

# MARKET REPORT

## JEWELLERY

Hong Kong  
March 2022



Ministry of Foreign Affairs  
and International Cooperation

**ITCA**   
ITALIAN TRADE AGENCY

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# JEWELLERY INDUSTRY IN HONG KONG



Hong Kong boasts as one of the largest offerings of luxury jewelry brands in the world. Between many brands available largely dominate the main European luxury brands, most appreciated for their creativity and design.

Hong Kong's jewellery industry is dominated by the fine jewellery sector. Its development has been facilitated by the expansion of the local market, including sales to tourists.

Jewellery production in Hong Kong encompasses a wide range of medium- to high-priced products. Hong Kong manufacturers are good at producing small stones fashion jewellery. Hong Kong leads in the production of pure gold items, and has long been recognised as a major centre for the production of jade jewellery. It is also a leading trading and distribution centre for pearls.

Although high value-added processes are still retained in Hong Kong, manufacturing processes have increasingly been shifted to mainland China, mainly to Shenzhen and Panyu, either by building factories or through outsourcing. Meanwhile, more manufacturers have made use of computer-aided design to shorten the time cycle for product development.

Hong Kong's exports of fine jewellery registered a **sharp increase of 82.3% year-on-year to HK\$28.65 billion for the period from January to May 2021 comparing to 2020**. Exports to the largest market, Mainland China, skyrocketed nearly 230% while Asia regions including Macao, Taiwan and Malaysia also showed a significant increase. For raw materials, the gross export value of pearls, gemstones and rough diamonds climbed 83.1% in the same period this year, showing recovery from the pandemic.

More than 70% of sales in Hong Kong derive from purchases made from Mainland Chinese tourists; hence the growing importance of Hong Kong as showcase market in function of China.

Many Chinese buyers have become attentive to online product comments, at the level of presence of the brand in China, exclusive designs and authenticity of the products as well as the value of stones and gems. In recent years there have also been cases of companies that have found remarkable increases in its presence in the market thanks to an active commitment to expansion commercial, opening new innovative stores in Hong Kong and mainland China.

Wealthy buyers from mainland China show a greater appreciation for the luxury brands that best express their status and the achievement wealth; they have become more and more sophisticated in the choice of their jewelry and accessories with a strong desire for self-expression and differentiation within their own social group.

It should also be said that Mainland China's campaign against corruption of their own officials over the past few years, often accused of spending public money on extravagant spending and gifts luxuriously, slightly reduced the purchase demand for extra-luxury products;

plus many consumers of the younger generation have shifted their focus towards more accessible brands, focusing more on design and originality.

It is reported that consumers remain rather reluctant to buy jewelry and watches from online sites, preferring more specialists and branded boutiques, keeping the primacy of retail sales. However, some local jewelry retailers are initiating the launch of e-commerce platforms to exploit the strong demand expansion in China.

It should also be noted the increased sophistication of the consumer in the choices of jewelry and luxury accessories and also in the request for a high customization of the product



# IMPACT OF THE PANDEMIC

Local business environment has been affected by the social incidents since June 2019 and the pandemic from Feb 2020. According to the HKSAR government, the number of tourist arrivals in the past few months had been at a dramatic low, **decreased drastically down 99%** with reference to the same months last year due to travel restriction policies under the outbreak of the COVID-19. It has brought inbound tourism almost to a standstill and caused severe disruptions to consumption-related activities.

