

RBC says strong price rises ahead for diamonds

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TORONTO (miningweekly.com) – Analysts at RBC Capital Markets said on Thursday diamond producers and near-term developers will likely be popping champagne corks over the next few years as surging Asian demand props up prices.

In a report on the bank's fourth yearly diamond conference in London, RBC said the outlook for rough diamond prices was "extremely positive", as supply struggled to keep pace with growing demand in China and India, and a stabilised US market.

"What this means, we believe, is that diamond prices are likely to increase at rates greater than the recent past as no material new production is coming on stream," analysts **Des Kilalea** and **Patrick Morton** said in the report.

Companies that presented at the conference included Harry Winston, Petra, Gem, Namakwa, Firestone, Lucara, Stornoway and Shore Gold.

"Based on trend analysis from De Beers, if current trends continue, China and India together are forecasted to account for 50% of incremental demand or growth in the world diamond markets over the next five years," Kilalea and Morton wrote.

In a separate note on Wednesday, the analysts said the culture of buying diamonds in China and India was catching on fast, with China already surpassing Japan as the biggest market after the US.

"It is difficult not to conclude that rough diamond prices will increase strongly as China and India grow and the US recovers fully," they said.

Risks to their bullish outlook for the sector included the global macroeconomic equation, particularly economic growth in China, but RBC said this was not a major worry.

Any big production increases out of Zimbabwe could also scupper major price increases.