

JEWELRY INDUSTRY OF BANGLADESH: CHALLENGES AND IT'S EXPORT POTENTIAL IN THE WORLD MARKET



By

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THE GLOBAL JEWELRY MARKET

- THE GLOBAL JEWELRY MARKET SIZE WAS VALUED AT USD 353.26 BILLION IN 2023 AND USD 334.59 BILLION IN 2022. IT IS EXPECTED TO GROW AT A COMPOUND ANNUAL GROWTH RATE (CAGR) OF 4.7% FROM 2024 TO 2030 [GRAND VIEW RESEARCH]
- It is predicted to grow to around USD 461.26 Billion by 2030 [GRAND VIEW RESEARCH]
- Accounted for 0.44 % share in world trade of goods in 2021
- It is the 32nd most traded product (hs code: 7113) in 2021
- Global Jewelry Trade accounted for \$93.5 bil in 2021 [The observatory of Economic Complexity OEC]
- EXPORTS IN 2021, THE TOP EXPORTERS OF *JEWELRY* WERE CHINA (\$11.8B), INDIA (\$10.7B), SWITZERLAND (\$9.35B), ITALY (\$9.01B), AND UNITED ARAB EMIRATES (\$7.76B).
- IMPORTS IN 2021, THE TOP IMPORTERS OF *JEWELRY* WERE HONG KONG (\$18.4B), UNITED STATES (\$13.3B), UNITED ARAB EMIRATES (\$9.05B)

HISTORY OF THE JEWELRY INDUSTRY IN BANGLADESH

- Bangladesh Jewelers Association (BAJUS) was formed in 1972, as a forum to invest and expand gold business In Bangladesh
- Previously, import of gold bars and gold in powder form were banned in Bangladesh
- Gold jewelry was made from smuggled items and hereditary gold jewelries that families owned
- Gold was legally allowed to be imported by air passengers under the baggage rules
- Gold Policy 2018, was formed to allow the import of raw and partially refined Gold, but not gold ore



HISTORY OF THE JEWELRY INDUSTRY IN BANGLADESH

- Bangladesh did not have a clear gold policy to promote jewelry industry and allowing a clear legal channel for sourcing of gold and precious stones.
- The first major initiative was the Gold Policy 2018, under which licenses were granted to 18 companies and a Bank for dealership
- Gold Policy 2021 (Amended)- allowed for import of gold ore through Enlisted Agencies
- Standard Operating Procedure (SOP) was established as a guideline for the licensing procedures and operation of gold refineries.
- Jewelry sector was first added as a special development sector for export expansion in the Export Policy 2022
- The Gold Policy 2021- granted license for making various graded gold bars and gold coins for sale



MARKET SIZE OF BANGLADESH JEWELRY INDUSTRY

1. There is no official and reliable statistics related to jewelry industry in Bangladesh. Bangladesh Bureau of Statistics (BBS) do not publish separate statistics on production, sales, employment and other related data on jewelry industry in Bangladesh
2. In 2020, the total sale of gold and silver bar, gold jewelry was USD 2.85 Billion.
3. With double digits growth per annum, total sales of gold ornaments, gold bars, and silver in Bangladesh in 2030 is projected by BAJUS to will be US\$21.1 billion
4. Gold ornaments accounts for around 83.5% of the total market share worth \$2.38 billion. By a predicted growth of 12.5 % per annum, the sale of gold jewelry will increase to 17.1 Billion in 2030
5. In 2020, Bangladesh imported USD 397 million worth of gold, 93% of which was imported from the UAE. Bangladesh imports from the UAE (\$370 m), Singapore (\$14m) and Malaysia (\$9.4m) [BAJUS]