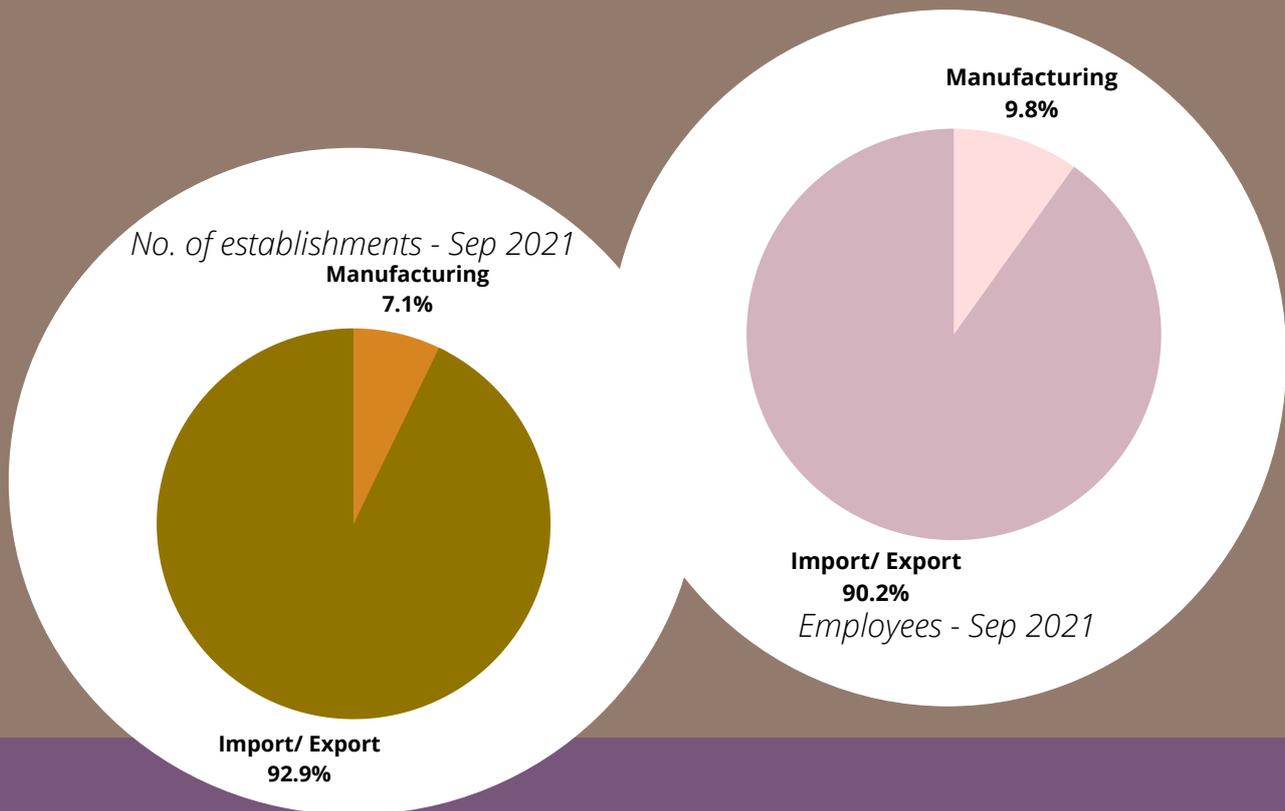
Hong Kong retailers enjoy steady gains after 7.1 per cent sales jump marks 10th month of recovery amid pandemic blues in 2021. Hong Kong retail sales jumped 7.1 per cent year on year to HK\$30.7 billion (US\$3.9 billion) in November 2021, marking the 10th straight month of recovery, but industry chiefs worry about the potential impact of a new coronavirus wave involving the Omicron variant.

(<https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3161991/hong-kong-retailers-enjoy-steady-gains-after-71>)

While in 2021, Hong Kong retail sales registered an increment, however, Hong Kong is now facing the fifth wave of pandemic. As Omicron Spreads, Major mall owners in Hong Kong stand to lose as much as 30 per cent of sales in the coming months as shopping centres in areas hit by Covid-19 cases suffer from dwindling traffic amid lockdowns and tighter social distancing curbs.

( <https://www.scmp.com/business/article/3166671/omicron-spreads-hong-kong-malls-stand-lose-30-cent-sales-lockdowns-social> )

**With the above numbers, therefore, please be noted that it might be difficult to find local operators that are willing to expand their cooperation in this period of time.**



## Industry Features

Hong Kong's jewellery industry can be classified into two main sectors: fine jewellery or jewellery made of precious metals, and imitation jewellery. In terms of value, 93% of Hong Kong's jewellery exports were fine jewellery in the first nine months of 2021.

The production of jewelry in Hong Kong encompasses a wide range of products between medium and high value. Hong Kong manufacturers specialize in the production and processing of small precious stones with elements of contemporary fashion.

The high productivity and the overall technical level of Hong Kong jewelry is perceived above its competitors, such as Thailand, although still below world leaders such as Italy and Japan.

Hong Kong has long been recognised as a leading centre for the production of jade jewellery. Major items are bangles, rings and pendants. Hong Kong is a leading trading and distribution centre for pearls, the majority of which are imported from Japan, India, Australia and mainland China.

