



WHITE PINE

WHOLESALE LLC

THE NATURAL RECYCLED DIAMOND & DIAMOND JEWELRY



Market Report | Q2 2023

COMPILED BY WHITE PINE WHOLESALE LLC

FOREWORD

In this quarterly recycled diamond report, we delve into the current state of the diamond industry and examine the ever-expanding role that recycled diamonds are playing in shaping its future. As we reach the end of Q2 2023, it is evident that the demand for ethically-sourced and sustainable diamonds is steadily on the rise, and recycled diamonds are uniquely positioned to meet this growing trend.

Throughout recent years, consumers have increasingly sought diamonds with transparent, ethical, and sustainable origins. In this regard, recycled diamonds have emerged as a compelling solution, as they not only align with the principles of environmental responsibility but also carry the emotional appeal of breathing new life into pre-existing gems.

However, amidst the ascendancy of recycled diamonds, we must also recognize the uncertainties introduced by the presence of lab-grown diamonds in the market. While these diamonds are often positioned as affordable and eco-friendly alternatives, it is essential to acknowledge that they lack the intrinsic rarity and historical significance that natural diamonds possess. Furthermore, not all lab-grown diamonds are produced with the same level of ethical and sustainable practices.

Nonetheless, we retain our optimism regarding the future of the diamond industry and the integral role that recycled diamonds will continue to play. As consumers become increasingly conscientious about the impact of their diamond purchases, we firmly believe that the demand for recycled diamonds will continue to gain momentum.

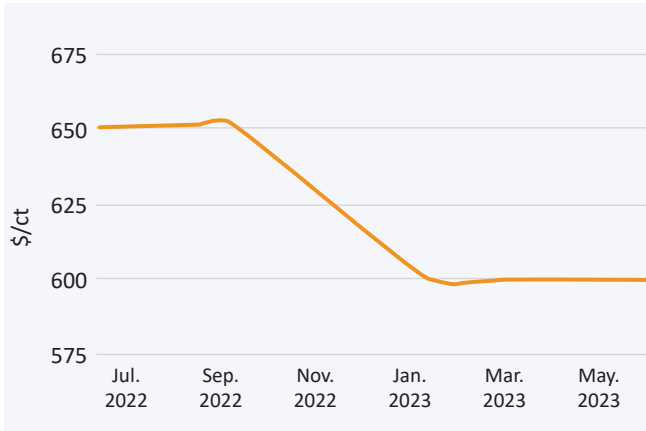
This report seeks to offer valuable insights to those operating within the diamond industry, as well as to consumers seeking responsible and sustainable diamond options. By working collaboratively, we can further the transformation of the industry towards greater responsibility and sustainability.

As we reflect on the developments at the end of Q2 2023, let us collectively forge ahead, ensuring that the diamond industry not only thrives but also embraces its role in building a more responsible and sustainable future. Together, we can achieve a brighter, more brilliant tomorrow for the diamond industry and the world at large.

