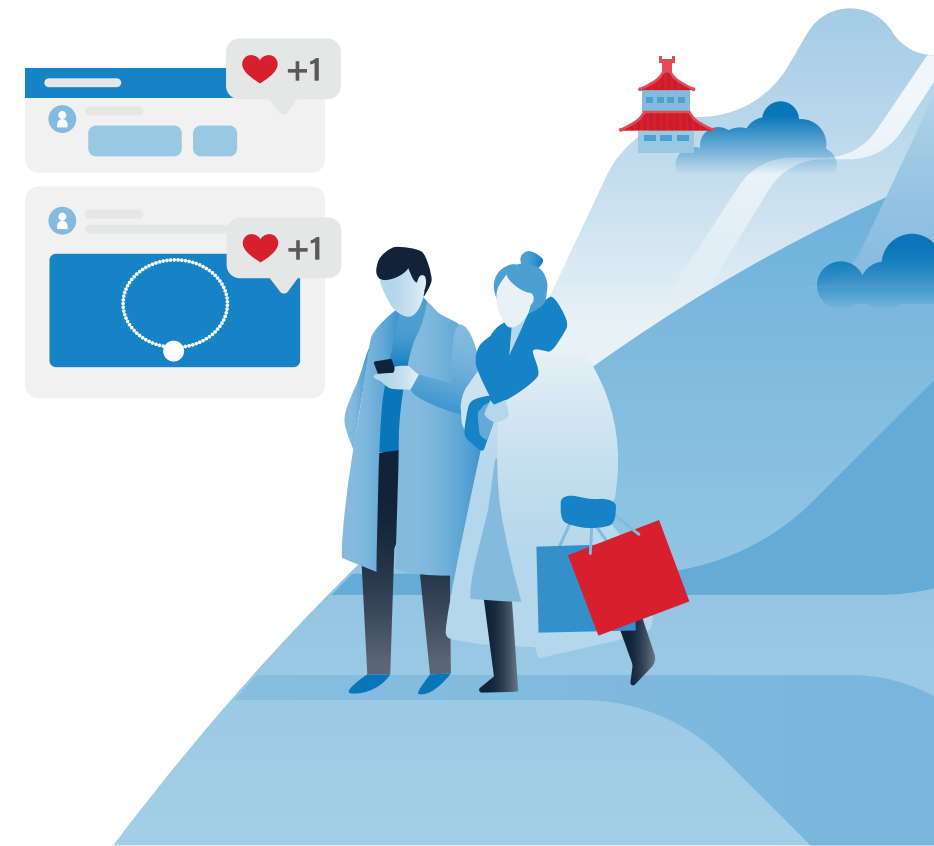
Despite the increased online research and a higher willingness to buy online (40 per cent in 2023 vs. 33 per cent in 2021), the actual online purchase rate remains relatively low. In 2022, it is estimated that only about eight per cent of diamond jewellery acquisitions were online⁵⁸, mostly unchanged from 2021. However, certain demographic groups, such as Gen Z and Tier 1 consumers, exhibit twice as high online purchase rates⁵⁹.

The fact that physical stores continue to hold sway during the purchase phase suggests that a new retail trend of hyper physical stores should be adopted, where the live brick-and-mortar experience is made more engaging, sensorial and memorable⁶⁰.

49%

Currently, around half (49 per cent) of consumers conduct online research or turn to social media to gather information before making a diamond purchase.

▶ *The process of acquiring diamonds in China has evolved to encompass a dynamic blend of digital and physical channels, each playing a significant role at different stages of the consumer's purchase journey.*



57 McKinsey, *Luxury in the age of digital Darwinism*

58 De Beers Analysis

59 De Beers commissioned Diamond Acquisition Study (DAS) China 2023

60 The Future Laboratory, *Retail Futures 2023*



CASE STUDY

LUXURY BRANDS' EXPERIMENTATION WITH IMMERSIVE CUSTOMER EXPERIENCES IN CHINA

BURBERRY

VIRTUAL REALITY LOUNGE

Burberry's Virtual Reality Lounge: Customers can digitally interact with Burberry products in physical stores and access exclusive content through WeChat mini-programmes, along with experiencing a living sculpture inspired by a fashion show.