CHARACTERISTICS OF BANGLADESH JEWELRY MARKET

- Gold holds intrinsic value and is passed down to generations. It is a big part of our traditional culture—widely used during weddings and other social functions.
- Gold jewelry also serves as women's personal wealth to be only given up at times of severe financial distress
- Out of the total sales of almost \$3 billion, only 10% of the demand is collected through old recycled family gold
- Accordingly, out of the total demand for new gold in the country of around 18-36 metric tonnes per year, as stated in the government policy paper, the bulk of which is not met through formal channel imports
- In other words, it has been indicated in this policy that a large part of the total gold demanded in the country is acquired through informal means like imports by Non-Resident Bangladeshis under the Baggage Rule or smuggling. (Source – BAJUS)



OTHER STATISTICS RELATED TO BANGLADESH GOLD MARKET

- **Number of firms:** According to Bangladesh Jeweler's Association (BAJUS), there are 40,000 firms in the country
- **Number of people:** 4-5 million people are employed in this industry. [BAJUS]
- **Sources of raw materials:** Bangladesh imports most of its gold from the UAE, Singapore and Malaysia.
- **Bangladesh Imports Silver primarily from:** the UAE, Italy, Japan, India, and Austria [source: observatory of economic complexity]
- Unlike India, China and Thailand, Bangladesh's cutting and setting sub-sector for diamond and other precious stones has not developed much



BANGLADESH'S JEWELRY EXPORT PERFORMANCE IS DISMAL

Total Trade of Jewellery Products in Different Years by Bangladesh (USD Thousand)

	Export	Import	Net Export
2002	20	793	-773
2003	5	1126	-1121
2004	30	1633	-1603
2005	29	2048	-2019
2006	50	3559	-3509
2007	513	4723	-4210
2008	537	9397	-8860
2009	88	6509	-6421
2010	218	3513	-3295
2011	66	6079	-6013
2012	48	5895	-5847
2013	1686	5662	-3976
2014	0	0	0
2015	5021	7913	-2892
2016	5195	497103	-491908
2017	6019	629930	-623911
2018	4376	979166	-974790
2019	6500	1142588	-1136088
2020	6956	497937	-490981
2021	6397	435383	-428986

JEWELRY TRADE STATISTICS IS PARTIAL AND PRODUCES A BLEAK PICTURE

- The official data demonstrates a number of issues:
 1. The data provides only a partial picture. Formal imports accounts for a small part of total domestic demand for gold and diamond jewelry
 2. Formal import of gold only started to become significant since 2016, and reached its peak of more than \$1 billion in 2019 before the Covid-19 related disruptions in economic activity beginning in 2020
 3. The large volume of imports of gold under the baggage rule remains largely undocumented and informal.
 4. Same is the case with smuggled golds. However, much of the smuggled gold is smuggled out to India to finance imbalance in the cross-border illegal trade between India and Bangladesh
 5. Overall. Until now, Bangladesh's export of jewelry products is dismal and there is no sign of improvement as yet

WHY BD HAS FALLEN BEHIND IN JEWELRY EXPORTS? ✨



Lack of Duty-Free Import for all Jewelry inputs- The negative attitude towards import of gold for decades has all but destroyed the export potential of jewelry from Bangladesh.

Duty free gold imports under the Baggage Rule is limited to 100 grams of gold and it is primarily an informal channel

Lack of legal documentation- the wholesale and retail trades in the gold sector is operating without legal Paperworks. This situation discourages the development of the formal export sector and also leads to tax evasion, money laundering, and a lack of transparency

Traditional Methods of making jewelry by Artisans dominate the market: They make designs from their imagination and old catalogues using outdated hand tools.

No access to start-up capital. Capital is mostly taken from family and friends and through reinvestment of profit.

Large corporates are still absent from the jewelry sector, except for the recent involvement of the Basundhara Group.

In India, even large conglomerates like the TATA Group is also present in the jewelry making and exports with international branch networks

No training Institution for new generation of artisans- Bangladesh needs to modernize its jewelry industry with new generations of skilled workers conversant in using modern tools for faster and better jewelry products.

