
Main reason of decline in Armenia's the jewelry industry due to global crisis

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The main reason of decline in the jewelry industry of Armenia's economy is the global crisis. Gagik Mkrtchyan, head of the department for precious stones and jewelry, run by the ministry of trade and economic development, reported Tuesday, Armenia, as well as other countries involved in diamond cutting were the first to experience that impact.

"And, despite the worldwide tendencies of overcoming the crisis, its consequences will be felt for a long time. Now for Armenia a pressing issue is to overcome these consequences," he said.

According to Mkrtchyan, in January-June 2007, jewelry output totaled AMD 24,633bln (\$72.7mln) compared to AMD 47,463mln (\$140.2mln) in the corresponding period of 2006.

"Thus, a 48% decline is being observed in the industry's production," he reported.

Mkrtchyan also said the sales of jewelry output totaled AMD 23,835mln (\$70.4mln) in the accounting period, and export - AMD 23,579bln (\$69.6mln) compared to AMD 47,724bln (\$140.9mln) and AMD 46,204bln (\$136.5mln) respectively in the corresponding period of the previous year.

Touching upon the reasons of that decline, Mkrtchyan pointed out that a specific increase in expenses is connected with decrease in export opportunities, which in its turn is due to the national currency revaluation.

"However, I tend to believe that this reason is not primary, and the country has sufficient resources to overcome it," he said and added that a rather serious impact on the development of that sector in Armenia is made by China's expansion, which has become a competitive country with higher efficiency and quality of products.

Among other reasons of the decline, Mkrtchyan pointed to the interruption of diamond raw materials supply to Armenia from Russia beginning from 2006.

"Manufacturers of the diamond cutting industry aim to sell products in their countries provided that favorable conditions for business are created. That is why, the problem of raw materials is acute in the countries that do not have it," he said.

According to Mkrtchyan, the readiness of Armenian companies and enterprises for enduring the competition in world markets should play a big role in development of that industry.

"Because Armenian companies are not prepared from the viewpoint of technological and financial management, they do not withstand the world competition," he reported.

At the same time, Mkrtchyan added that under the conditions of a touch competition, additional steps should be taken, such as increasing quality of

products and reequipping enterprises.

According to the department, jewelry products in Armenia in 2006 totaled AMD 88,048 (\$244.6mln) compared to AMD 112,194bln (\$311.7mln) in 2005. The sales totaled AMD 88,993bln (\$247.2mln) compared to AMD 111,293bln (\$309.2mln) in 2005. Export in the accounting period totaled AMD 87,076bln (about \$242mln) compared to AMD 109,665bln (\$304.7mln) in 2005.