DIOR

METaverse FASHION SHOW

Dior's Metaverse Fashion Show: Dior collaborated with Meta Media to present the world's first metaverse fashion show, showcasing their autumn menswear collection in a virtual skyscraper.

JIMMY CHOO

PHYGITAL COLLABORATION

Jimmy Choo's Phygital Collaboration: Jimmy Choo collaborated with artist Eric Haze and launched pop-up stores in China, offering a blend of physical and digital experiences. They also released a limited-edition collectible toy and an NFT version of their sneaker.

GUCCI

COLLABORATION WITH TREND IP MARSPPER

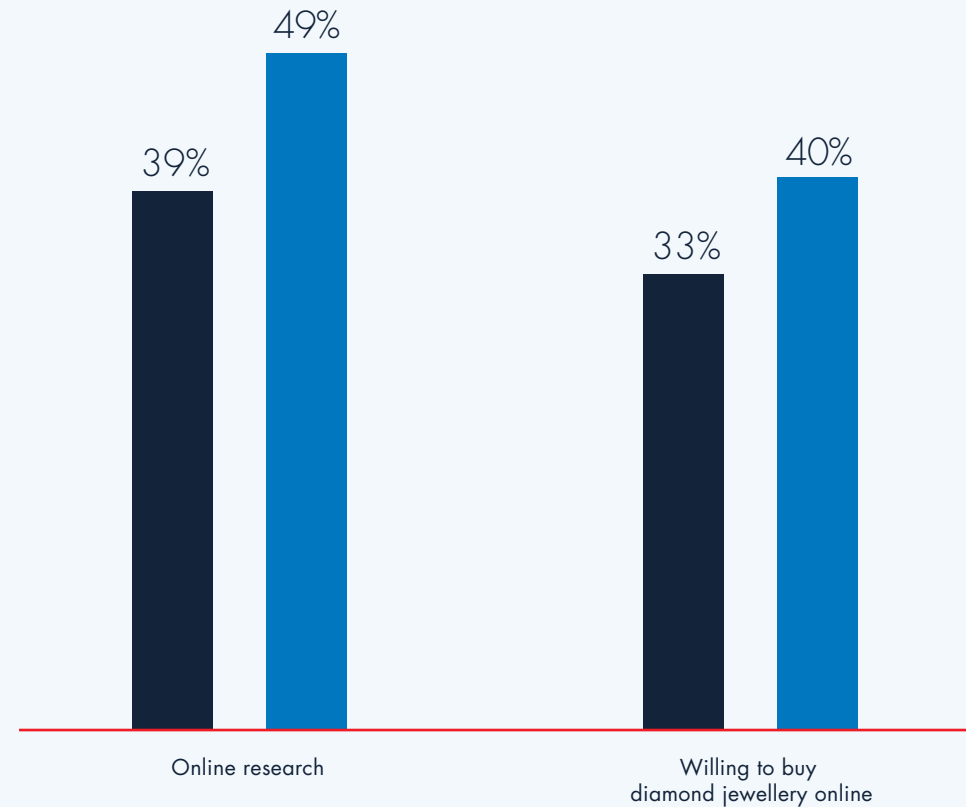
(A virtual character substantialised into collectible figurines)

Gucci's Collaboration with trend IP Marsper (a virtual character substantialised into collectible figurines): three Marsper figures were dressed in suits from Gucci's Aria Collection, combining gaming, virtual creations, collaborations and lifestyle by-products that become signifiers of cultural value awareness for young Chinese consumers.



ONLINE RESEARCH AND PURCHASE RATES (2022 VS. 2020)

■ % OF CONSUMERS (2020) ■ % OF CONSUMERS (2022)



Source: De Beers commissioned Diamond Acquisition Studies (DAS) China 2021 and 2023

OPPORTUNITIES FOR CHINA MARKET EXPANSION

In the 2023 Diamond Acquisition Study, two new audiences were added to the research – the age group of 55-65 years and Tier 4 cities. This marks the first time these segments have been examined, revealing their potential influence on the diamond market and future opportunity.

