

# Challenges and opportunities in Panyu, China's premier jewellery manufacturing hub

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A recent research by the Gemological Institute of America (GIA) looked into the challenges and opportunities in Panyu, a small district of Guangzhou in Guangdong province, that is rising to become China's premier jewellery manufacturing hub.

The **study**, conducted by Dr. Tao Hsu, technical editor of Gems & Gemology, and Andrew Lucas, manager of Field Gemology for Content Strategy at GIA in Carlsbad, noted how increasing costs are encouraging factories to invest in advanced manufacturing technologies and expand into online sales platforms.

Established in 1986, Panyu's gem and jewellery industry now accounts for about 25 percent of Hong Kong's and China's combined annual jewellery exports and 60 percent of annual nationwide jewellery production.

Panyu workers set more than 70 tons of coloured stones into jewellery every year. Its exports surged from \$2.53 billion in 2011 to \$4.13 billion in 2013, with an annual growth rate of almost 28 percent. According to the GIA report, 70 percent of jewellery exported from Hong Kong and 90 percent of jewellery branded and sold in Hong Kong is manufactured in Panyu.

Panyu also has more than 1,600 coloured stone cutting factories. Panyu gem cutters created the famous "China Cut" for diamonds and coloured stones. It has now become a worldwide brand and the pride of Chinese gem and jewellery manufacturers.

Many of Panyu's existing resources are shared with its surrounding towns, a few of which have also developed into jewellery manufacturing hubs. Hong Kong's big three – Chow Tai Fook Jewellery Group Ltd, Chow Sang Sang Holdings International Ltd, and Luk Fook Holdings (International) Ltd – have all opened factories in the greater Panyu area, according to GIA.

Due to rising labour costs, many jewellery manufacturers claim they have had to raise employees' wages about 15 percent each year over the past several years, resulting in narrow profit margins. Another problem arises from the reliance on exports and external economies.

To address increasing costs, many factories have invested in more-advanced manufacturing technologies to reduce long-term labour costs, and opened e-commerce platforms that provide services such as warehousing, import and export customs clearance and transportation, GIA said.



Chow Tai Fook's jewellery manufacturing plant in Foshan

Photo courtesy of Chow Tai Fook