WHY BD HAS FALLEN BEHIND IN JEWELRY EXPORTS? ✨



Absence of Gold Refinery-
The absence of a gold refinery hampered the country's ability to process raw gold, refine it, and add value to the precious metal sector

Central Bonded Warehouse for Jewelry manufacturers/exporters
--More than 95% of jewelry manufacturers are Cottage, Small and Medium enterprises (CSME). To ensure unrestricted and quick access to free trade regime, central bonded warehouse is the way to go.

Failure to attract FDI into the jewelry industry– The best way to attract efficient production and management practices, new technology, achieve better quality of products, skill development for workers and assured market access is to attract FDI in this sector.

Absence of Large Domestic Corporates in Export oriented Jewelry Sector-The industry is dominated by family owned traditional SME enterprises relying on old techniques. Large corporates like Basundhara Group is a welcome change for the sector but many more are needed.

Artisans are paid minimal salaries for which new generation of Artisans are not encouraged to take part—Skill development and training will be critical in this regard

Low Adoption of Modern Technologies – low adoption of modern technologies have reduced the efficiency of our artisans, leading to reduced innovation and wages.

THE INDIAN SUCCESS STORY

1. According to data from 2020, India's Gems and Jewelry Exports represent about 3.5% of the world's total jewelry exports, making it the seventh largest exporter globally. It's global share increased to 4.3% in 2022, ranking sixth in the list of global exporters.
2. The Total Indian Domestic Market size is valued at \$78.5 bn, having potential to reach \$100bn by 2022. The overall gross exports of jewelry stood at \$20.58 bn in FY 23.
3. The country leads the world in Diamond Jewelry, Silver Jewelry, and Lab-Grown diamonds and synthetic stones with a 29.0%, 22.0%, and 32.7% share of total world exports, respectively.



THE INDIANS SUCCESS STORY

4. The total gross exports of gems and jewelry reached US\$ 20.58 billion in FY23, while the total gross exports of cut and polished diamonds reached US\$ 12.22 billion in the same time period. (Source – IBEF)
5. Jewelry trade accounts for 7.5% of GDP; and represents roughly 14% of the total merchandise exports
6. Employment: Gems & Jewelry sector employed 8.23 million artisans in the sector
7. Top destinations of exports: the US, the UAE, Singapore, and the UK
8. India is the 2nd largest Consumer of Gold jewelry , having purchased a substantial 611 tonnes of gold jewelry in 2021, following closely behind China's 673 tonnes. Notably, bridal jewelry dominates the market, securing a significant 50%-55% share.



INDIAN GOVERNMENT'S RECENT INITIATIVES

- Reduction in customs duty on cut and polished diamond and colored gemstones from 7.5% to 5%
- Reduction of import duty for Gold & Silver (from 12.5% to 7.5%) and Platinum & Palladium (from 12.5% to 10%) to bring down the prices of precious metals in the local market.
- Made hallmarking mandatory for Gold Jewelry and Artefacts.
- Revamped the Gold Monetization Scheme and Sovereign Gold Bond Scheme, enabling individuals to deposit gold with banks and earn interest in return.
- Built SEZs to foster jewelry export.
- The Indian Government has permitted 100% Foreign Direct Investment (FDI) in the sector under the automatic route. (Source – FDI Manager)
- Cumulative FDI inflows in diamond and gold jewelry stood at US\$ 1.2 billion between April 2000-March 2022. (Source - IBEF)