55-65 AGE GROUP

The market potential of the 55-65 age group is substantial, with the study estimating the market value to be around RMB 4.3 billion, contributing approximately nine per cent of the total market value in Tier 1-3 cities. The potential of this demographic becomes even more apparent when we consider Tier 4 cities, where this age group represents more than 20 per cent of the market, accounting for RMB 1.1 billion. This market value indicates that the 55-65 age group is an important demographic that could contribute to the expansion of the diamond demand opportunity in China.

The self-purchase behaviour of the 55-65 age group is particularly noteworthy. This demographic does not shy away from rewarding themselves with diamond jewellery (29 per cent vs. 17 per cent for 18-54).

When it comes to spending, however, the 55-65 age group tend to be more conservative than their younger counterparts, opting for less expensive pieces, with average price at RMB 8,500 vs. RMB 10,100 for the 18-54 year-olds.

In terms of product preference, this group shows a clear inclination towards necklaces (37 per cent vs. 25 per cent for 18-54 age group) and non-bridal rings (35 per cent vs. 50 per cent for 18-54 age group). Solitaire rings (24 per cent), especially single-stone solitaire rings (19 per cent), are the preferred type of ring.

TIER 4 CITIES

De Beers explored diamond jewellery demand in Tier 4 cities for the first time in a structured way in 2023. Based on this exploration, the estimated market value of Tier 4 cities stands at RMB 5.3 billion, representing 10 per cent of total demand for diamond jewellery in 2022 when considering women between the ages of 18 and 65 across Tiers 1-4⁶¹.

This market potential is generated by an estimated target population of about 16 million which, however, has lower diamond acquisition rates than in Tiers 1-3 (three per cent vs. four per cent). Consumers in Tier 4 are less likely to anticipate acquiring diamonds in the next year (25 per cent vs. 32 per cent).

Diamond jewellery acquirers in Tier 4 tend to be slightly older and less affluent than in Tiers 1-3, with 59 per cent of acquirers aged 35-54, compared to 45 per cent in Tiers 1-3. In terms of income bands, the most affluent consumers with monthly household income of RMB 20k+ represent 21 per cent of acquirers in Tier 4, while in Tiers 1-3 they have a higher share of 33 per cent⁶¹. This profile of acquirers determines the lower average spend on diamonds (RMB 8,700 in Tier 4 vs. RMB 10,100 in Tiers 1-3)⁶¹.

Diamond jewellery acquisitions in Tier 4 cities are more likely to be non-bridal (85 per cent of pieces) and gifted (88 per cent of pieces), with more than a third of acquisitions (35 per cent) being for wedding anniversaries, compared with a quarter in Tiers 1-3.

In addition to addressing the current priorities of consumers in Tier 4, there appears to be an underutilised bridal opportunity in these cities which will increase in the longer-term, as the middle classes across China continue to grow.

EXPERT
INSIGHT

DIAMOND DESIRE: CHINESE CONSUMERS' CONTINUING CONNECTION

by David Kellie, CEO, Natural Diamond Council

Most people perk up upon the mention of the word 'diamond'. That is certainly true for Chinese women and men. Natural diamonds have always been the perfect representation for a deep and irreplaceable admiration between Chinese people.

They demand the best for themselves and for their loved ones. It comes as no surprise that despite a changing economic backdrop, many Chinese couples – and especially younger couples – are seeking the perfect natural diamond ring to celebrate the important milestones throughout their life together.

Financially independent women also have had a growing desire to purchase natural diamonds for themselves. Yet this growing trend for Chinese women buying natural diamond jewellery for themselves has not diminished their joy at receiving it from their loved ones. Chinese women and men celebrate all romantic festivals whether it's 318, 520, or even 1111 when they are encouraged to celebrate who they are as an individual as well as being in a relationship. Our website, <https://onlynaturaldiamonds.com.cn/love-diamond-gifts/> helps to celebrate all of these moments, inspiring gifting, self-gifting and dreaming about that unique natural diamond jewellery that will reflect the uniqueness of relationships.

