All that Glitters: New York and the Diamond and Fine Jewelry Trade

Anastasia Xenias, PhD and Michael Grumet

The global diamond and fine jewelry trade has a special home in New York City on a single street, Manhattan’s 47th Street between Fifth Avenue and the Avenue of the Americas. Here a large portion of high value diamonds are cut and polished into gemstones, fine jewelry is manufactured and exported, and a significant proportion of the world’s diamonds are traded. This is truly a unique position for New York, a state without any precious metals resources, and for the United States which does not have any commercial mines producing gemstone quality diamonds. The commercial and manufacturing activities of the diamond and fine jewelry industry are centered on 47th Street. It produces over $24 billion in annual economic impact. This New York industry accounts for over one quarter of the state’s exports in dollar value and dominates the country’s fine jewelry exports. Below we highlight different aspects of this industry and its importance to the New York economy.

I. Overview

America is blessed with natural resources. The United States is one of the world’s largest producers and exporters of precious metals. The U.S. Department of the Interior ranks America as one of the top gold producers in the world. This ranking is also acknowledged by non-U.S. entities, like the Economist magazine. Specifically, the USA is among the top 3 producers of platinum, the top 4 producers of gold and the top 10 producers of silver. In addition, in 2010 the U.S. produced 93 million carats of industrial diamonds. However, the only commercial diamond mine in the United States, in Arkansas, serves more as a tourist attraction than as a producer of gem quality stones. It is responsible for producing a mere few hundred carats a year.

All diamonds used in fine jewelry in the United States are imported, usually as rough stones. These are cut and polished in a highly skilled labor process to produce high value diamond gemstones, a process commonly referred to as diamond manufacturing (as opposed to diamond mining which extracts the rough stone at its source). Firms engaged in diamond cutting and polishing are considered diamond manufacturers due to the transformation of mined stones into gemstones. Although diamonds suitable for fine jewelry are not mined in the United States, the U.S. is an important diamond cutting and polishing center and a leading producer and exporter of fine jewelry and cut diamond gemstones.
Nearly all of the diamond manufacturing in America is done in New York City, most of that in the Diamond District on 47th Street in Manhattan. The majority of fine jewelry exported from the United States also comes from New York. Indeed New York City is the preeminent locale for the fine jewelry industry in the United States – both in terms of sales, manufacturing and in terms of exporting. All these jewelry related activities are centered around the Diamond District. As such the diamond and fine jewelry industry is an economic engine for the New York economy, and has garnered the attention of New York’s elected officials. “The Diamond District is a microcosm of New York in so many ways, but especially because it is a place where people from literally all over the world come to work and to shop,” said Congresswoman Carolyn Maloney (D-Manhattan, Queens) who represents the Diamond District.¹ “The Diamond District is a jewel in our City’s economy and a key example of how local businesses connect to the global marketplace,” said New York City Comptroller John Liu.² “As one of the primary centers of the global diamond industry, many have known that New York City’s Diamond District is a crucial part of our state’s economy...During a time when New York and the nation struggle to emerge from the recession, the diamond industry provides a much needed haven for job growth and creation,” said New York State Senator Liz Kreuger.⁶ “Diamonds are the number one product the state exports. While everyone knows about 47th Street, I don’t think people have a clue as to how much business takes place there” said New York State Assemblyman Richard N. Gottfried.⁷

II. Exports

Gemstone diamonds are exported from the United States in large quantities as is fine jewelry. All precious metals, precious stones and fine jewelry combined, are counted as one of the top 10 export industry categories (the 7th largest category) for the whole U.S. Indeed, as shown in Figure 1, this sector is larger than some other sectors the U.S. is well-known for like chemicals or pharmaceuticals. When we look at exports of fine jewelry alone (not including any of the stones and metals) and compare it to other export industries we see that it too is also quite large, and again bigger than some other industries that the U.S. is well-known for like publishing, arms and tobacco, as shown in Figure 2.