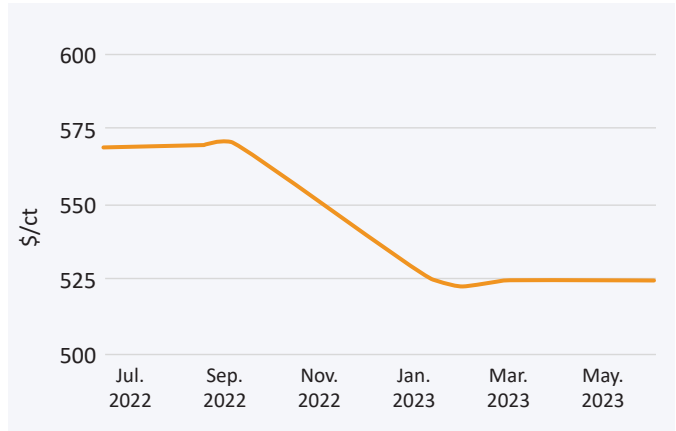
MARKET PRICE MOVEMENTS

12 Months Natural Recycled Pricing Trends - White Pine VS & SI2

Last 12 Month Price Trend of VS -2.5 Sieve



Last 12 Month Price Trend of SI2 -2.5 Sieve

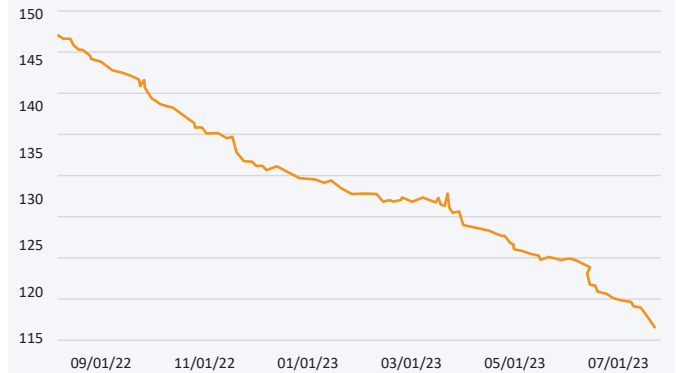


% change of the average carat price of D-I colour and VVS2-SI2 on PriceScope.com since 1/11/2008 - 7/1/2023



Source: Polished price chart sourced from pricescope

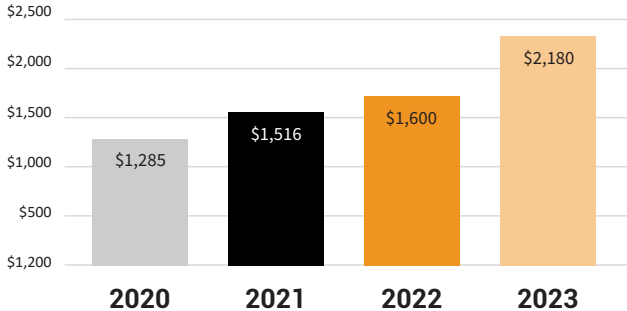
Iindex Diamond Index Over Last 12 Months



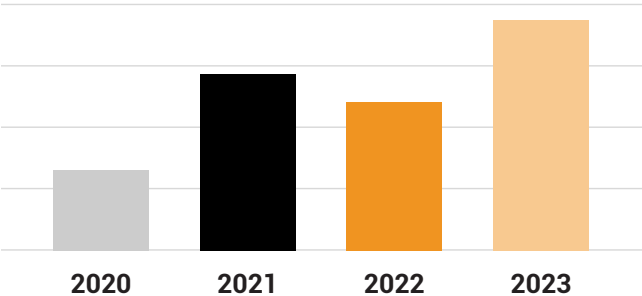
HISTORIC COMPARISONS

Q2 Average Diamond Order Value


Q2 Average Diamond Order Value




Q2 Volume Comparison

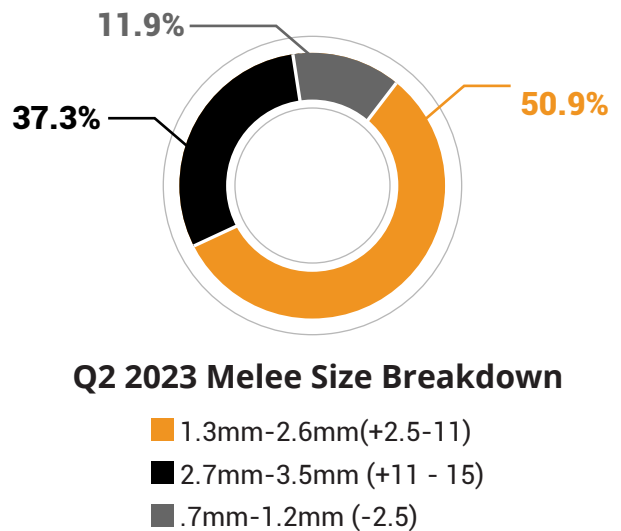
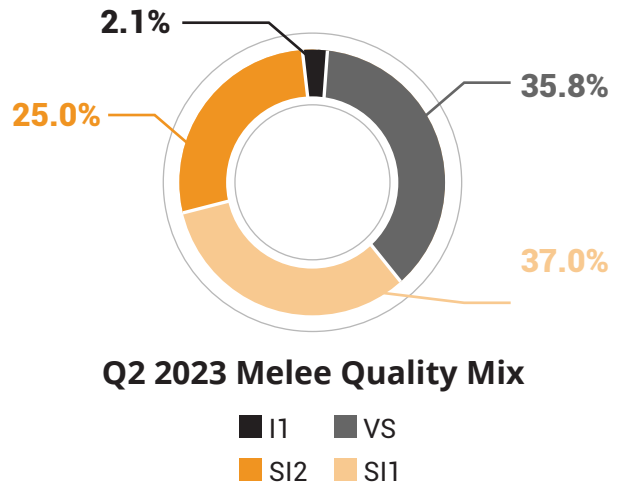