We live in a time where people choose to share their life with the world on social platforms, often daily. This is particularly true for the younger generation. Chinese people love to wear their natural diamond jewellery and display it with stylish outfit content across their social platforms. The meaning of a natural diamond has also evolved alongside the taste

and style of the luxury consumer, who seeks both knowledge of and pride in what they own and wear. The days of keeping diamond jewellery in a safe are long over. Chinese consumers are happy to display the beauty of their natural diamonds whether they purchased them for themselves or received as a gift. They are confident adorning themselves in the sparkle of their diamonds, no matter how small or big, because they know the uniqueness of each natural diamond perfectly represents their individuality and the uniqueness of their relationships.

The Chinese market continues to crave impeccable quality and holds their luxury standard to the highest level. The market has seen both local and regional store expansion over the past several years. The dream of owning natural diamonds is increasingly becoming a reality for many consumers, and by continuing to grow accessibility, design choice and price range, the industry can help maximise the diamond opportunity in China.

As Chinese consumers continue to express a deep desire for natural diamonds, the opportunity for growth in China is vast. The industry can capture this opportunity by capitalising on insights around product and design preferences, high-potential demographics and geographies, and recognition of the importance of transparency and sustainability. The Natural Diamond Council is here to support the retail trade in the country as it seeks to advance the integrity of the modern diamond jewellery industry while educating, inspiring, and protecting consumers. Visit us at <https://onlynaturaldiamonds.com.cn/>.



EXPERT
INSIGHT

CHINA'S DIAMOND MARKET SHOWS BIG PROMISE

by Mr. Kent Siu-Kee Wong, Managing Director, Chow Tai Fook Jewellery Group

According to research conducted by McKinsey for Chow Tai Fook in 2022, branded jewellery sales in China are expected to increase by 10-14 percent per annum in the coming years.

Although the country's middle- and high-income population currently numbers about 190 million⁶², diamond consumption penetration, annual diamond spending per person and the number of pieces of jewellery owned per person are all less than 50 per cent of the levels in the US and Japan. This suggests that China's diamond jewellery market still has tremendous potential for growth as its per-capita income level continues to rise.



Natural diamonds will always hold a special place in people's hearts – their rarity, long term value, the emotion that they bestow upon their wearers, and unparalleled natural beauty make them irreplaceable. The genuine qualities of a natural diamond are especially attractive in an age where authenticity is becoming ever more elusive. As a business founded on the tenets of sincerity and eternity, Chow Tai Fook's extensive footprint of over 7,600 stores across China provides the perfect opportunity to deliver better diamond education – embodied by the traceability of our T MARK diamonds. With a steadfast commitment to advocating for better customer education and industry standards, Chow Tai Fook empowers customers to make well-informed purchase decisions, while safeguarding customers' interests.

Penetration into third and fourth tier Chinese cities presents enormous opportunity for Chow Tai Fook, as it strategically expands its footprint across China. Extensive network penetration allows Chow Tai Fook to execute its quality expansion plans with a focus on increasing store productivity and customer service enhancements across our stores. Chow Tai Fook places a strong emphasis on digital innovation in both service quality and customer engagement, leveraging cutting-edge technology to stay ahead of industry trends while enhancing customer experience through omni-channel retailing.

To capture growing opportunities in this diverse market, Chow Tai Fook continues to tap into and evolve the latest consumer trends, such as 'Guochao' (national pride). This trend has been rapidly growing in popularity amongst younger customers, inspired by the beauty of Chinese inspired design, motifs and craftsmanship interpreted for modern audiences. Chow Tai Fook continues to push the creative envelope further to keep up with this growing appetite for modern interpretations of traditional Chinese culture and craftsmanship by launching the HUA and Wonderful Life collections in recent years which perfectly blend natural diamonds with fine jewellery craftsmanship that combines modern aesthetics with gold jewellery and Chinese culture. Given the popularity of these collections, there is a growing inclination among younger customers to value and recognise the beauty of natural diamonds.

Diamonds remain an enduring symbol of love and adoration, serving as cherished gifts for loved ones. Whether it is parents passing down diamonds as heirlooms to their children, or exchange between friends to express love and appreciation, or an act of self-love, natural diamonds hold sentimental value. As indicated in the McKinsey research, the emerging trend of self-gifting among female customers reflects the positive tailwinds that will continue to drive the jewellery market in China.