Although high value added processes remain confined to the Hong Kong region, manufacturing processes increasingly tend to be shifted to mainland China, mainly to Shenzhen and Panyu in the Guangdong Province, either through factory construction or through outsourcing. In the meantime, more and more manufacturers are using information technologies to facilitate and speed up the development cycle of the jewel, increasing its productivity.

## Sales Channels

### Dealers and manufacturers

There are over 4,000 jewelers in Hong Kong, with the vast majority owned by local owners who started their business as goldsmiths. Most of the goldsmiths are family-run and even the provenance of the jewels sold at retail is mostly from local workshops or factories.

The trade is characterised by a subcontracting system where small- and medium-sized factories provide services, such as mould making, precision casting, gem-setting, polishing and electroplating, to larger manufacturers or local jewellery retailers. Mass production of jewellery products is normally restricted to established manufacturers who have automated production. Jewellery items made for export usually bear the buyers' brand names or logos. Some jewellery makers have set up overseas offices and outlets to promote sales.

High-priced international brands that target customers at the high end of the market have a large following among local consumers and tourists. To name just a few, Bulgari, Buccellati, Cartier, Tiffany, Piaget, Van Cleef & Arpels, Mikimoto, Georg Jensen, etc.

Some of the major local retailers are also longtime manufacturers like Chow Tai Fook, Tse Sui Luen etc, equipped with sophisticated machines with automated production and dominate the mass production goldsmith shop. Although some of Hong Kong's largest retail chains are owned by local goldsmiths, some of their products are imported from Italy or other foreign markets using private labels.

### Wholesalers and distributors

In addition to local producers who import Italian jewelry, the major distribution channel for Italian jewelry is through wholesalers and direct import by retailers. For local wholesalers, important Italian products are not only sold on the Hong Kong market but are also re-exported to other countries, such as mainland China, the United States and other Asian markets. In fact, the best way to enter the market with minimal risk is through local distributors and well-established wholesalers.

Some companies also offer consultancy services from industry experts, informing their partners about the trends and tastes of Chinese buyers and suggesting possible changes to some products adapting them to the Asian market.



## Trade fairs in Hong Kong:

Promotion via participation in trade fairs is an effective way for Hong Kong companies to explore export opportunities (below is a list of selected trade fairs in the industry). In the midst of the Covid-19 pandemic, an increasing number of trade fairs have engaged with a hybrid platform.

Fair	Date	Organiser
Hong Kong International Jewellery Show (HKIJS) - Online	08-14 March 2022	Hong Kong Trade Development Council
Hong Kong International Diamond, Gem & Pearl Show (HKIDGPS) - Online	08-14 March 2022	Hong Kong Trade Development Council
Hong Kong Jewellery & Gem Fair	16-19 June 2022	Informa Markets
Jewellery & Gem WORLD Hong Kong	16-19 September 2022	Informa Markets
Hong Kong International Jewelry Manufacturers' Show	22-27 November 2021	Hong Kong Jewelry Manufacturers' Association



## MARKET / PRODUCT TREND

### **1** Covid-19

The Covid-19 pandemic has had a powerful effect on discretionary spending and therefore the global jewellery market. However, Hong Kong luxury goods sales rose 114 per cent year on year to US\$424 million in April 2021, even though most people are 'very concerned' about the local economy.

### **2** Fashion

Articles of jewellery are becoming more fashionable. Innovative designs are important for moving up-market. For instance, silhouette designs, renaissance-inspired jewellery and futuristic designs are the upcoming trends. Manufacturers must have deeper metallurgical knowledge and use the latest technologies, such as 3D printing, laser cutting, and digital printing, engraving and photography to create these designs. Jewellery is following the trend in fashion and moving from high end to target a younger, middle income market, sometimes with branded jewellery.

### **3** Technology

Recent technological developments allow mass production of jewellery products of good quality and at competitive prices. While Hong Kong's jewellery industry remains basically a handicraft industry, a number of larger establishments employ automated production equipment. These manufacturers integrate advanced techniques such as electroforming, with handicraft skills to improve their efficiency. They use computer-aided design and manufacturing (CAD/CAM) systems, computer numerically controlled (CNC) machine tools and even 3D printers in their product design and manufacturing processes. Such new technologies enable Hong Kong manufacturers to develop fashionable jewellery items and to increase the accuracy of the designed output.

Meanwhile, software in online apps allows buyers to customize their own jewellery, changing the colour, shape, stone and metal used as they desire. New social media platforms use changing social interactions and around-the-clock promotions to target particular market segments.