---

¹ Diamond District Monthly vol.20 January 2012
² Diamond District Monthly vol. 19 December 2011
⁶ Diamond District Monthly vol.18 November 2011
U.S. fine jewelry exports exceeded $7 billion in 2011 with a record year and a strong positive long-term trend visible in Figure 3. Sector exports expanded by 55% from 2005 to 2009 and nearly doubled in 2011 over 2005, with 25 countries expanding purchases of U.S. jewelry by 100% or more and 14 countries showing increases of 200% or more. Indeed for some markets such as Hong Kong, U.S. shipments of fine jewelry continued to expand during the crisis, and even accelerated beginning in 2007. Further, as exports for the nation as a whole rebounded beginning in 2010, exports of U.S. fine jewelry accelerated faster than the national average. U.S. fine jewelry exports rose 22% in 2011, while exports of cut gemstones increased by 39%, compared to 16% overall for all goods.

By contrast, U.S. fine jewelry imports declined sharply between 2007 and 2009. U.S. exports of fine jewelry dropped substantially less than U.S. imports of fine jewelry during the economic crisis. Imports of fine jewelry, while rising in 2010-2011, have not fully recovered to pre-crisis levels, rising by only 12% in 2011. The particularly large decline in U.S. imports of fine jewelry virtually closed the trade deficit for this sector, bringing fine jewelry trade virtually into balance for the United States. The trade deficit in fine jewelry, at $104 million in 2011, is the smallest in over 20 years for the sector. This trend is visible in Figure 4.
The largest market for U.S. fine jewelry exports is Hong Kong, followed by Switzerland, the United Kingdom, Canada and Japan. U.S. exports of fine jewelry have grown particularly to Hong Kong where exports of U.S. fine jewelry grew by 47% in 2010, even as markets such as the United Arab Emirates contracted. In 2011, U.S. fine jewelry exports to Hong Kong grew a further 25% over 2010 (while exports to the UAE rebounded with a growth of 62%). Indeed, Hong Kong absorbs a full third of all U.S. fine jewelry exports which are then often re-exported to other Asian countries.
Within the quite positive national export profile of this industry, New York stands out as a dominant force. New York is a significant exporter of fine jewelry, with over $3.5 billion in 2010. This accounts for more than half of all fine jewelry exports from the United States, as shown in Figure 6. It also accounts for one quarter of all U.S. exports of precious metals, gemstones and fine jewelry combined despite there not being any gold mines in New York. Nearly all of the state’s fine jewelry exports come from New York City which retains high-end fine jewelry and diamond manufacturing and remains the international center for trading.

Figure 6: Exports of Fine Jewelry
Comparison of U.S. Total with NYS Total
(Data based on product classification HS code 7113)

Source: Foreign Trade Division, U.S. Census Bureau,
http://www.census.gov/foreign-trade/statistics/
Diamonds are by far the largest export from the state of New York. In fact, diamonds alone account for over 13% of NY state exports, fine jewelry alone accounts for another 5.7% of New York state exports, as shown in Figure 7. When diamonds, fine jewelry, nonmonetary gold and related categories are added (such as various gemstones, and precious metal scraps) we see that the combined total accounts for over 25% of New York exports, as shown in Figure 8. In dollar terms, diamonds exports at over $9.1 billion in 2010 are approximately three times the size of fine jewelry exports from New York. Again when all the related categories are combined total export value comes to nearly $18 billion, an enormous figure and exactly 25% of total U.S. exports of precious metals/gems and fine jewelry.
Diamonds are the number one export category for New York state, and the share of diamonds as a percentage of total state exports, at 13.1%, is more than twice the size of the second largest export category, paintings (which accounts for 5.7% of the state's total export value). Fine jewelry and nonmonetary gold are the third and fourth largest export categories for the state, respectively, ahead of civilian aircraft, engines and parts which is the fifth largest export category. Diamond exports alone and fine jewelry exports alone account for a far bigger share of New York state’s exports than refined petroleum oil, far bigger than vaccines from the biotech industry, and far larger than perfumes from the cosmetics industry. When we combine the various related product categories of New York’s major export sectors (shown in orange in Figure 9) we see that diamond and jewelry exports alone account for a far larger share of the state’s exports than other major NY export industries such as the art world, the aerospace industry and the motor vehicles industry; and again when fine jewelry and all related categories are combined it just blows away the export share.
III. Jobs

In 2008, 27% of all manufacturing jobs in America, including fine jewelry manufacturing, were supported by exports. The significant export share of the diamond and fine jewelry industry along with the strong export performance of the sectors indicate a significant proportion of industry jobs are supported by exports, possibly proportionally more than in other industries.

