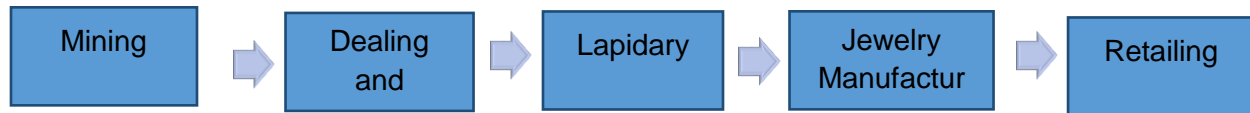


Sector Overview –Gem and Jewelry

1. Introduction

1.1 Core Business /Principle activities



1.2 Sector Vision

Build as a color stone Hub and become a main part in the export industry

1.3 Sector Mission

Achieve Rs. 500 million export earnings

1.4 Subsectors

- 1) Gem industry (This includes areas such as mining, gem cutting and polishing, heat treatment and coloring).
- 2) Jewelry industry
- 3) Diamonds
- 4) Marketing and promotion

1.5 Institutions operating under the subsectors

About 60% of jewelry workshops and artisans are located mainly in the rural areas of the Southern and Central Provinces and as in small groups in the North Western, Eastern and Northern Provinces. 30% and 10% of jewellery workshops are located in urban and semi-urban areas respectively.

Diamonds

- 1) DIAMOND CUTTERS LTD
- 2) NIRU LANKA EXPORTS PVT LTD
- 3) NISOL DIAMONDS PVT LTD
- 4) BROOKY DIAMOND PVT LTD
- 5) RAJ DIAMONS PVT LTD

Gems

- 1) ELLAWALA EXPORTS PVT LTD
- 2) PRIYANTHA GEMS
- 3) MUSHAN INTERNATIONAL
- 4) NATURAL SAPPHIRES CEYLON PVT LTD
- 5) GEM PARADISE

Jewellery

- 1) NJEXPORTS PVT LTD
- 2) TROPICAL FINDINGS PVT LTD
- 3) CEYLON JEWELRY MANUFACTURERS PVT LTD
- 4) RKS LANKA PVT LTD
- 5) DANDO INTERNATIONAL PVT LTD

1.6. Number of employees (local/ foreign/Gender wise)

Approximately 650,000 (including miners, cutters and polishers, traders, jewelry designers, manufacturers, and craftsmen)

- Mining industry - About 200,000 workers are employed
- Gem and jewellery related small- and large-scale industries - Nearly 25,000 persons
- Gem buying and exporting – around 85,000
- Gem-related jewellery industry as an individual businessman- at least 15,000.
- Silver industry - About 7500
- Gem related jewellery factories - about 2500 people
- Jewellery manufacturers - 25,000 (10,500 are registered with the Gem and Jewellery Authority).

1.7. Contribution to GDP by the Sector – 0.45%

2. Production and Consumption

2.1. Product types

Table 1: Product types

Gems	Diamond	Jewellery
Free size and investment gemstones Calibrated gemstones Rare gemstones Gem cutting services	cutting and polishing of Diamonds	Manufactured in 9K, 14K, 18K gold, Platinum Sterling Silver or combination of 2 or more metals.

There are around 300 exporters of gems, diamond and jewellery which fall under the categories of large, medium and small. Most of the exporters are SMEs and they are scattered across the country. Sri Lanka has over 70 varieties of coloured stones out of 200 found in the world and is among the five most important

gem-bearing nations of the world.

Sri Lanka have been yielding a supply of high quality precious and semi-precious gem stones such as sapphires in its shades of blue, pink, yellow, green colours, star sapphires, Rubies, Star Rubies, Alexandrites, Cat's eyes, garnets, Zircons, Tourmalines, aquamarines topaz, Spinals, Moonstones, quartz and a large number of rare gemstones.

Amongst the outstanding gemstones that Sri Lanka has produced in the contemporary era are the Blue Giant of the Orient (466 cts), Logan Blue Sapphire (423 cts), Blue Belle of Asia (400 cts), Rossar Reeves Star Ruby (138.7 cts), Star of Lanka (393 cts. Star Sapphire) and Ray of Treasure (105 cts. Cat's Eye). The first three gemstones are on display at the Smithsonian Institute in Washington DC, USA.