MELEE SALES

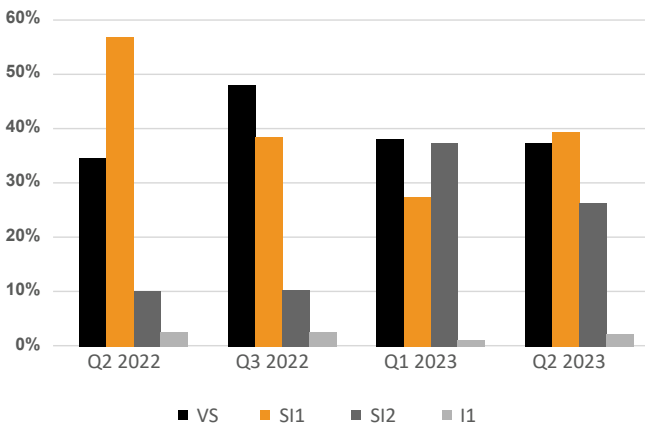
 Demand for VS quality has remained consistent with Q1, but there has been a shift in demand from SI2 to SI1 quality.

 There was a rise in the purchasing of larger melee sizes (+11 - 15).

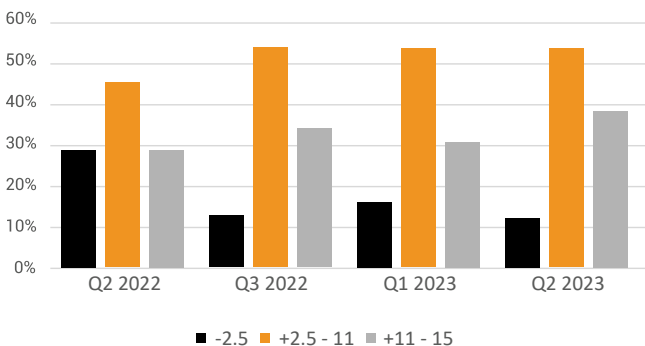
 **CONCLUSION:** Melee prices have remained consistent this year and have allowed jewelry professionals to find their footing with price points and the diamond quality they are using. Jewelers have found value in offering SI1 and SI2 quality melee, which accounts for 62% of melee sold.



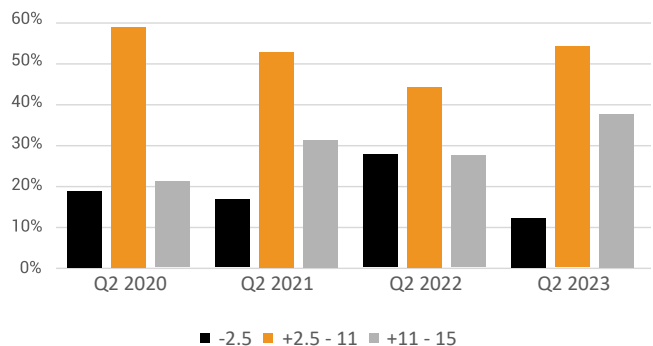
1 Year Melee Quality Mix Comparison



1 Year Melee Sieve Size Breakdown Comparison




Q2 Quarterly Melee Sieve Sizes Comparison

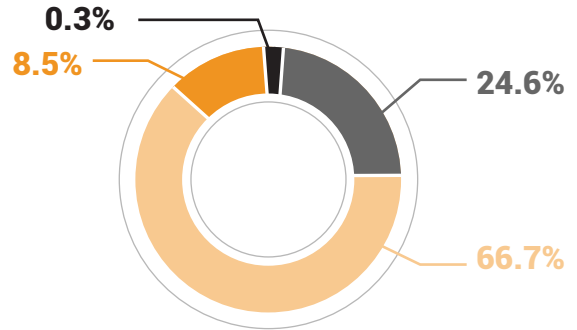


POINTERS SALES

 Customer demand has shifted heavily to SI1 quality diamonds from I1 and SI2. There has been no demand for I1 quality melee in the pointers sizes.