We see this trend continuing and welcome the opportunity to serve this exciting demographic of young, confident, and upwardly mobile professional women, who are not afraid to pursue their needs and aspirations.

Customer trying on jewellery in a Chow Tai Fook store

⁶² Source: McKinsey analysis, includes people aged between 20-50 with an annual family income of RMB150,000 or above

EXPERT
INSIGHT

A LOOK INSIDE THE DIAMOND JEWELLERY MARKET IN HONG KONG

by Mr. Lawrence Ma, Founding President of the Diamond Federation of Hong Kong

Q. WHICH ROLE DOES HONG KONG PLAY IN THE DIAMOND TRADE?

For decades, Hong Kong has been Asia's most efficient and convenient trading platform for polished diamond and precious stones due to its simple tax structure and perfect logistic location as well as secured and effective international financial system. Until a few years ago, the city typically imported annually USD 15-20 billion of polished diamond and re-exported USD 12-15 billion.

Incorporating the jewellery manufacturing facilities in Southern China, it also evolved into one of the most established and competitive design and manufacturing hubs, hosting two of the world's most well attended international jewellery shows in March and September.



It was exporting USD 5-6 billion of fine jewellery to the rest of the world before Covid disrupted much of the world's trade.

With the huge array of jewellery retail stores, it has been one of the most preferred destinations for international jewellery consumers to visit every year while simultaneously serving its more than seven million population's USD 3-5 billion annual demand for fine jewellery.

Q. HOW DID COVID19 AFFECT HONG KONG'S JEWELLERY TRADE?

From February 2020, the necessary lockdown measures effectively deterred many visitors from coming to Hong Kong as well as those residents returning from their travel abroad.

Since February 2023, after the relaxation of quarantine measures, inbound and outbound traffic has steadily resumed. Although we are not yet seeing the same level of demand for jewellery from tourists to the city as we saw before the pandemic, we are witnessing the return of many visitors to Hong Kong.

From mainland China, for example, in the three months from April to June 2023, the number of visitors has climbed up to over two million per month from less than 100,000 a year ago.

The diamond jewellery B2B trade is also expected to gather strength as Hong Kong's unique competitiveness as a trading and information hub resumes.

Q. HOW DO YOU SEE JEWELLERY RETAIL AND BRANDS ADAPTING TO THIS NEW SITUATION IN HONG KONG?

Hong Kong retailers and brands have begun to increase their exposure via acquiring new physical store locations to take advantage of reduced rental costs. Most are deploying new marketing channels and messages to more effectively reach target audiences and create resonance. Product designs to illustrate new trends and match budget points are developed. These all seem traditional measures but are essential and functional. With the advancement of technology and digitally enabled communication, below and above the line integration to provide improved product and industry knowledge as well as enhanced experience for the consumer will prove to be vital in engaging the new clientele.

Q. WHAT IS THE ROLE OF THE DIAMOND FEDERATION OF HONG KONG, CHINA IN SUPPORTING THE RECOVERY OF THE DIAMOND TRADE POST-COVID19?

The Diamond Federation of HK was established in year 2000 as a result of the amalgamation of two long-established associations in Hong Kong, namely the Diamond Importers Association (1959) and the Hong Kong Diamond Bourse (1985). Its mission is to promote the diamond industry as well as to protect the consumers interest in HK, an international diamond center/platform incorporating different facets of the diamond/diamond jewellery supply chain in both B2B and B2C facilitations.

As the synthetic/lab-grown diamond sector has evolved over the last decade, the Federation has also played a key role in providing education and upholding confidence in natural diamonds. The Natural Diamond Quality Assurance Program (NDQA) was established by the Federation in 2015 in order to educate both the trade and consumers of the difference between natural and synthetic diamonds, their different values, emotional and financial, as well as how to professionally and technologically detect and differentiate them.

The Federation also ensures relevant parties are aware of the Trade Description Ordinance in Hong Kong which stipulates that the word 'diamond' used alone can only be for natural diamonds, with violation being a criminal offence in Hong Kong. Members joining the program commit to selling only natural diamonds, with this commitment being subject to verification annually, so as to assure the consumers buying from these establishments that they will only be presented with natural diamond jewellery.