## MARKET / PRODUCT TREND

### 4 Market Consolidation

Like other industries, market consolidation is commonplace in the jewellery industry, especially in the US. A total of 932 jewellery retailers, wholesalers and manufacturers ceased operations in North America in 2019. This trend may accelerate in the pandemic-ridden 2020 and beyond. While the brick-and-mortar stores of mass merchants such as *Walmart* and *Target* remain important distribution channels for jewellery, some are putting more effort into developing their online sales. For example, *Walmart*, the 2nd-largest jewellery retailer in North America in 2018, is said to be planning to scale down the fine jewellery sections in some of its stores, while maintaining sales through its online channels.

### 5 Fashion

On marketing and distribution, some Hong Kong jewellers have built up their own branded jewellery or licensing agreements. While this is an effective strategy to enhance long-term competitiveness, it may also require local jewellery manufacturers to move into distribution. Apart from establishing direct retail outlets, e-tailing is becoming an ever more prevalent option for jewellery retail, especially in the US and mainland China. According to Euromonitor International, roughly one-fifth of jewellery sales in the US were made online in 2019. In mainland China, the internet has become an increasingly important jewellery sales channel where 7.2% of total jewellery sales were made in 2019, up from 2.6% in 2014. In response to the rapid e-commerce development, global jewellers are growing their online presence fast.

According to a survey conducted by HKTDC at Hong Kong International Jewellery Show in 2019, 42% of those surveyed are selling their products directly to consumers via online trading platforms, with that figure rising for a fourth consecutive year. Hong Kong jewellery retailers such as Chow Sang Sang and Chow Tai Fook, amongst others, are actively developing their online sales channels. It is expected that e-commerce in the jewellery sector will continue to expand. Over the longer term, the development of internet shopping represents a new direct sales method for Hong Kong jewellers in promoting their products.

# GENERAL TRADE MEASURES AFFECTING JEWELLERY EXPORTS

The Shanghai Gold Exchange began operation on 30 October 2002, with its launch seen as a sign that China's gold sector is moving towards a complete market. For details of its business code of conduct and other relevant laws and regulations, please refer to their website.

In May 2003, the mainland abolished the licensing system for businesses trading in gold or silver products. As a result, the production, processing, wholesale and retail of jewellery are all fully deregulated, meaning that any individual can now register to operate a business in the jewellery production, processing and wholesaling sectors.

Hong Kong companies exporting to mainland China are subject to three types of tariffs, namely Value-Added Tax (VAT), customs tariff and consumption tax. Fine jewellery sold in mainland China is subject to a consumption tax of 5-10%. From 1 April 2019, most of the goods (including fine jewellery, pearls, gem-stones and rough diamonds and imitation jewellery) are subject to a reduced VAT of 13% (down from 16%). Also, from March 2020, exports of fine jewellery, gem-stones and rough diamonds and imitation jewellery can apply for VAT rebates of up to 13%

MFN tariffs for such imports range from 0%-21%, depending on the type of products. Detailed export VAT rebate rates and customs tariffs can be checked online.

Diamond (including rough diamond and unset polished diamond) imports and exports under general trade, as well as for the domestic sale of rough diamonds transferred-out in the course of the processing trade, are required to go through the declaration formalities with the customs located inside the Shanghai Diamond Exchange (SDE).

Diamonds directly entering SDE from overseas are exempted from import duty, value-added tax and consumption tax. All diamonds traded in SDE are exempted from value-added tax. Diamonds entering SDE from domestic sources can enjoy tax refunds, and the tax collected at the processing stage is fully refunded when the diamonds are exported, while those flowing from SDE to overseas do not enjoy tax refunds. For diamonds channelled from SDE to the domestic market, no import duty is levied but the value-added tax (except for 4% on polished diamonds) must be paid. The consumption tax is not collected until the stage of retailing, at a rate of 5%. For details of its import and export policies, customs supervision policies, tax policies and foreign exchange management policies, please refer to their website.

In the EU, environmental and health concerns continue to be major issues. The EU has banned the imports of jewellery containing nickel, which can cause allergic reactions when in contact with skin. While this measure provides Hong Kong jewellery products made of other materials an advantage in exporting to the EU, other suppliers have had to adjust to the requirement. Imitation jewellery containing lead is also under strict regulations under the US Consumer Product Safety Commission.