 Slight increase from Q1 in the demand for 1/5s - 1/4s while demand for 1/3s - 3/8s decreases.

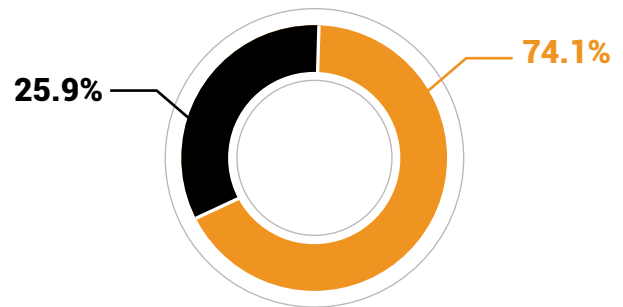
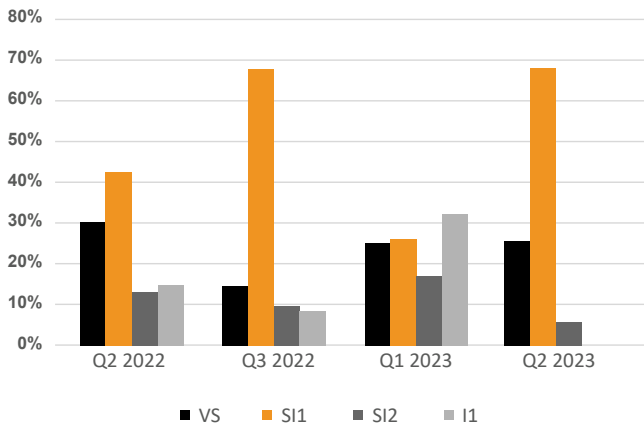
 **CONCLUSION:** Lab grown diamonds have severely impacted the diamond market and demand for pointers, particularly in the lower qualities. The market for pointers in I1 and SI2 qualities have been negatively impacted by lab grown, which offers customers higher quality goods at affordable prices. Demand for VS quality in pointers has remained consistent, while we've seen a major shift from SI2 and I1 to SI1 due to the influence of lab grown diamonds.



