

Diamonds on the Move?

By Fiona Harper

Venmyn has noticed a small but definite increase in the demand for diamond-related work in the last three months. Venmyn is currently completing projects for three diamond companies on projects South Africa, Lesotho, the Democratic Republic of the Congo (DRC), Namibia, Sierra Leone and Botswana. This increase in demand for our services is viewed against the backdrop of 2007 and 2008, when diamond related projects constituted 40% to 50% of Venmyn's work-flow, and the dramatic fall-off in 2009, when this was almost negligible.

The trend Venmyn is experiencing mirrors that of the global diamond market. Diamond prices fell dramatically in the last two years and with the global economic crisis, the market for jewellery shrank as consumer spending decreased. The consequence was reduced demand for both polished and rough diamonds. Furthermore, the credit crunch had a major impact on diamond cutters who found that they had insufficient credit to buy rough diamonds or to cut and polish stones.

Venmyn is now seeing activity again and this lends weight to the industry analyst's view that the demand for rough and polished diamonds is starting to recover. The prices for rough diamonds rebounded strongly in 2009, and particularly in the second part of the year, as a result of decreased mine production and increased purchases of rough stones. Analysts have noted that rough stone prices are at their pre-recession levels.

The prices for polished diamonds peaked in August 2008 but fell rapidly. Thereafter, between August 2008 and December 2009 prices fell 15%. The recovery in the price for polished diamonds has yet to occur, with analysts divided on whether the price of rough and polished diamonds should move in unison or whether the gap between the two markets will continue to intensify.

In the long-term, demand for rough diamonds is expected to outstrip supply, as the supply is limited by dwindling reserves, scarcity of economic deposits, reduced exploration budgets and the small number of diamond projects coming on stream in the next ten years.

Meanwhile, it is expected that there will be no abatement in demand, with global economic recovery on the horizon, rising incomes and increasingly expanding markets in Asia, China and India. It seems that diamonds may be back in favour. Certainly, whilst Venmyn enjoys the hunt for precious and base metals, there is something truly magical about the sparkle of a diamond.....!

For more information, please contact Fiona Harper at Venmyn.