Several organisations offer certification for jewellery materials. They include the World Gold Council, the Natural Colour Diamond Association (NCDIA), and the Diamond Trading Company (DTC). The Tanzanite Foundation has developed a grading system for tanzanite. Gaining their certifications is an increasing trend, and many are expected to become standard in the future.

## CEPA AGREEMENT

Under the CEPA (Closer Economic Partnership Arrangement) initiated in 2003, 18 product categories in the jewelry and costume jewelry sectors, originating from Hong Kong, are allowed to enter the mainland China market without being subject to duty. These products are classified according to the HS codes defined by the Chinese Customs: 71023100, 71131100, 71131190, 71131911, 71131919, 71131991, 71131999, 71132010, 71132090, 71141100, 71141900, 71142000, 71159090, 711000, 7117117

Further information is available on the Hong Kong Trade and Industry Department website: <http://www.tid.gov.hk/english/cepa/index.html>

Thanks to the CEPA agreement, the distribution channels have also expanded. Hong Kong companies that meet the requirements can act as intermediaries, wholesalers, and retailers. Additionally, permanent residents of Hong Kong with Chinese citizenship are free to open private stores (wholly owned by them) in Guangdong Province.



# FOREIGN TRADE DATA

After a 20% decline in 2020, HK's fine jewellery exports rebounded sharply by 65% year-on-year to hit HK\$54 billion in January-September 2021, 15% above the pre-pandemic 2019 level. During the period, re-exports and domestic exports were up 55% year-on-year and 111% year-on-year, respectively.

Sales to mainland China, thanks to its resilient consumer market, were up 171% in 2020 and 111% year-on-year in the first nine months of 2021, surpassing the US to become Hong Kong's top jewellery market. Largely thanks to the border reopening with mainland China, the city's jewellery exports to Macao boasted a solid recovery, with sales almost quadrupling in January-September 2021, after a 49% slide in 2020. In the first nine months of 2021, exports to mainland China and Macao were more than 370% and 50% above the comparable pre-pandemic (2019) levels, while many traditional markets remained below their pre-pandemic levels. The US, with a 78% year-on-year rebound in January-September 2021 after a 44% decline in 2020, remained 14% below its pre-pandemic level, while the EU, Switzerland and the UK were still 8%, 53% and 24% below their pre-pandemic levels in the first three quarters of 2021.

After plummeting 25% in 2020, Hong Kong's imitation jewellery exports grew 12% year-on-year to HK\$3.8 billion in January-September 2021, 17% below the comparable 2019 level. Re-exports, accounting for almost all of the exports, with 85% originating from mainland China, soared 13% year-on-year for the same period. Domestic exports, albeit from a low base, slid 78% year-on-year.

	2019		2020		2021	
	HK\$m	Growth %	HK\$m	Growth %	HK\$m	Growth %
Domestic exports	9,871	+28	10,333	5	17,695	+71
Re-exports	52,996	+8	40,002	-25	56,321	+41
Total exports	62,867	+10	50,335	-20	74,016	+47

	2019		2020		2021	
	Share %	Growth %	Share %	Growth %	Share %	Growth %
Articles of jewellery, of precious metals	97.9	+11	97.5	-20	97.4	+47
Articles of pearls, precious or semi-precious stones	1.9	-2	1.7	-30	2.3	+102
Goldsmiths' & silversmiths' wares, precious metal	0.2	-6	0.8	+242	0.3	-47

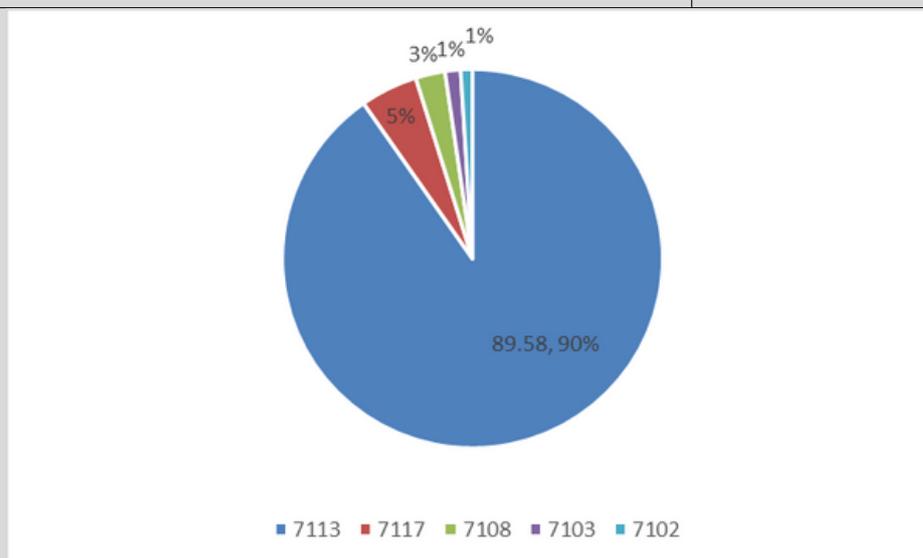
Source: Hong Kong Trade Statistics, Census and Statistics Department