A COMPARISON OF THE TARIFF STRUCTURES SHOWS COMPARATIVE DISADVANTAGE FOR BD MANUFACTURERS AND EXPORTERS



HS code	Category	Description	TTI (BD)	Rate of Duty (India)	Duty Difference
26169010	Gold	Gold Ores	5%	0%	5%
71081200	Gold	Unwrought Gold (Incl. Gold Plated With Platinum), Non-Monetary	0%	0%	0%
71082000	Gold	Monetary Gold	37.00	10%	27%
71131900	Gold	Articles Of Jewelry And Parts Thereof Of Precious Metal (Excl. Silver)	58.60	25%	33.60%
71021000	Diamond	Unsorted Diamonds	89.32	10%	79%
71022100	Diamond	Industrial Diamonds Unworked Or Simply Sawn, Cleaved Or Bruted	34%	10%	24%
71061000	Silver	Powder Of Silver	31%	10%	21%
71069100	Silver	Unwrought Silver (Incl. Silver Plated With Gold Or Platinum)	32%	10%	22%
71131100	silver	Articles Of Jewelry And Parts Thereof Of Silver	58.6 %	25%	33.60%
71011000	Pearls & Semi Precious Stones	natural Pearls (Excl. Strung, Mounted Or Set)	31%	5%	26%
71031000	Pearls & Semi Precious Stones	Precious (Excl. Diamonds) Or Semi -Precious Stones, Unworked	31%	10%	21%

KEYS ISSUES WITH BANGLADESH'S CURRENT TARIFF STRUCTURE

1. Nominal Effective Protection (NPR) of inputs used in the jewelry industry: 14% [PRI estimates based on NBR data]. This is quite high and contributes to higher production cost.
2. NPR of finished jewelry made of gold, other precious metals and gems: 28% [PRI estimates]
3. Following earlier cuts current 5% VAT on gold, gold jewelry, silver, and silver jewelry has become reasonable in my view.
4. Overall, because of the distorted tariff structure, Jewelry Price in Bangladesh is at least 5-10% higher than world price.



EXPANSION AND EXPORT POTENTIALS IN THIS SECTOR

Jewelry is a Labor-intensive sector. As Bangladesh is a labor resource country, we can leverage our Competitive Advantage in expanding the jewelry Industry

Endowed with a large number of Experienced age-old Artisans, making quality products by hand. There is a huge demand for handcrafted Bengalli filigree jewelries in the world.

The market for these products will grow at a fast pace both domestically and internationally. Domestic demand is projected to grow at an average rate of 12.1% per year from 2022 to 2030. As a result, total sales of gold ornaments, gold bars, and silver in Bangladesh in 2030 is projected to be US\$21.1 billion (Source – BAJUS)

Deeply rooted Cultural factors and Customs. Gold and silver jewelries are a part of our tradition, the demand of which will never cease. Expected economic expansion will only make the domestic market grow fast. But if we cannot meet domestic demand in terms of better products and imports, imports—legal or illegal –will take over the market and we will lose foreign exchange

EXPANSION AND EXPORT POTENTIALS IN THIS SECTOR

- The market for the jewelry sector (gold ornaments, gold bars and silver ornaments) is predicted to grow at an average rate of 12.1% from 2022 to 2030. (Source – BAJUS). It means that investment in the sector will be profitable.

- Potential Export Destinations could be Middle East, Hongkong, Thailand, North America and the UK (where large number of south Asian expatriates resides)

- Increasing demand for gold in the local market, of around 20 to 40 MT, creates an environment for more investment. However, it is considerably low in relation to the neighboring country India, where it ranges between 700 to 800 ton per annum

- Bangladesh is ranked 33rd in gold import volume, it explains the need to import gold legally to meet the ever-growing demand locally

WAY FORWARD: POLICY MEASURES FOR ATTAINING THE GOLD EXPORT POTENTIAL



1. HALLMARK CERTIFICATION AND QUALITY CONTROL:

- ★ Prohibiting the sale of jewelry without hallmark certification is a crucial step to ensure the quality and authenticity of gold products.
- Restricting gold sales to specific carat standards (18, 21, 22, and 24 carats) further ensures quality control and consumer protection.