In 2009 jewelry and silverware manufacturing accounted for 24,733 jobs in the United States as a whole (of which approximately 16,000 were production workers) with an annual payroll of over $984 million (with an additional $240,000 in benefits). Direct employment in the fine jewelry manufacturing sector in America declined approximately 25% for the past decade, dropping from 32,468 employees in 2002 (of which 22,000 were production workers) and over $1 billion in wages. Thus the number of employees declined, but wages remained relatively stable resulting in substantial salary increases for the remaining employees in 2009.

Nearly all fine jewelry manufacturers are small businesses with fewer than 100 employees, most with less than 10 employees, and largely produce high value jewelry made of gold, platinum and precious stones especially diamonds. The majority of fine jewelry manufacturing firms in the United States are located in New York, and the fine jewelry sector is an important employer in New York City, although fine jewelry manufacturing employment has been steadily declining in New York since 2000. Approximately 90% of New York City’s diamond and jewelry businesses and employment are located in Manhattan, mostly in the Diamond District. There are over 4,100 local companies directly employing 19,500 people clustered on 47th Street engaged in manufacturing, wholesale and retail of diamonds and fine jewelry. In Manhattan alone there are 441 jewelry manufacturers employing over 4,400 workers. Similarly, Manhattan businesses account for 86% of payroll employment and 89% of total wages paid in the city’s jewelry sector. Although jewelry manufacturing, as with other industries, has moved overseas (with the number of firms in the city and state declining by approximately one third over a decade and manufacturing employment declining by half over the same period), the production and commerce that remains in the Diamond District provides high value-added products which feed high-end local, national and international markets. Data from the 2007 Economic Census showed that 21% of all U.S. diamond and manufacturing firms were located in New York City, representing 34% of all sales and 29% of payroll. More broadly, New York state jewelry manufacturing firms accounted for over 41% of all fine jewelry shipments in the United States, while the same data showed that 34% of all jewelry wholesale firms in the country were located in New York City, representing nearly one half of national sales.

---

8 U.S. Census Bureau 2009 Annual Survey or Manufacturers, released December 2010. Figures are based on NAICS classification code 33991.

9 U.S. Census Bureau, 2002 Economic Census

10 Figures are as reported in the Diamond District economic impact study of 2011. New York City data is based on the 2007 Economic Census, a report conducted every five years.

Almost 70% of industry workers are immigrants and just less than one half of the workers have the equivalent of a high school education or less, and only 27% of diamond and fine jewelry workers have a college degree (significantly less than the state average for all industries of just under 40%). However diamond and fine jewelry workers are highly skilled and the industry provides significantly higher wages than some of the state’s biggest employers, and higher wages than all manufacturing on average. For example, jewelry manufacturing workers earn twice the average wage of those in the hospitality industry, over 80% more than retail workers and nearly 20% more than healthcare workers, as shown in Table 1. This implies that the industry offers important income opportunity for people with technical skills, without the need for a university degree or even English language fluency.\(^\text{12}\)

<table>
<thead>
<tr>
<th>Table 1: Comparison of average wages by employer in New York State, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>NYS Employer</td>
</tr>
<tr>
<td>Jewelry manufacturing</td>
</tr>
<tr>
<td>All manufacturing</td>
</tr>
<tr>
<td>Healthcare</td>
</tr>
<tr>
<td>Retail</td>
</tr>
<tr>
<td>Hospitality</td>
</tr>
</tbody>
</table>

New York City jewelry companies had substantially higher sales per employee than jewelry companies throughout the United States. In jewelry manufacturing, New York City firms had sales of $393,100 in sales per employee, or 80% greater than the rest of the country. In jewelry wholesale the figure rises to $1.26 million per employee, or twice that of jewelry wholesalers in the rest of the U.S. In turn, the diamond and jewelry sector, has an important tax impact on New York City generating over $120 million in tax revenue, over 90% of which comes from the manufacturing and wholesale parts of the industry (not retail).

\(^{12}\) For further information on employment in New York’s diamond and jewelry sectors see detailed analysis in the economic impact study commissioned by the Diamond District, “A Perfect Setting”.