2.2. Required raw materials that can be found locally

Gem Stone- 60% Locally supplied

2.3. Required raw materials needed to be imported

Gem Stone- 340% imported

Diamond -100% imported

2.4. Raw material wastage (%)

3. Turnover

3.1. Export earnings

Table 2: Export values of Gems, diamonds and gold products

Year	Export Value(USD Mn)
2012	425.31
2013	468.53
2014	385.96
2015	241.21
2016	215.13
2017	266.29
2018	277.10
2019	256.26
2020	270.44
2021	250.92
2022	400.00

Source: National Gem and Jewellery Authority

Table 3: Contribution to total export earnings (%)

Year	Contribution (%)
2010	4.69
2011	4.91
2012	4.59
2013	4.69
2014	3.49
2015	2.39
2016	2.11
2017	2.37
2018	2.38
2019	2.67
2020	1.80
2021	3.17

Source: National Gem and Jewellery Authority

3.2. Export destinations

Table 4: Export Destinations

Gem	Gold	Diamond
France	Singapore	Israel
Thailand	Hong Kong	Belgium
Switzerland	United Arab Emirates	Switzerland
Italy	Switzerland	Hong Kong
India	Germany	United States
Singapore	-	India

Table 5: Main Markets(countries) to which Gem, Diamond and Gold Products are exported (Up to 30.09 2021)

Country	Export Value (USD Million)
Israel	78.95
United States	39.05
Japan	38.89
Hong Kong	33.81
Switzerland	16.93
Italy	14.08
Thailand	11.84
France	11.31
India	10.51
Belgium	4.96
Other countries	21.79

3.3. Past 3 years performance achievements

Table 6: Past 3 years performance achievements

Description	ValueUSD.(Mn)				
	2019	2020	%Growth	2021	%Growth
Diamonds	118.7	74.3	-37.4	121.5	63.5
Gems	181.1	65.6	-63.8	156.3	138.3
Jewellery	13.9	8.2	-41.0	14.7	79.3
Total	313.7	148.1	-52.8	292.5	97.5

4. Government Policy on Sector

- All imports of precious metals and gems (including diamonds) have been exempted from Customs duty and Value Added Tax(VAT). Port and Airport Development Levy(PAL)have been removed on gems, diamonds and gold imports.
- VAT rate on supply of jewellery has been reduced from 20% to 5%. Concessionary PAL rate of 2% for selected plant and machinery imported for high value-added product has been introduced.
- The laws in Sri Lanka guarantees copyright protection of designs. Simplified import-export procedure offers international buyers' peace of mind and ease of operation when dealing with Sri Lanka. Sri Lanka's membership of the Convention on the ATA Carnet, facilitates the smooth transportation of jewellery.
- An Import Export Gem Office at the Cargo Village at the International Airport in Katunayake expedites the clearance of rough gemstones and export of cut & polished gems, jewellery and diamonds.

5. Sector Strategies

- Innovation of the gem industry through a creative approach to compete with the private sector.
- Taking necessary measures to restrict the export of gems without value addition and to convert them into value added high export revenue earning products.
- Import Duty Exemption on modern high-tech equipment required for the manufacture of finished jewellery instead of exports of cut and polished gems
- Review and simplify the environmental and other permit process for the gem and mineral industry and facilitate to provide such services to industrialists.

6. Sector Goals identified with KPIs

- Increasing the gem and jewellery export earnings up to USD 01 billion.
- Developing a fair gem mining and trading mechanism
- Devising a method for assaying the quantity of gold in conformity with the international standards.
- Introducing a method for inspection and certification of gems.
- Establishing benchmark for gem and jewellery industry

8. SWOT Analysis

Strengths	Weakness
<ul style="list-style-type: none"> ▪ Capacity to build a highly comprehensive gem and jewellery industry ▪ Inherent craftsmanship ▪ High potential for employment generation ▪ Ready access to technical assistance and business development services. ▪ Long history of gemcutting—artisan culture which still sustains itself ▪ An educated and trainable workforce ▪ The availability of a wide variety of precious and semi- precious gemstones ▪ Duty free access to imports of raw materials 	<ul style="list-style-type: none"> ▪ Lack of infrastructure facilities ▪ Lack of High-end technologies ▪ High cost of raw materials ▪ Lack of strategic focus for the sector ▪ Limited access to credit. ▪ Low participation of younger generation.

Opportunities	Threats
<ul style="list-style-type: none"> ▪ more than two thirds of the land area of Sri Lanka, or about 70%, is enriched with gem deposits. Only 20% of these resources have been explored so far. ▪ Gem potential maps for Pelmadulla, Eheliyagoda and Thawalama Divisional Secretariats have been completed in the year 2021 and four identified gem potential lands have been handed over to the National Gem and Jewellery Authority for basic excavation projects ▪ vast knowledge about this heat treatment has been retained by several businessmen without sharing ▪ Gem and Jewellery Research and Training Institute, University of Moratuwa, Vocational Training Institute, Technical College provides training and research facilities for the Gem and jewellery industry. ▪ Further National Gem and Jewellery Authority, Export Development Board, 	

<p>Gemmologists Association to organize product/design development programmes for the sector.</p>	
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- The industry uses advance technology in cutting of Gems and Diamonds as well as jewellery manufacturing. The industry consists of a highly skilled and trained workforce.

9. Challenge(s) the sector is facing due to Government rules and regulations.

- The industry is concerned about the 30 per cent income tax on exports
- Unnecessary and discouraging bureaucracies which hinder the growth of the industry.

11. Global Market Value - USD 270 Bn (2022)

12. CAGR - 8.3%