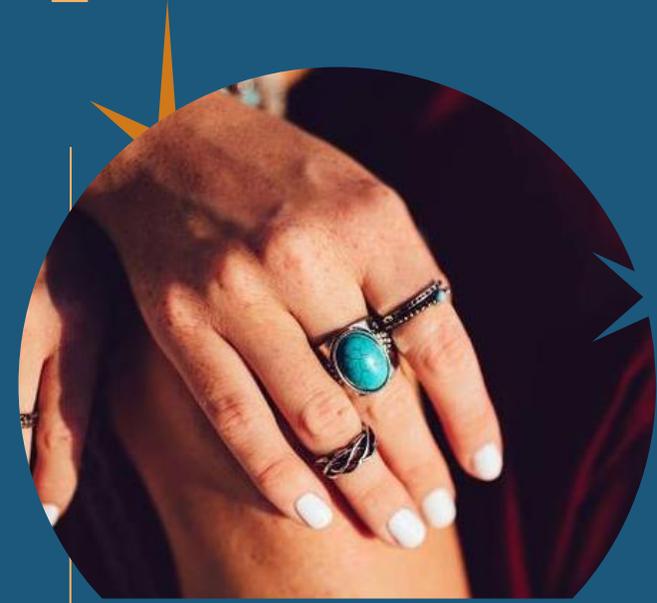
2. ESTABLISHMENT OF GOLD REFINERIES

- Establishing gold refineries in Bangladesh can add value to the raw gold, create jobs, and attract foreign investment, contributing to economic growth.

3. Free Trade Regime like the RMG for the Export-Oriented Jewelry Firms:

4. Incorporating Unlisted Jewelry Businesses:

- Bringing unlisted jewelry businesses into the mainstream economy can improve transparency and regulatory compliance



WAY FORWARD: POLICY MEASURES FOR ATTAINING THE GOLD EXPORT POTENTIAL



5. ENCOURAGING INVESTORS BY ESTABLISHING SEZ FOR JEWELRY SECTOR:

- Encouraging investors to establish refineries to promote large-scale modern and efficient refining operations.
- Expanding lab facilities for quality measurement to enhance the sector's ability to maintain and verify product standards.
- Attracting foreign investors can bring in capital, expertise, and global market access.

6. TRAINING AND REDUCING WASTAGE:

- Training new craftsmen and minimizing gold wastage in the jewelry-making process can enhance the quality of products and competitiveness in the international market
- Government can help in establishing and running a modern training institute.



WAY FORWARD: POLICY MEASURES FOR ATTAINING THE GOLD EXPORT POTENTIAL

7. Gold Exchange and Gold Banks:

- The establishment of a Gold Exchange and Gold Bank can provide a centralized platform for trading, financing and value-added services in the gold sector. Gold carries no credit or counterparty risks, it serves as a source of trust and a secured source of asset to store.

8. Simplify the supply channel of import and export-

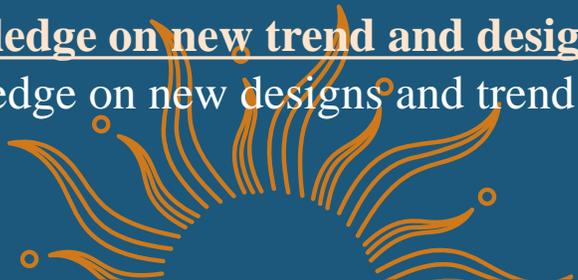
- Simplifying the process of procuring raw material and export conditions including customs procedures can help boost export of jewelry articles.

9. Market study & Training Institute of Artisans-

- Studying the global market on their latest trend, and quality standard, will open up channel of export destinations. Training Institutes need to be built for artisans to be trained in using modern technologies

10. Knowledge on new trend and designs:

- Knowledge on new designs and trend will help jewelers be competitive in the global market



WAY FORWARD: POLICY MEASURES FOR ATTAINING THE GOLD EXPORT POTENTIAL

11. Tapping into the South Asian Market

- south Asian people more or less share the same taste in tradition and customs. Additionally, a large number of expatriates resides in large economies as well. Seeking exports in those markets will be beneficial for Bangladesh, as there lies huge demand for intricate jewelries

12. Modernization in the production process

- Artisans, skilled in modern technologies need advanced capital machineries to make intricate jewelry, which can make them more efficient and respond fast to new trends.

13. Online Shopping Platforms-

- having a presence in both in-store and online shopping platforms, can make shopping easier, less time consuming and generate more sales.