IV. Imports and Market Fluctuations

Diamonds are traded in the 29 diamond bourses around the world, the most important of which are in Antwerp, New York, Tel Aviv, London and Hong Kong. Two additional bourses are located in the United States, in Los Angeles and Miami. The prices of rough and polished diamonds are tracked by the Rapaport Diamond Report, RapNet Diamond Index (RAPI), and fluctuate with market conditions, that is, precious as they are, the price of diamonds rises and falls like all other commodities and products. In fact, RAPI shows a sharp drop in rough diamond prices starting from June 2011 to September 2011 following two years of strong and steady increases, despite continued strong demand from China. The drop is attributed to economic uncertainty and tight liquidity stemming from the European debt crisis and weak U.S. consumer confidence, among other macroeconomic factors. Fine jewelry is similarly sensitive to global economic conditions with U.S. imports of fine jewelry dropping dramatically during the global financial crisis and ensuing recession. The largest supplier of fine jewelry imports to the United States is India, which holds a dominant share, followed by China, Canada, Mexico, several countries in the European Union, and Turkey. The largest supplier of diamonds to the U.S. is Israel, followed by India, Belgium and South Africa. Top fine jewelry and diamond supplier countries with corresponding U.S. import data for 2011 are shown in Table 2.

Table 2. Top Supplier Markets for U.S. Fine Jewelry and Diamond Imports

<table>
<thead>
<tr>
<th>Top U.S. Fine Jewelry Suppliers (USD millions)</th>
<th>Top U.S. Diamond Suppliers (USD millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner</td>
<td>Partner</td>
</tr>
<tr>
<td>2011</td>
<td>2011</td>
</tr>
<tr>
<td>World</td>
<td>World</td>
</tr>
<tr>
<td>$7,221</td>
<td>$22,378</td>
</tr>
<tr>
<td>India</td>
<td>Israel</td>
</tr>
<tr>
<td>$1,476</td>
<td>$9,192</td>
</tr>
<tr>
<td>China</td>
<td>India</td>
</tr>
<tr>
<td>$1,287</td>
<td>$6,266</td>
</tr>
<tr>
<td>Thailand</td>
<td>Belgium</td>
</tr>
<tr>
<td>$1,060</td>
<td>$3,655</td>
</tr>
<tr>
<td>Italy</td>
<td>South Africa</td>
</tr>
<tr>
<td>$581</td>
<td>$1,091</td>
</tr>
<tr>
<td>France</td>
<td>Switzerland</td>
</tr>
<tr>
<td>$389</td>
<td>$543</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Botswana</td>
</tr>
<tr>
<td>$355</td>
<td>$273</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Angola</td>
</tr>
<tr>
<td>$342</td>
<td>$168</td>
</tr>
<tr>
<td>Mexico</td>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>$288</td>
<td>$141</td>
</tr>
</tbody>
</table>

13 The RAPI is provided for various diamond sizes in carats and has a daily listing of over 700,000 diamonds valued at over $5 billion, traded by over 6300 members in over 74 countries. Rapaport Research Third Quarter Jitters, September 2011 Research Report www.diamonds.net/report
V. Policy Issues

The global diamond trade has been marred by the tragic occurrence of trade in so called conflict or blood diamonds, where rebels in certain African countries (such as Ivory Coast, Angola and the Democratic Republic of the Congo) used rough diamonds to finance local wars. The issue gained international prominence in the 1990s and prompted strong reaction by industry groups and governments.

The Kimberly Process (KP) is the foundation for the exclusion of conflict diamonds from world markets. Launched in 2003 in the town of Kimberley South Africa, the same location that the DeBeers company was founded in the late 1800’s, the Kimberly Process Certification Scheme was founded to control and monitor the $30 billion trade in rough diamonds by creating a documentary record of diamonds from mine to polishing.\(^{14}\) The U.S. Department of State coordinates American implementation of the Kimberly Process as determined by the Clean Diamond Trade Act of 2003. The industry is further restricted by the U.S. Department of Treasury Office of Foreign Asset Controls from trading with specific companies and individuals, such as Zimbabwe President Robert Mugabe and his family members.