Q2 2023 Pointers Quality Mix

■ I1 ■ VS
■ SI2 ■ SI1

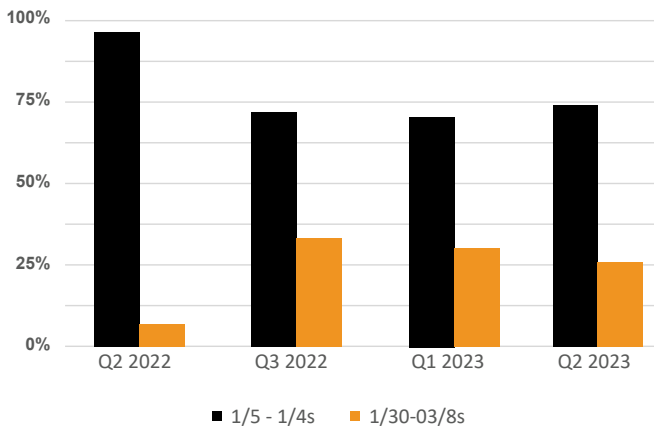
1 Year Pointers Quality Mix Comparison



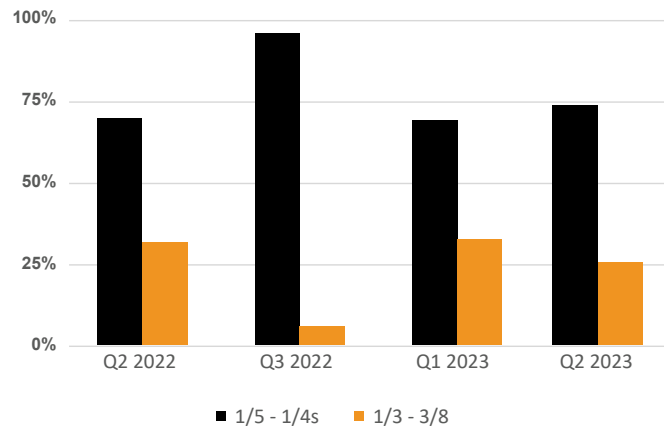
Q2 2023 Pointers Size Breakdown

■ 1/5 - 1/4s
■ 1/3 - 3/8s

Q2 Quarterly Pointers Sieve Size Comparison



1 Year Comparison Of Pointers Sales By Size



LOOKING AHEAD

THE FUTURE OF THE DIAMOND INDUSTRY**

By **Benjamin Burne**, CEO, White Pine Wholesale LLC

Industry Trends

The diamond industry has always been a fascinating and dynamic market, with trends constantly shifting. As we move further into 2023, certain patterns have emerged that provide valuable insights into the future direction of the industry.

1. Bigger Pieces and Statement Jewelry

Despite the rise of lab-grown diamonds, there remains a strong demand for bigger pieces of finished jewelry and larger diamonds. Customers are still willing to invest in these statement pieces, albeit at lower prices in some cases. The allure of owning a remarkable, sizable diamond continues to attract buyers, maintaining a steady market for these precious gems.

2. Lab-Grown Diamonds Challenging Commercial Jewelry

Lab-grown diamonds are challenging natural diamonds especially those of SI2 to I2 qualities in bigger sizes. Their ability to offer high quality, man-made diamonds at more affordable prices has posed a challenge to traditional commercial diamond jewelry. As a result, this segment of the industry is struggling to compete, and retailers are facing the choice of adapting to the demand for lab-grown diamonds or finding innovative ways to differentiate their natural diamond offerings.

3. The Popularity of Yellow Gold

Yellow gold has stood the test of time and has retained its popularity among consumers. In fact, it has been outselling white gold, particularly for anything other than basic pieces. The enduring appeal of yellow gold jewelry has contributed to its sustained success in the market.

Diamond Prices

The most significant question looming over the diamond industry in 2023 is the trajectory of diamond prices. In the first half of the year, natural diamond prices experienced a notable decline, prompting speculation about the future direction of the market.

1. Two Possibilities for Diamond Prices

There are two plausible scenarios for diamond prices going forward. The first is that natural diamond prices will continue to decline due to the rise of lab-grown diamond production. As technology improves and lab-grown diamonds become more prevalent, the pressure on natural diamond prices could persist.

The second possibility is that diamond prices will find a floor at some level, and demand will start to pick up. Several factors will play a critical role in determining this outcome, including the cost of production, consumer demand, and the industry's attitude towards lab-grown diamonds.

2. Industry Response to Lab-Grown Diamonds

Currently, the industry and independent jewelers have been relatively open to incorporating lab-grown diamonds into their offerings. This has allowed them to tap into a new market segment and enjoy healthy profits. However, as competition intensifies, and profit margins shrink, some jewelers might reconsider their approach. It is plausible that over the next 12 to 24 months, independent jewelers might react against lab-grown diamonds and promote natural diamonds in a coordinated effort. As the reduced revenue and shrinking margins become less sustainable, natural diamonds may make a comeback among independent jewelers. In the meantime, the momentum of price declines is likely to continue until the 4th quarter, where seasonal demand may provide some stabilization for the remainder of the year.

3. Cautious Optimism and Uncertainties

While these scenarios provide some insights into the potential direction of diamond prices, it's essential to exercise caution. The future of the diamond industry is subject to a multitude of factors and uncertainties. Market dynamics, consumer preferences, technological advancements, and economic conditions all play significant roles in shaping the industry's trajectory.

Final Thoughts

The diamond industry continues to evolve, with various trends shaping its landscape in 2023. Bigger pieces and statement jewelry maintain their appeal, while lab-grown diamonds challenge traditional commercial jewelry. Yellow gold remains a popular choice among consumers. Regarding diamond prices, the future is uncertain, with two distinct possibilities on the horizon. As the industry responds to the rise of lab-grown diamonds, the next 12 to 24 months will likely be crucial in shaping the direction of diamond prices and the overall market landscape. As always, it is essential to remember that forward-looking statements are based on present expectations and are subject to potential changes based on a variety of factors. The diamond industry's future will depend on the ability of stakeholders to navigate these uncertainties and adapt to emerging trends, ensuring a resilient and thriving market for diamonds in the years to come.

*All forward-looking statements are management's present expectations of **future events** and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.*