For further information on market statistics, please refer to the Appendix file as attached with this report.

## Hong Kong Imports from Italy

Products: 71, Natural Or Cultured Pearls, Precious Or Semiprecious Stones, Precious Metals; Precious Metal Clad Metals, Articles Thereof; Imitation Jewelry; Coin

HS Subheading	Description	January - December (Value: 000 USD) 2021
<b>71</b>	<b>natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin</b>	<b>1,201,047</b>
7113	articles of jewelry and parts thereof, of precious metal or of metal clad with precious metal	1,075,916
7117	imitation jewelry	58,014
7108	gold (including gold plated with platinum), unwrought or in semimanufactured forms, or in powder form	29,849
7103	precious and semiprecious stones (no diamonds), not strung, mounted etc.; ungraded precious and semiprecious stones (no diamonds) strung for transport	15,765
7102	diamonds, whether or not worked, but not mounted or set	11,934
7106	silver (including silver plated with gold or platinum), unwrought or in semimanufactured forms, or in powder form	3,497
7110	platinum, unwrought or in semimanufactured forms, or in powder form	3,425
7116	articles of natural or cultured pearls, precious or semiprecious stones (natural, synthetic or reconstructed)	1,298
7114	articles of goldsmiths' or silversmiths' wares and parts thereof, of precious metal or metal clad with precious metal	1,070



Source: Trade Data Monitor

For further information on market statistics, please refer to the Appendix file as attached with this report.

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## SUMMARY ON ITALIAN PRODUCTS



The new trends in the Hong Kong market show how important it is to aim for a unique product and a solid brand. It is therefore essential to invest in an extremely refined and particular design, as well as efficient and solid marketing. Using the right images, a quality website and exclusive products can really have a huge impact on sales.

### • **Answers and Feedback**

Local importers mentioned about the consistent percentage of unanswered communications from Italian suppliers; they argue that this sometimes involves the cancellation of orders.

### • **Product certification**

The fact that it is one of the largest shopping centres in the world and its strategic location in relation to mainland China have made Hong Kong extremely fertile ground for the traffic of counterfeit goods.

For this reason, today the vast majority of buyers and consequently importers are extremely careful to buy certified products, with particular attention to precious stones.

### • **Quality**

Hong Kong importers in general are particularly demanding on quality control. Some of them mentioned that orders shipped from Italy either do not have packaging compliant with the customer's requests, or the goods upon arrival are of a different quality from that agreed.

### • **Trade Fairs in Hong Kong**

To increase the visibility of the Italian product in the Asian market and establish new contacts and new relationships with local operators, it is suggested that Italian companies participate in the main international jewellery exhibitions in Hong Kong for several editions. Among the main trade fairs in the sector, we remember the Hong Kong International Jewellery Show (HKIJS) which generally takes place in March each year and Hong Kong Jewellery & Gem Fair (June / September).

## LOCAL ASSOCIATIONS

Following are some of the major local association in the sector.

**Diamond Federation of Hong Kong Laboratory Ltd.**

[www.dfhklab.com.hk](http://www.dfhklab.com.hk)

**Diamond Federation of Hong Kong**

[www.diamondfederationhk.com/](http://www.diamondfederationhk.com/)

**Hong Kong Jewellers' & Goldsmiths' Association**

[www.jewelrynet.com/hkjga/](http://www.jewelrynet.com/hkjga/)

**Hong Kong Jewellery & Jade Manufacturers Association**

[www.jewellery-hk.org](http://www.jewellery-hk.org)

**Hong Kong Jewelry Manufacturers' Association**

[www.jewelry.org.hk](http://www.jewelry.org.hk)