The Diamond Federation has also in the past two to three months initiated marketing and promotional programs for the coming six months to engage consumers with the desirability and emotional value of diamonds and diamond jewellery. The proposed programs are welcomed by members and the retail trade and we look forward to a more upbeat festive season coming!



EXPERT
INSIGHT

AN OVERVIEW OF THE CHINESE DIAMOND JEWELLERY CONSUMER

by Ms Meng Xiaojun, News Spokesman & Director of Brand Building and Creative Department, NGTC

Since 2016, National Gems & Jewelry Testing Co., Ltd. (NGTC) has been operating the NGTC Public Credibility Platform in partnership with government agencies, industry leaders and the media. The platform is an information and education resource for consumers.

Leveraging the testing capabilities of NGTC labs in Beijing, Shanghai, Kunming and Shenyang as well as the cultural and technological expertise of NGTC, this platform has joined with leading brands to organize consumer education programs and events both online and in person. To date, there have been 234 such programs and events, involving 70-plus researchers, testers and vocational education experts from NGTC. The platform has 30-plus partner brands and 48 million fans.

Such approaches to consumer engagement and education are more important now than ever before. With greater competition – both from other categories and within the sector itself – as well as a growing focus on issues such as sustainability, and a new wave of technology shaping how people interact with the diamond category, it is vital that the industry has effective ways of communicating with consumers about all aspects of diamonds and the diamond industry. NGTC is proud to use its knowledge and partnerships to fill this important role.

Programs and events organized by the platform have been widely recognized and acclaimed by businesses, mainstream media and consumers, and it will be increasingly important for participants in the diamond industry to ensure they have access to the latest knowledge and resources so that they can satisfy the demands of the discerning Chinese diamond consumer.

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It is vital that the industry has effective ways of communicating with consumers about all aspects of diamonds and the diamond industry.



CONCLUSION

Desire in China for diamonds as eternal symbols of everlasting love remains strong throughout all age groups. While a decline in marriage rates may mean that bridal jewellery sales do not grow as quickly as in the past, the tradition of gifting diamond jewellery to celebrate personal and life stage milestones underpins the prospects for continued demand growth.

More recently, the economic slowdown in the country and the more limited travel possibilities have seen a shift in purchasing towards the more affluent segments of the market during and immediately after the pandemic period.

Nevertheless, as China is expected to outpace global GDP growth averages again post-2024, acquisition rates have the potential to increase again, closing the gap with latent demand – especially if the industry presents compelling diamond jewellery propositions that tap into the areas of greatest opportunity.

Chinese women clearly want to be gifted diamonds as a sign of romantic love, while alongside this the appetite for self-purchase remains. Diamond jewellery can therefore compete very effectively for share of spend if market participants adopt the right strategies to unlock the full potential of this latent desire.

In particular, industry players should recognise the more affluent Millennials and Gen Z as their prime audiences and ensure they engage them well through all aspects of the marketing mix.

These generations have a penchant for quality, design and ethical considerations, and are increasingly attracted towards branded pieces. The emotional pull of occasions like anniversaries and birthdays are important stimuli for purchase decisions. Traditional diamond-only rings and round cut diamonds are still most popular, but a growing demand for earrings and heart cut shapes is apparent.

The ‘phygital’ era, blending the physical and digital realms, defines today’s diamond acquisition journey in China. While consumers increasingly leverage online platforms for research, and Gen Z and tier 1 consumers are more likely than others to complete their purchase digitally, the majority of consumers still want to visit a bricks-and-mortar outlet to make the final acquisition. This balance necessitates that retailers craft immersive in-store experiences while maintaining robust digital interfaces.

Beyond this, the untapped potential of the 55-65 age demographic and Tier 4 cities represent new frontiers for potential market expansion.

By following the insights in this report and keeping close to the consumer, the diamond industry in China can benefit substantially from the opportunity presented by the burgeoning middle classes – a group that has grown from just one-fifth of the population in 2010 to one-half today and likely two-thirds by 2030 and accounting for an estimated opportunity of about RMB140 billion until 2030.

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Diamond jewellery can compete very effectively for share of spend if market participants adopt the right strategies to unlock the full potential.

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