The American diamond and fine jewelry industry has come out to fully support enforcement of the Kimberly Process, in addition to other measures to ensure lawful and ethical trade in diamonds. Prominent industry associations such as the Jewelers of America (JA) and the Diamond Manufacturers and Importers of America (DMIA) advise members to take additional precautionary measures, above appropriate due diligence, to assure compliance with the Kimberly Process, U.S. law, applicable national laws and sanctions. The Rapaport Group further warns members that knowingly trading in diamonds from prohibited areas, such as Marange Zimbabwe, “will be expelled and their names will be publicly communicated” regardless of KP certification of those diamonds.\(^{15}\)

In 2011 trade in conflict diamonds is estimated to account for approximately 1% of the global total, down from an estimated 15%-20% at its peak. Despite the controversy over blood diamonds, the world’s largest suppliers of rough diamonds with the most significant mining resources are actually peaceful countries. The largest global supplier of mined diamonds to the world, by far, is Botswana, a relatively developed African country with a per capita income of over $7,600 (in nominal terms), and a stable democracy. The second largest supplier of mined diamonds is Russia, followed by Canada. Together, these countries account for 90% of the world’s diamond supply. However, as noted in Table 2, the vast majority of diamonds imported by the United States does not come directly from mining countries in Africa but from India, and via intermediaries in Israel and Belgium.

\(^{14}\) KP certification alone does not ensure against human rights abuses, and the process is not without its critics, most prominently by Global Witness, a nongovernmental organization (NGO) which withdrew from the Kimberly Process in December 2011.

\(^{15}\) “Rapaport Group Calls on Diamond Trade to Avoid Marange Diamonds,” Rapaport Group Press Release, November 22, 2011.
VI. The Diamond District and Building For the Future

The Diamond District is a single street spanning a single city block, not a neighborhood, representing the most concentrated and compact of industry clusters. The District represents one of the important industries in the city, that it is unique to New York and has a large trade component. This single street is the center of New York state’s largest export industry, and as such carries a disproportionate economic impact on the state’s exports and the city’s economy. The diamond and fine jewelry industry did not come to be centered on 47th Street until after the Second World War. Starting late 1800s diamond merchants and jewelers located on Maiden Lane tried to move uptown Manhattan but each time they returned back to Maiden Lane due to brand recognition of Maiden Lane as a fine jewelry center for New Yorkers. Around 1910 financial companies from Wall Street started to move and replace the jewelry companies by paying higher rents than a jeweler could afford. Real estate developers seeing these circumstances wanted to take advantage of the situation and began renting property on 47th Street. Around 1925 three new building projects broke ground on the street. However it was not until after the Second World War that 47th Street solidified its current position as the center of New York’s and America’s diamond and fine jewelry industry and established itself as a world diamond trading center.

The Diamond District today has set a number of goals that will impact business and employment, preserving this important industry cluster and likely expand the economic impact of the street further. Among these goals is to update the physical appearance of the Diamond District and create a distinctive identity, to promote the District as a tourist destination, to seek out remediation strategies to manage street advertisers, to explore additional market niches for new business models and concentrate on training programs to create the next generation of jewelers and diamond cutters that will maintain the district’s status as a global diamond trading center. Among the educational programs the District is exploring is a plan to establish industry training programs, formalize an Internship-Apprenticeship Program, create partnerships and collaborate with New York City area universities and training programs to ensure the industry is able to maintain and even grow the highly skilled jobs in diamond cutting and jewelry manufacturing in New York. Finally, to better promote the District as a tourist destination the 47th Street BID started a program to educate the public on buying fine jewelry through its website www.diamonddistrict.org and another program with a listing of reputable street level shops open to consumers, and is working on programs to make the street safer, cleaner and more attractive for both tourists and businesses.
References:

U.S. Geological Survey of the U.S. Department of the Interior

Foreign Trade Division, U.S. Census Bureau, U.S. Department of Commerce


Diamond District Monthly vol.20 January 2012


Diamond District Monthly vol. 18 November 2011


U.S. Census Bureau, 2002 Economic Census

U.S. Census Bureau, 2007 Economic Census


Credits

Weissman Center for International Business, Director:
Terrence F. Martell, Ph.D.
Saxe Distinguished Professor of Finance

Project Editor:
Lene Skou
Weissman Center Deputy Director

Design and layout:
Rachael Cronin

For more information about this report contact the
Weissman Center for International Business
Zicklin School of Business, Baruch College/CUNY
(646) 312-2070

To access a comprehensive compilation of information about New York City, visit NYCdata at
www.baruch.cuny.edu/nycdata