**Hong Kong Pearl Association**

[www.hkpearlassn.org](http://www.hkpearlassn.org)

**The Chinese Gold & Silver Exchange Society**

[www.cgse.com.hk](http://www.cgse.com.hk)

**The Gemmological Association of Hong Kong Ltd**

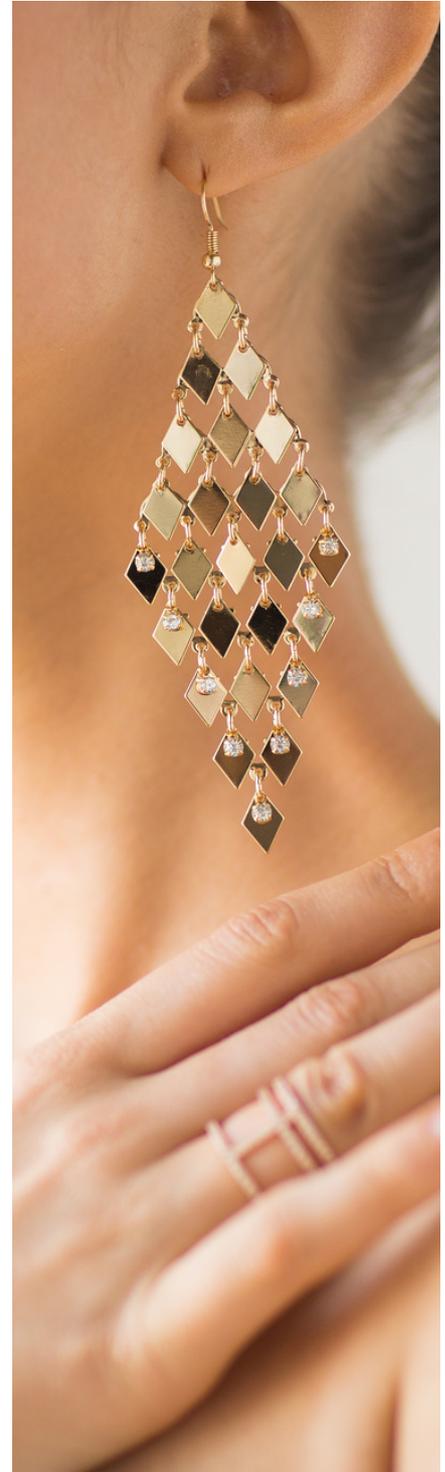
[www.gahk.org](http://www.gahk.org)

**Hong Kong Art Craft Merchants Association, Ltd**

[www.artcraft.org.hk](http://www.artcraft.org.hk)

**Hong Kong Diamond Bourse Ltd**

[www.dfhk.com.hk](http://www.dfhk.com.hk)



## LOCAL MAJOR DISTRIBUTION

### TSL Jewellery

Tse Sui Luen Jewellery is one of the largest jewellers in Asia, that is principally engaged in jewellery design, manufacturing, trading, retailing and wholesaling.

**Address:** G/F, Summit Building, 30 Man Yue Street, Hung Hom, Kowloon, Hong Kong  
**Tel:** 2333 4221  
**Email:** orders@tslj.com

### Luk Fook Jewellery

Luk Fook Group principally engages in the sourcing, designing, wholesaling, trademark licensing and retailing of gold and platinum jewellery and gem-set jewellery products, with a total of over 2,130 points of sale worldwide

**Address:** G/F, Summit Building, 30 Man Yue Street, Hung Hom, Kowloon, Hong Kong  
**Tel:** 2333 4221  
**Email:** corporate@lukfook.com

### Chow Sang Sang Jewellery

Chow Sang Sang boasts a wide array of engagement rings, earrings, accessories & more

**Address:** 27/F, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong  
**Tel:** 2192 3123  
**Email:** kathy.lo.h.w@chowsangsang.com

### Chow Tai Fook Jewellery

The Group's multi-brand strategy comprises the CHOW TAI FOOK core brand with its offerings of different retail experiences including ARTRIUM, JEWELRIA, Experience Shop and CTF WATCH, in addition to other brands including HEARTS ON FIRE, T MARK, ENZO, SOINLOVE and MONOLOGUE

**Address:** 38/F, New World Tower, 16 - 18 Queen's Road Central, Central, Hong Kong  
**Tel:** 2322 5108  
**Email:** enquiry@chowtaifook.com



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